1. Belt and Road Initiative (BRI) globally – Current status and prospects 5 years after its launch
2. BRI in Central Asia and the South Caucasus – and “inside-out” perspective
3. Implications for policy (including for the World Bank Group)
4. Potential next steps in our work
1. BRI globally – status and prospects 5 years after its launch
• BRI is 5 years old — timely to take stock

• Focus on economics, not geopolitics

• Team has 15 people, based in 11 countries

• Bibliography with summary of 77 reports [on Emerging Markets Forum website]
Five BRI themes:

• Facilities connectivity
• Policy coordination
• Trade and investment
• Financial integration
• Cultural (people-to-people) exchange
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 multimodal networks between East Asia and rest of 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**
- Fragile domestic **governance environment**
- Limited **local capacity** to evaluate projects
- Significant **operations and maintenance burdens**
- Domestic **economic and business environment**
- Complexities of **cross-border projects**
BRI AT 5: WHAT WE KNOW AND DO NOT KNOW?

- Massive undertaking — from 65 to 126+ countries in 5 years (75+% of global population)
- China placing huge bet on future prospects of 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)
- Yet, many examples of successful projects and some countries with transparent programs (Kyrgyz)
MAJOR 2018 EXPANSION INTO AFRICA, LATIN AMERICA

![Bar chart showing expansion into various regions as of different dates](image-url)
NOW, ALMOST A GLOBAL INITIATIVE
• Total Chinese exposure (equity and loans) to BRI countries is very significant and rising
• Unable to calculate 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 (2013-17)
• Most BRI investments outside traditional Silk Route
• Oil/gas sector received most support; power next
2. BRI in Central Asia and the South Caucasus – an “inside-out” perspective
CENTRAL ASIA AND SOUTH CAUCASUS (CASC) AT CORE OF EURASIA

Two key corridors
OUR STUDY OF BRI IN CASC

• 8 countries, 2 sub-regions
• Exploratory “inside-out” assessments by national experts (5 country/regional notes)
• Based on a structured questionnaire (scale, composition and terms, impact, benefits and costs/risks, perceptions, policy implications, future research)
  • Complemented by expert notes for major partner perspectives (China, EU, India, Russia, U.S.)
• Overview report: a preliminary assessment of current state and policy implications of BRI, and an agenda for future research
• Limited quantitative information
  • more information for Kyrgyz Republic than for other countries
• Great differences across countries
  • different BRI engagement across countries (more in CA, less in SC)
AGREEMENT ON BASIC ASPECTS OF BRI

• Connectivity is critical for future growth and prosperity of CASC and for greater economic integration of Asia-Europe

• BRI supports increased connectivity and economic growth for CASC, but risks exist

• A key factor determining success: effectively integrate BRI investments in national plans and priorities and their execution

• Engagement with other partners would help, esp. IFIs

• More transparency and information sharing about BRI investments needed
SIGNIFICANT POTENTIAL BENEFITS

• Short-term macroeconomic stimulus, but limited (KYR)
• Transport: reduced travel times and costs (WB study), but benefits depend on other factors also (KYR; CAREC)
• Energy and mining: greater resource utilization and energy security, but rent sharing uncertain (KYR, TKM)
• Fiscal resource gains (resource rents, transit fees, etc.) (KAZ, KYR)
• Agriculture, industry, services: expansion in production and employment, technology transfer, but little focus on business environment
• Access to education, training, knowledge networks (KAZ, UZB)
• Enhanced economic growth and prosperity
BUT ALSO POTENTIAL COSTS/RISKS

• **Macroeconomic**: debt; fiscal management; financial sector

• **Transport**: competition among corridors, excessive/imbalanced investment, weak soft infrastructure and business climate

• **Energy and mining**: lack of diversification, unfair rent sharing, lack of transparency, environmental and climate risks

• **O&M**: lack of attention and of capacity

• **Employment and technology transfer**: too limited

• **Governance**: lack of transparency, low priority investments, corrosive impact on domestic politics and bureaucracy
“DOGS THAT DIDN’T BARK”

• Are there potential **downsides/losers** from greater connectivity? (loss of productive capacity, spillover of “bads”)
• How to go beyond transit corridors to **economic corridors**?
• What’s the role of BRI in the critical **water** sector?
• How will BRI work in the **ICT** sector?
• How about the **quality** of Chinese investments?
• What role for the **private sector** in driving investments?
• What role for **regional cooperation and regional institutions**?
• Is there (perception of) “**predatory**” engagement?
3. Implications for policy
IMPLICATIONS FOR POLICY (1)
(FOR BRI COUNTRIES, CHINA AND THE WBG)

• Integrate BRI investments with national and regional plans, and justify by rigorous cost-benefit analysis

• **Balance connectivity infrastructure** along corridors, across hard and soft infrastructure (logistics, border management, etc.), and with investments in secondary and tertiary infrastructure

• Balance new investments with strengthened O&M capacity and finance

• Address **social and environmental impacts** and related concerns of population for all BRI investments in infrastructure, mining, industry, services and agriculture
IMPLICATIONS FOR POLICY (2)

(FOR BRI COUNTRIES, CHINA AND THE WBG)

• Focus on improving **business climate**, creating **local jobs**, facilitating **technology and knowledge transfer**, building **institutional capacity**

• Provide **transparent planning/design, procurement, implementation, monitoring and reporting** of investments. All relevant information in public domain, especially when public resources or liabilities involved

• Monitor and respect **macroeconomic constraints** (especially debt sustainability)

• Work **with neighbors** to ensure regional coherence, learning and leverage

• Work **with other international partners** (multilateral and bilateral) in implementing BRI-related activities

• Strengthen, effectively use **regional institutions** in support of BRI investments
4. Potential next steps in our work
POTENTIAL NEXT STEPS

• Publication of book in fall 2019 (OUP)
• Consultation with stakeholders in the region and in China
• Dissemination in OECD countries
• Follow-up research on selected issues