



The Phoenix Committee on Foreign Relations

How China's Belt and Road Initiative ("BRI") is Transforming Global Infrastructure and Connectivity to Empower Indigenous and International Entrepreneurs to Create Jobs, Transfer Technology, Generate Wealth, and Change the Future of Economic Development"



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Gainey Ranch Golf Club
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* Special thanks to Susan Chen, Jeffrey Fu, Anne Lu, Ellen Tung, and Shunhe Wang

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- **Private enterprises attracted to developing regions by the BRI create jobs and wealth by investing in local communities and transferring skills.**
 - Create jobs
 - Transfer Employable Skills
 - Bring Information Communications Technology and expertise
 - Build Industrial Chains

The Belt and Road Initiative uses Chinese state capital and expertise to provide the physical tools to succeed in developing regions



“Belt and Road Initiative”

- Combines ancient land and maritime silk roads
 - Creates **global connectivity** and co-invests with other countries for **future collective well-being**
 - Connects 71 nations across central Asia, Europe, Middle East, Africa, and further in Latin America and the rest of the developing world
 - Delivers improved infrastructure which will increase economic efficiency and lower the cost of delivering goods to market
 - **Real Story: Digital connectivity not just traditional infrastructure**
-

The New Silk Road: Expected to Generate \$2.5 Trillion in Trade in a Decade



“We need to seek win-win results through greater openness and cooperation, avoid fragmentation, refrain from setting inhibitive thresholds for cooperation or pursuing exclusive arrangements and reject protectionism.”

– President Xi Jinping at the 2017 Belt and Road Forum

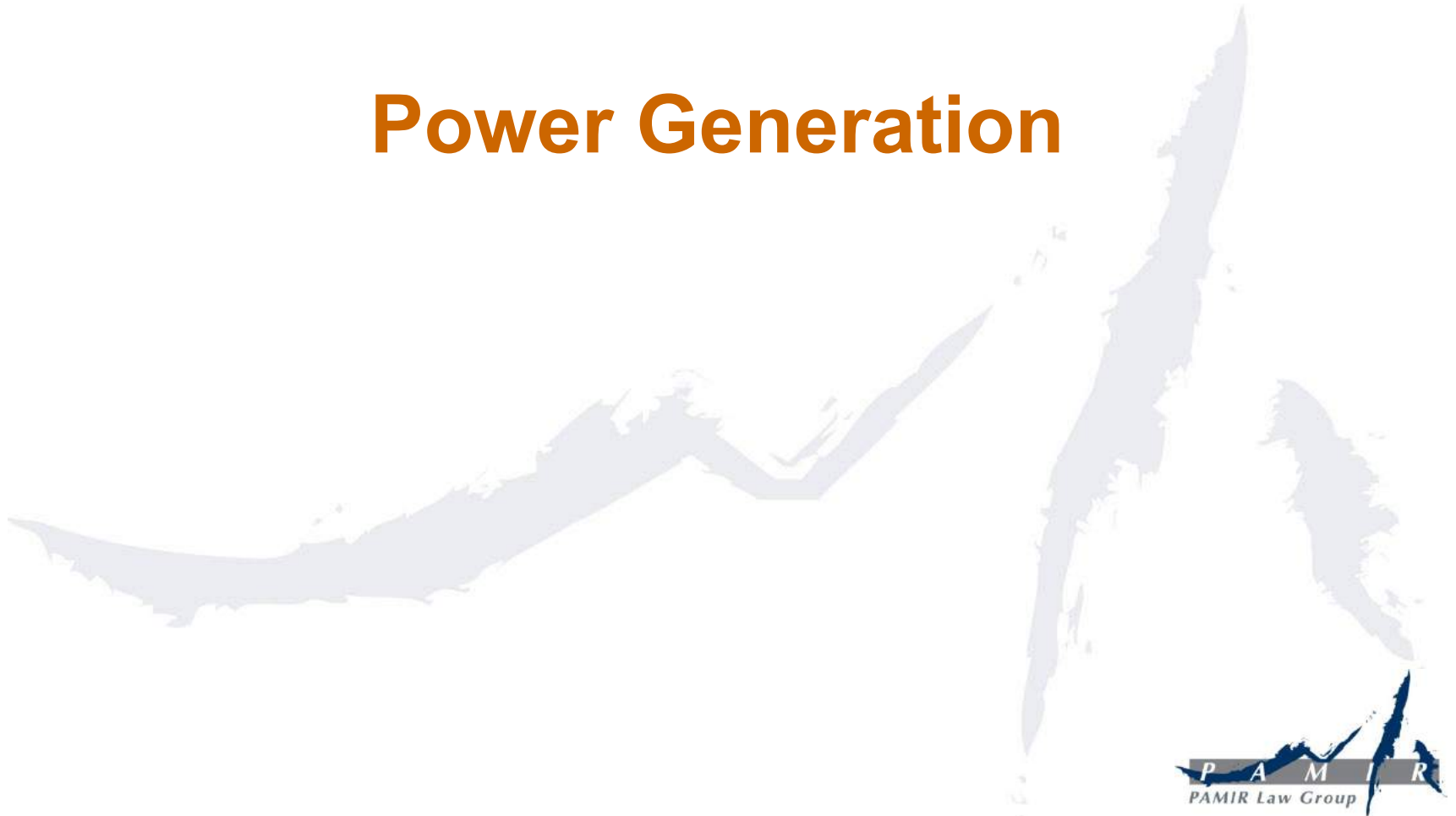


China Invests In:

- **Power Generation**
- **Energy and Transportation**
- **Natural Resources/Mining**
- **General Infrastructure and Foreign Aid**
- **A Picture is Worth a Thousand Words**



Power Generation



Argentina: \$11 billion currency swap for projects including 2 new hydro power plants



An aerial photograph showing a large concrete dam under construction or recently completed. The dam spans a wide river. To the left of the dam, a dirt road runs along the riverbank. In the foreground, several large, curved concrete spillways are visible. The background features lush green mountains under a clear sky.

Myanmar: US\$10 billion agreement to construct deep-sea port and industrial area in Kyaukpyu

An aerial photograph of Victoria Falls, showing the Zambezi River cascading over a wide, rocky ledge. The water is a deep blue, and white mist rises from the falls. The surrounding landscape is a mix of green vegetation and dry, brownish terrain. A road with a line of cars is visible on the right side of the image.

Zimbabwe:

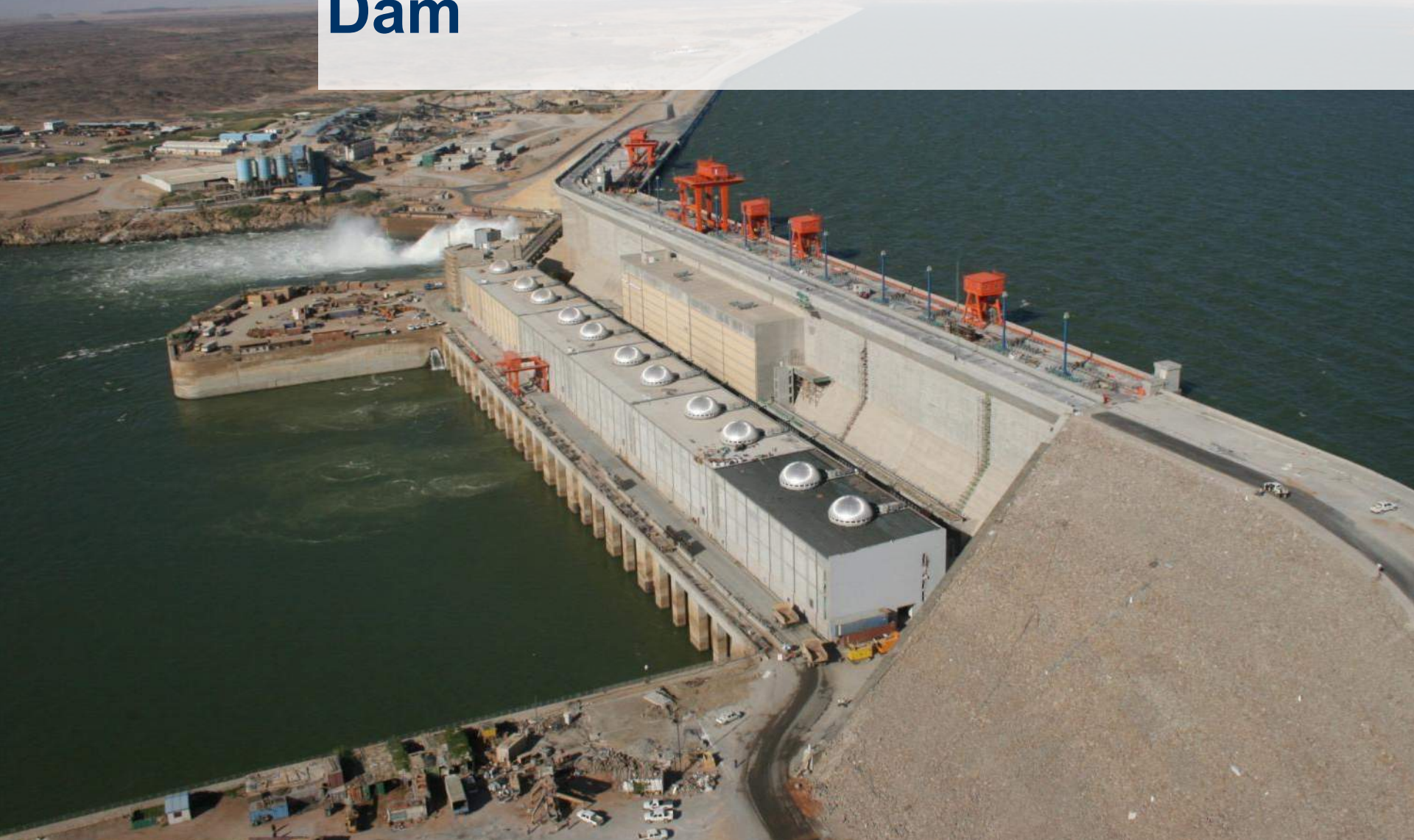
\$2 billion deal for future construction of a coal mine, power station and dam secured against future Zimbabwean mining tax revenues.



Ghana:

US\$562 million for construction of Bui Dam in Brong Ahafo region

Sudan: US\$608 Million for Merowe Dam



Energy and Transportation

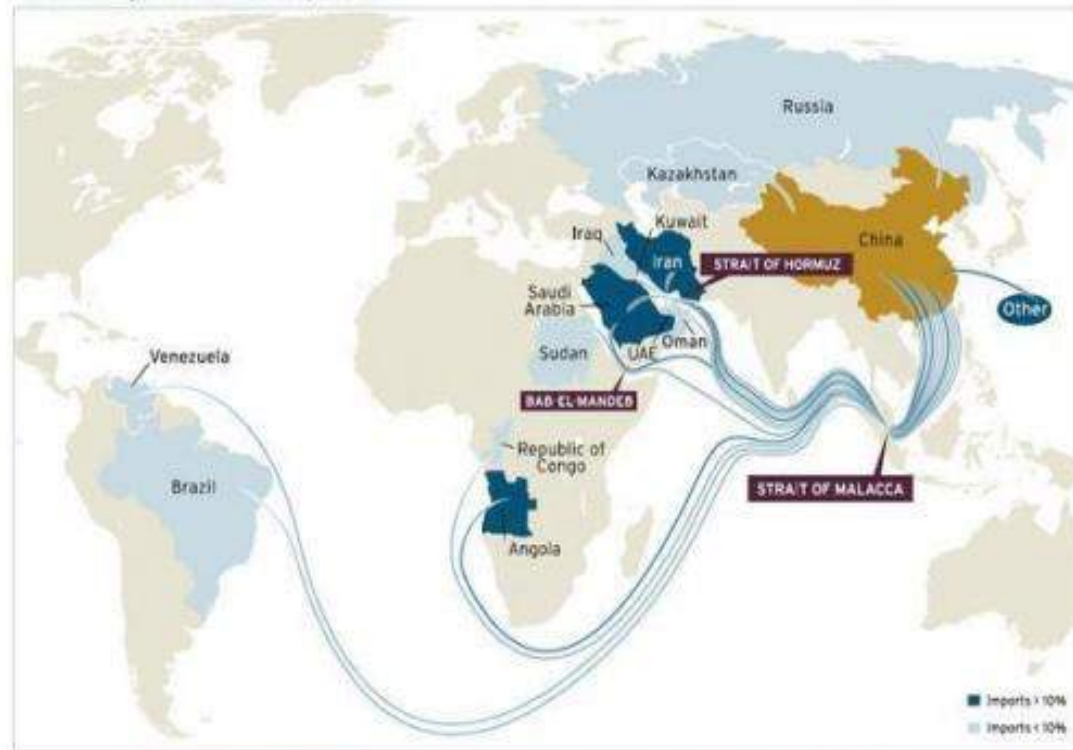


China's (Very Diversified) Oil Imports 80% via Malacca Strait

- Saudi Arabia 19%
- Angola 14%
- Russia 9%
- Oman 9%
- Iran 8%
- Iraq 8%
- Venezuela 6%
- Kazakhstan 4%
- UAE 4%

-Ian Bremmer, Eurasia Group


China Import Countries, 2011



Country	Saudi Arabia	Angola	Iran	Russia	Oman	Iraq	Sudan	Venezuela	Kazakhstan	Kuwait	UAE	Brazil	Republic of Congo	Other
Percentage of Imports	19.8	12.3	10.9	7.8	7.2	5.4	5.1	4.9	4.4	3.8	2.7	2.6	2.2	15.3
Thousand Barrels	366,825	227,395	202,575	144,075	132,495	100,740	94,900	83,950	81,760	69,775	49,275	48,990	41,245	208,780

Created by Marcia Underwood of the Brookings Institution with data compiled from the U.S. Energy Information Agency's China Country Report 2012. <http://www.eia.gov/countries/cab.cfm?fips=CH>

China's Top Providers of Imported Crude Oil (2017, numbers in billion USD)

- | | |
|-----------------------|-------------------|
| 1. Russia, 23.7 | 10. UAE, 4.1 |
| 2. Saudi Arabia, 20.5 | 11. UK, 3.6 |
| 3. Angola, 19.8 | 12. Congo, 3.37 |
| 4. Iraq, 13.8 | 13. Colombia, 3.2 |
| 5. Oman, 12.2 | 14. US, 3.2 |
| 6. Iran, 11.9 | 15. Malaysia, 2.6 |
| 7. Brazil, 8.8 | |
| 8. Kuwait, 7.1 | |
| 9. Venezuela, 6.6 | |
- 

- **In 2014, China signed with Russia**
 - May: 38 billion cubic meters of gas worth \$400 billion
 - November: Additional 30 billion cubic meters over 30 years
 - As of Summer 2018: 3,000 km of pipeline almost finished

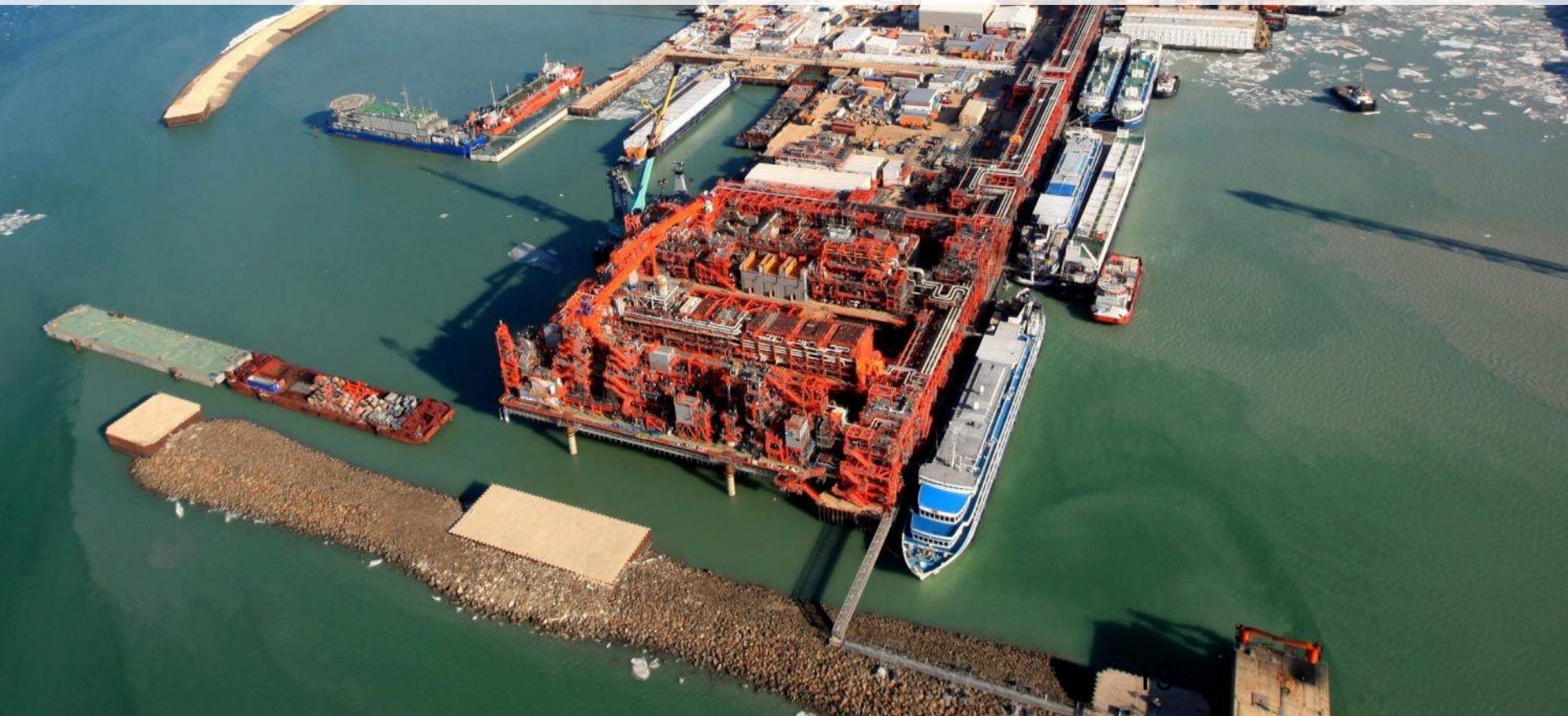




Venezuela: \$62.2bn in 17 loan tranches in the last decade

Kazakhstan: US\$ 53.6 Billion in Deals

- US\$30bn in energy related deals, including \$5 billion for CNPC to acquire 8% stake in Kashagan oil and gas field
- US\$23.6bn in other deals including steel, non-ferrous metals, sheet glass, oil refining, hydropower and automobile



Pakistan: US \$62 billion for China-Pakistan Economic Corridor

- Network of roads, rail and ports to access the port of Gwadar and nearby Persian Gulf and Strait of Hormuz
- Potential to open the door to oil pipeline to Iran



COPHC will develop Gwadar Port into a Regional Trade Hub for the Future using Local Talent

- China Overseas Port Holding Company (COPHC) has been awarded a **40 year lease** for the development of **Gwadar Port and Gwadar Free Zone**
- Once port factories are set up, fishermen have a chance to choose **alternative lines of work**, such as fish processing, welding, crane and forklift operation, motor winding, and value addition.
- According to reports by The Diplomat, environmental agreement with investors **bans the use of electricity produced from coal and other dirty fuels**, ensuring that the future of the port is environmentally sustainable and based on renewables.

Real Story on BRI: Traditional Infrastructure vs. Digital Connectivity

- Long-term plan for the China-Pakistan Economic Corridor (CPEC):
- Major element is a transportation link between far western Xinjiang Province in China and the port of Gwadar in south-western Pakistan.
- China to gain access to an Indian Ocean port
- China to lease “thousands of acres of agricultural land,” and to install “a full system of monitoring and surveillance...in cities from Peshawar to Karachi, with 24-hour video recordings on roads and busy marketplaces for law and order.”
- CPEC plan for Pakistan’s digital future” to be completed in 2030:
 - A “**new, upgraded fiber optic cable network**” that covers Pakistan and “crosses the border to connect directly with China” following the route of the Karakoram highway
 - The new network will **improve communications** between the two countries, and allow them to **avoid routing data through Europe, the U.S., and India.**
 - China also has its own **increasing international telecommunications** service demands, which will necessitate additional international bandwidth
 - New network should **improve internet penetration and speed in Pakistan**, as well as provide **landlocked central Asian countries** with alternative communication routes.
 - New China-built networks will also give the Chinese government **enhanced surveillance capacity, not only in Xinjiang**, but over all countries that use Chinese optic fiber to connect.

Gwadar



Nigeria: US \$23 billion loan for construction of oil refineries and petrochemical plant, with plans to invest an additional US \$40 billion in the Nigerian economy



A worker in a green uniform and yellow hard hat is operating blue industrial valves with red handles at a facility. The background shows other industrial structures and a clear sky.

Ukraine: US \$7 billion in joint projects, including transportation, infrastructure, and renewable energy

US \$22 billion in Energy Deals in Uzbekistan

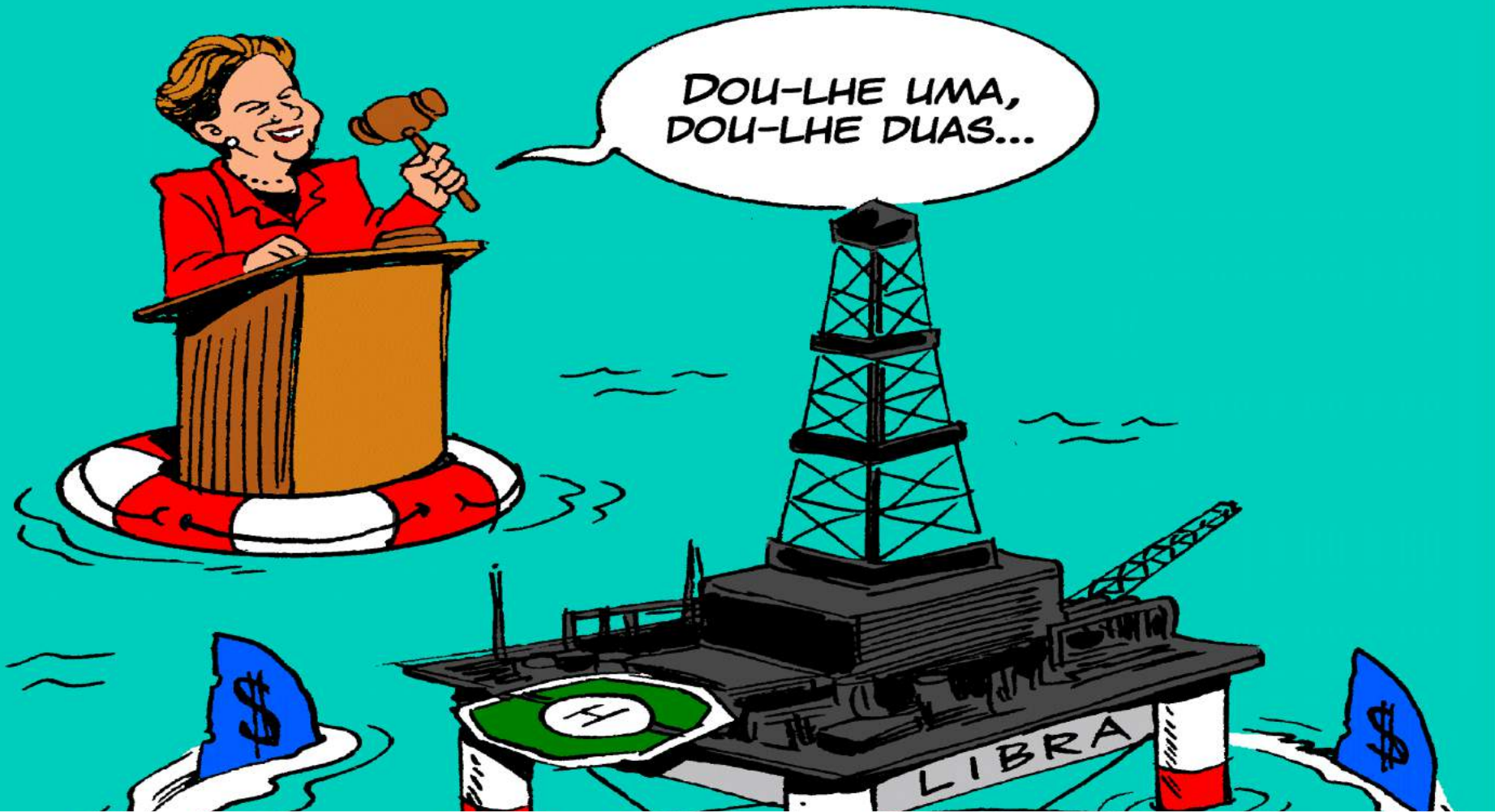
New oil pipeline and cross-border railway planned





US \$7.31 billion investment in Central Asia- China gas pipeline

4 lines from Turkmenistan to Xinjiang

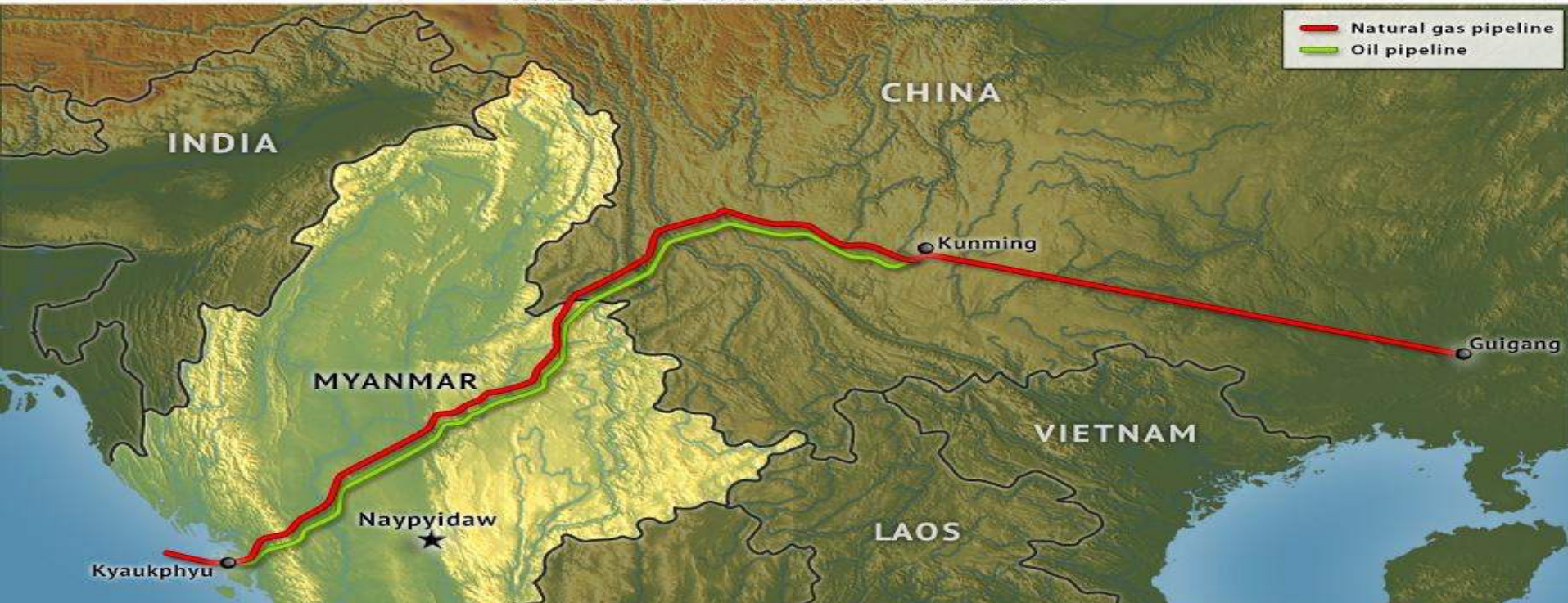


Brazil: Libra Deep Water Oil Field

- CNPC and CNOOC each hold 10% stakes in the oil field
- Expected to produce 600,000 barrels a day in coming years

LATU
2013
D'INCAO

THE SINO-MYANMAR PIPELINE



Myanmar: \$2.6bn oil and gas pipelines

- Connecting Kyaukphyu and Kunming
- Gas pipeline completed in 2013, oil pipeline completed in 2014

Andaman Sea

THE KRA CANAL — AND THE — DEVELOPMENT OF SOUTHEAST ASIA

● TRANG

PHATTALUNG ●

HAT YAI ●

● SATUN

KRA CANAL

TH

The Kra Canal Vs. Straits of Malacca



Isthmus of Kra and the Strait of Malacca

Russia: Beijing-Moscow High Speed Rail Link

- US\$242 billion cost
- Construction of first segment between Moscow and Kazan (772 km long) scheduled to begin in 2018 and be completed in 2020
- Expected to cut Moscow-Kazan journey from 12 hours to 3.5 hours and Moscow-Beijing journey from 6 days to 2 days



Kazakhstan: US \$27 billion investment in 51 joint industrial projects

- **Oil and gas, chemical, energy, mining, metallurgical, agricultural and machine-building sectors**





New East African Railway

- US\$13 billion plans to link Uganda, Burundi, Rwanda, South Sudan, Ethiopia, Tanzania, and Kenya
- First leg connecting Kenya's capital Nairobi to port city of Mombasa opened June 2017
- First major rail infrastructure project since colonial times
- Cut travel time between Nairobi and Mombasa from 12 hours to 4.5 hours, cost savings are expected to boost Kenyan GDP by 1.5%

Sources:

<https://www.cnn.com/2016/11/21/africa/chinese-funded-railways-in-africa/index.html>

<https://qz.com/996255/kenyas-3-2-billion-nairobi-mombasa-rail-line-opens-with-help-from-china/>

<https://www.brookings.edu/blog/africa-in-focus/2017/07/06/china-and-the-east-africa-railways-beyond-full-industry-chain-export/>

<http://www.bbc.com/news/world-africa-40171095>

New East African Railway

- China's EXIM Bank financed 90% of the first stage (300-mile railway joining Mombasa with Kenya's capital, Nairobi)
- US\$3.8bn, with work carried out by China Road and Bridge Corporation
- "The costs of moving our people and our goods... across our borders will fall sharply," Kenyan President Uhuru Kenyatta told a news conference after the signing of the deal. (From 20 US cents/metric ton per km to 8 US cents)
- Lowering the transport cost of goods throughout East Africa has potential to similarly lower the costs of exporting goods to China. Though not yet large-scale trade partners with China, Burundi, Rwanda, South Sudan and Uganda all have substantial natural resources to offer the PRC

New East African railway



Sources:

<https://www.reuters.com/article/us-kenya-china/china-east-african-leaders-sign-up-for-new-rail-link-idUSBREA4A03F20140511>

<https://www.brookings.edu/blog/africa-in-focus/2017/07/06/china-and-the-east-africa-railways-beyond-full-industry-chain-export/>

Argentina: US \$2.4 billion to modernize national railway company



Africa: 14 airports built with Chinese loans





Brazil/Peru: Proposed trilateral work group on transcontinental South American railway

- Two possible routes: From Santos, Brazil to Ilo, Peru or from Santos, Brazil to Matarani, Peru
- Projected cost of US 14 billion
- Estimated 3,750 km railway

Twin ocean railway: Main route and integration routes



China Merchants Port Buys TCP, Expanding Container Shipping in Latin America

- China Merchant Port Holdings (CMPH) acquired a **90% stake** in Terminal de Contêineres de Paranaguá (TCP), the **second largest port in Latin America**, for US\$924 million in 2017
 - Latin America accounts for **13% of global container shipping trade volume**, and has the **potential for massive growth** as trade continues to shift in favor of developing regions.
 - According to an Asia Shipping Group report, the Port of Paranaguá saw a **20% increase** in cargo handled between February 2016 and 2017.
 - Chinese **investment** in bulk and warehousing facilities in Paranaguá, combined with Chinese **expertise** in operating massive ports, will transform the port into an efficient terminal for future trade flows.
-

TCP



China Has Invested In Piraeus Port As Its Primary Port In the Mediterranean

- China Ocean Shipping Company (COSCO) acquired a **51% stake in Piraeus** for US\$312.51 million under a deal signed with the HRADF (Greece's privatization agency), purportedly when China invested in massive amounts of Greek treasury bills to relieve Greece's funding needs.
- COSCO signaled in 2016 that it would **invest up to 500 million euros** in Piraeus Port to upgrade cruise and shipping facilities.
- The port's throughput stood at 3,360,000 20-foot equivalent units in 2016, up from 880,000 in 2010 (**450%**).
- **Once the planned railway connecting the port with Belgrade and Budapest is built, China will be able to link its BRI initiatives in Asia to transportation networks in Europe via Piraeus, vastly expanding the economic impact of BRI.**

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)

Natural Resources/Mining



Peru: Las Bambas Copper Mine

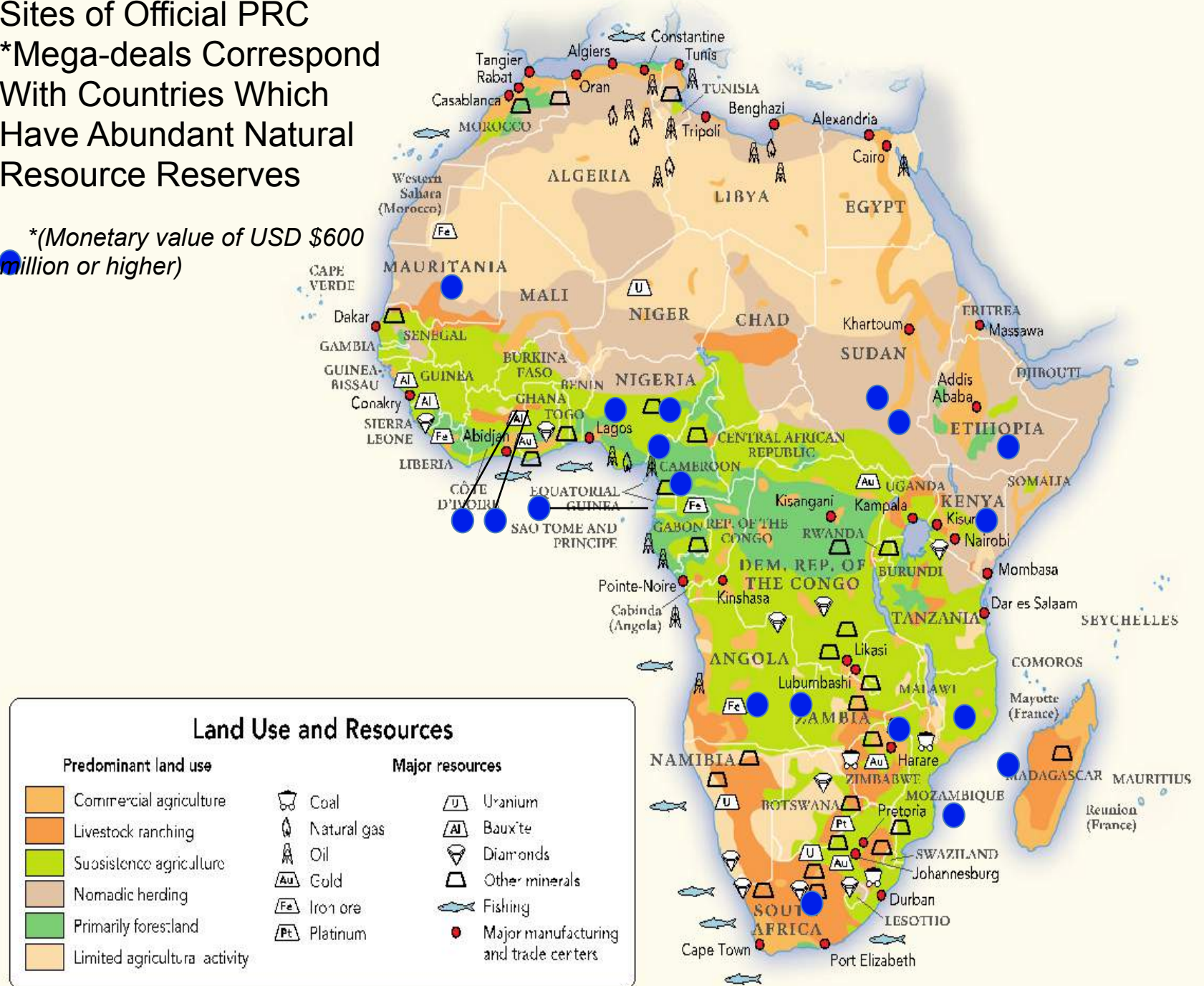
- Chinese consortium MMG Ltd. bought the mine for \$7 billion
- Largest transaction for a mining site in the history of Peru.



Sites of Official PRC

*Mega-deals Correspond With Countries Which Have Abundant Natural Resource Reserves

• *(Monetary value of USD \$600 million or higher)



General Infrastructure and Foreign Aid



Angola: US\$31.92 Billion in Financing

- \$2.8 Billion USD loan for rebuilding infrastructure



**Kazakhstan: 33 deals worth
US\$23.6 billion for steel, non-
ferrous metals, sheet glass, oil
refining, hydropower and
automobile**



Ghana: US\$23.42 Billion in Financing

- **US\$6 Billion loan from China's Exim Bank for transportation, sanitation and education**

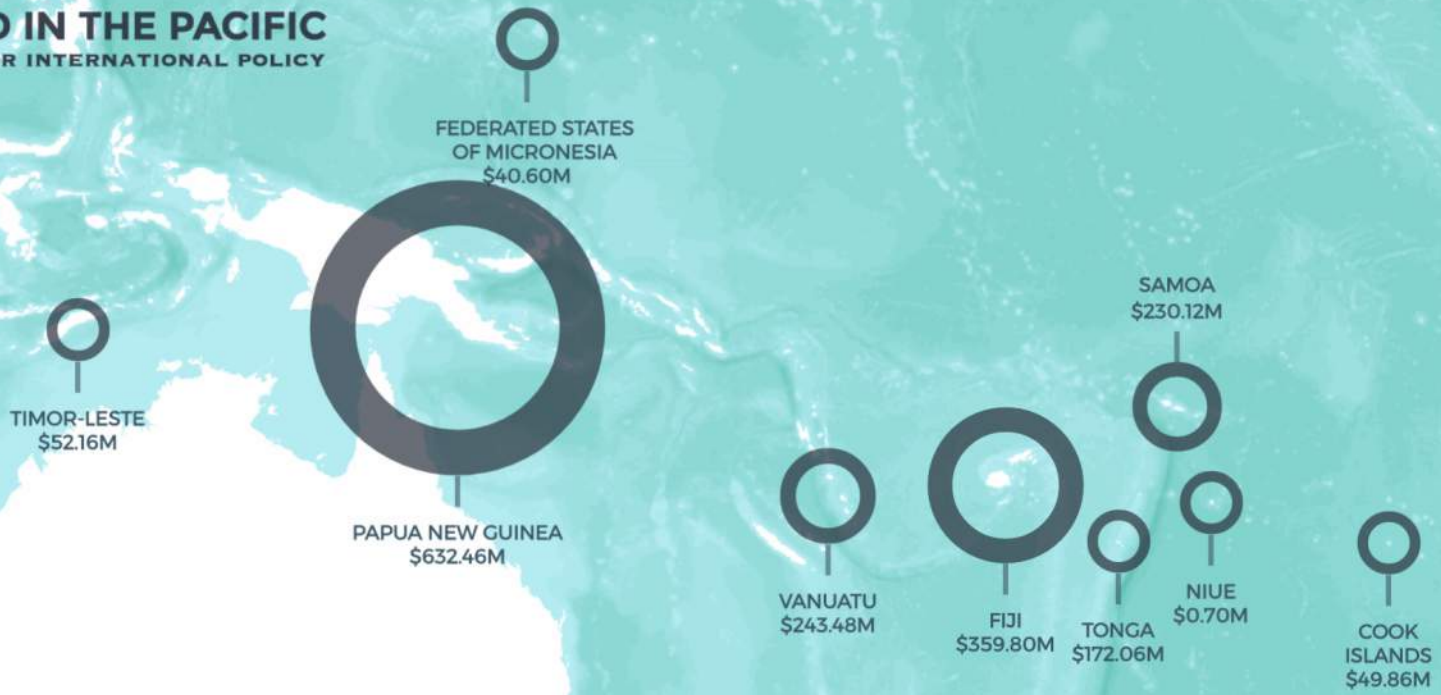


Africa

The head sovereign risk analyst of Export-Import Bank of China announced in November 2013 **that by 2025, China will have provided Africa with US\$1 trillion in financing, including direct investment, soft loans and commercial loans.**



CHINESE AID IN THE PACIFIC
LOWY INSTITUTE FOR INTERNATIONAL POLICY





Afghanistan: US\$320 million in general aid by 2016

**Another US\$90 million to Badakhshan province alone
for development projects in 2017**



How does China Finance its Outbound Investment?



Foreign Currency Reserves

- China has **US\$3.111 trillion** in foreign currency reserves as of June 2018
- The Chinese economy has slowed to a “new normal”
- Healthier and more sustainable annual growth of 6.5%
- The US and European economies continue to struggle with mature markets, an aging population, debt and productivity issues
- **Beijing has decided to invest part of its US \$3.1 trillion currency reserves both domestically and all around the world**
- **The sheer size of this initiative dwarfs the Marshall Plan**

China is #1 in FX Holdings by Far

Rank	Country	Foreign exchange reserves (US\$ MM)	As of
1	China	3,125,000	April 2018
2	Japan	1,256,018	April 2018
3	Switzerland	757,327	April 2018
4	Saudi Arabia	488,900	December 2017
5	Russia	461,000	June 2018
6	Taiwan	456,721	February 2018
7	India	413,109	June 15, 2018
8	Hong Kong	400,300	March 2018
9	South Korea	396,800	March 2018
10	Brazil	381,419	April 2018

How Does China Invest Abroad?



New Development Bank (BRICS Bank)

- \$100 billion authorized capital
- Aims to supplement IMF and World Bank
- In 2018, the president of NDB approved 6 projects with loans aggregating over USD 1.6 billion (21 projects, 5.1 billion total).



New Development Bank (BRICS Bank)

- Leaders of Brazil, Russia, India, China and South Africa (BRICS) are establishing a **development bank and a crisis-reserve fund**, separate from the post-WWII Bretton Woods World Bank/IMF
- The new BRICS Bank will be headquartered in Shanghai and will be composed of two institutions:
 - The New Development Bank - **\$50 billion initial capital to finance infrastructure and sustainable development projects**
 - The Contingent Reserve Arrangement - **\$100 billion initial capital to provide assistance to members in financial difficulty**
- New financial institutions will not only serve countries in South America that could benefit greatly from the proposed infrastructure projects, but they also allow China to assert itself in a region considered “America’s backyard”
- Concern that the BRICS countries may start to act as a trade bloc with their own development bank



China EXIM Bank

- Chartered to implement the state policies in industry, foreign trade, diplomacy, economy, and provide policy financial support so as to promote the export of Chinese products and services
- Focused on promoting foreign trade and investment as well as development assistance in concessional funding.
- US\$360 billion in assets as of 2016

Asian Infrastructure Investment Bank

- \$100 billion in capital mostly provided by China
- 57 founding members, currently 86 members.
- Nearly all of Western Europe joined (except Belgium)
- To date, the AIIB moved forward on 16 projects worth \$2.5 billion.



China Development Bank

- Responsible for raising funds for large infrastructure projects, including most of the funding for the Three Gorges Dam and Shanghai Pudong Int' Airport
- It is the engine that **powers the national government's economic development policies**
- This is roughly **more than twice as much as the World Bank**
- The CDB: at the end of 2016 it had disbursed more than 0.75 trillion USD in loans for roads, railways, aviation and ports.

Silk Road Infrastructure Fund

- **US\$ 124 billion managed by three financial institutions**
 - China Investment Corporation
 - China EXIM Bank
 - China Development Bank
 - **Its goal is to finance China's "Belt and Road" operations to revive the centuries old land and maritime trading route with strategic infrastructure investments in different countries**
 - **So far, has invested in construction of Mombasa-Nairobi Standard Gauge Railway, Karot Hydropower Project, and Yamal LNG Project**
-

Private enterprises attracted to developing regions by the BRI create jobs and wealth by investing in local communities and transferring skills.



Chinese Investment in Africa Creates Jobs

- In 2016, Ernst & Young (London) reported that China had **created over 130,000 jobs** in Africa **via 293 DFI projects** since 2005.
- “China ranks the 7th in terms of project numbers in Africa, but it **created the most jobs.**” (Jeremy Stevens, economist at Standard Bank Group)
- The World Bank study “Deal or no Deal: Strictly Business for China in Kenya,” found that “contrary to the popular belief that Chinese companies only hire Chinese workers, **93 percent of companies report hiring Kenyan employees.**” Between 2003 and 2015, DFI from China **created 166.92 jobs on average per project**, compared to the 100 jobs average per project by other nations.



Chinese Companies Hire Local

- In December 2016, Tang Xiaoyang, the deputy director of the Carnegie-Tsinghua Center for Global Policy conducted a survey and found:
- In the Democratic Republic of Congo, the proportion of Chinese staff employed at companies was **reduced on average from 33% to 16.8% within 5 years.**
- In Zambia ECCZ, the proportion of Chinese workers used fell from 44% in the early phase of construction, machinery installation, and training, to **less than 20%** after the production process became stabilized.
- In Ethiopia, China-Africa Overseas Tannery reduced the number of Chinese technicians by over 30% within one year, as local engineers were promoted to supervisory roles. Huajian shoe factory moved even faster, **replacing a third of Chinese employees with local ones within six months** of starting operations

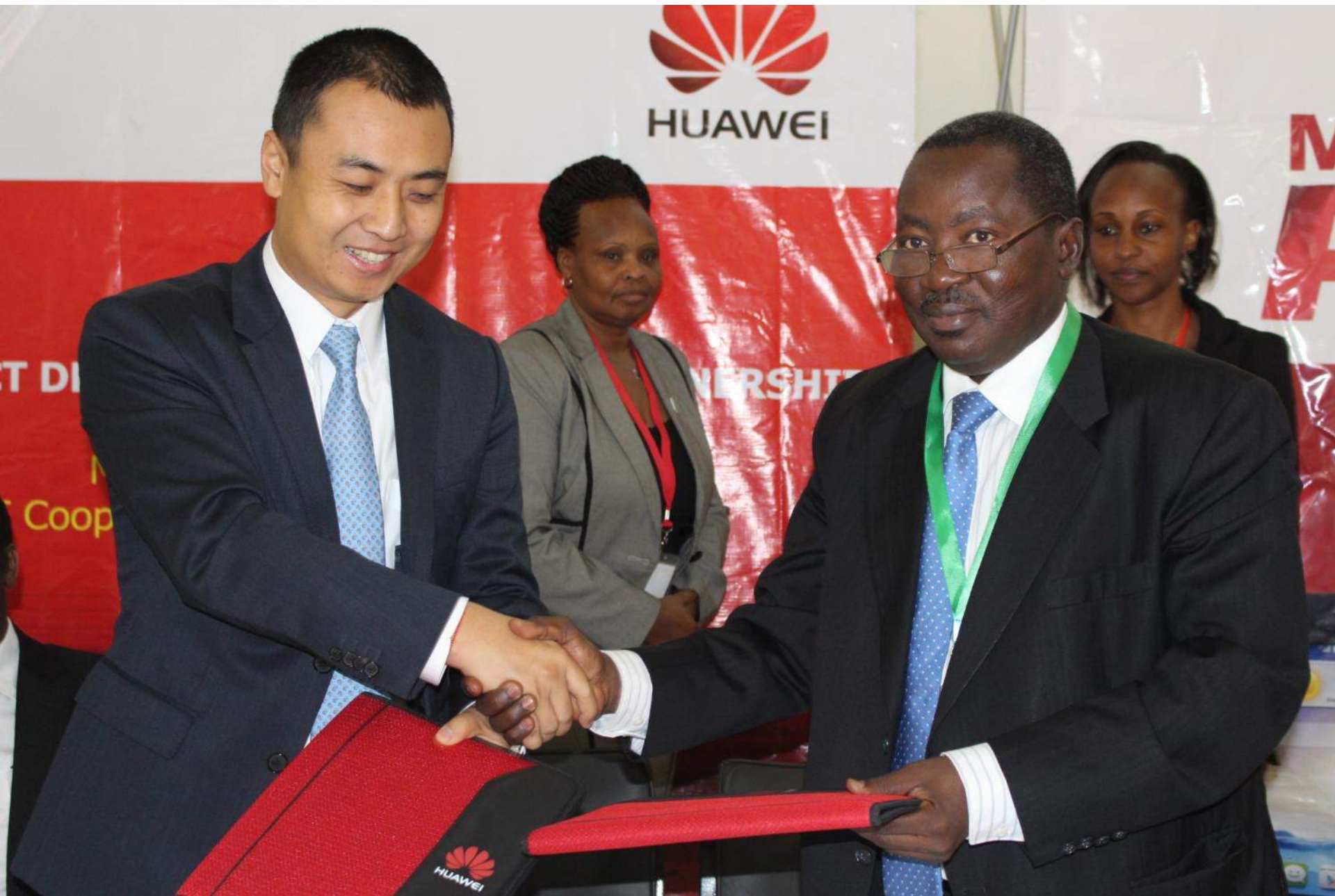
Case Study: CITIC Group Partners with Local Schools to Build Homes and Transfer Employable Skills

- CITIC Group is partnered with Angolan schools to train carpenters, electricians and other technicians for its large-scale project of constructing a new neighborhood on the outskirts of Luanda.
- The company provides funding and teachers to the school, and the students work for the company after their graduation.
- As of July 2017, the project has completed half of the 8,000 promised homes in the municipality of Viana, outside Luanda.
- These new housing units are constructed in accordance to the International Finance Corporation's (member of the World Bank Group) green building standards, delivering environmental sustainability.
- The World Bank Group estimates that by 2030, 40% of the world's population will need new housing units, and this demand for cost-efficient, environmentally-friendly construction expertise will offer enormous employment opportunities for the Angolan students trained at the CITIC BN Vocational School.



Case Study: Huawei Transfers Information Communications Technology and Expertise to Africa

- Deployed over 50,000 kilometers of optical fiber cable in Africa to provide better digital connectivity
 - Built over 500 new wireless base stations in Sri Lanka, reaching new households (80% of which had never accessed broadband before)
 - Provided network access for 50,000 Ethiopian students across 64 schools to learn more efficiently and transform education
 - Huawei held joint initiatives with the Bangladesh government and local telecom carrier to provide ICT training to 240,000 women across 64 districts
 - Huawei's flagship program "Seeds for the Future" nurtured over 30,000 next generation ICT talents worldwide
 - The African Development Bank reports that access to Internet in Africa has grown 20-fold in just four years, making ICT one of most dynamic growing sectors on the continent and ICT expertise valuable to both job-seekers and employers.
-



Case Study: Huajian Builds Industrial Chains in Ethiopia

- Huajian, an international shoemaking company, set up a factory in Ethiopia in 2011, as part of a plan to invest US\$2 billion over 10 years in developing manufacturing clusters focused on shoemaking for export. Since 2012, it has employed over 4,000 people, of which more than 90% are local hires. Every year, about 2,400,000 pairs of shoes, bringing profits to the Chinese company and US\$20 million foreign exchange earnings to Ethiopia.
- "We are not coming all the way here just to reduce our costs by 10 to 20%. Our aim is in 10 years' time to have a new cluster of shoe making here. We want to build a whole supply chain ... I want everything to be produced here." – Helen Hai, vice-president of Huajian Group
- According to a World Bank study in 2013, 77% of Ethiopia's population is employed in the agricultural sector, compared with 4.7% employed in manufacturing, and manufacturing development is hampered by poor infrastructure and missing industrial chains.
- By building in Ethiopia, Huajian forges new ties between locals and the global chain, creating not just a single factory but a cluster of growth beneficial both for foreign companies seeking profit and locals seeking employment.



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