

New developments in the Belt and Road strategy and the relationship between Pearl Delta region and Hong Kong

A close-up photograph of several bright yellow dandelion flowers in full bloom, surrounded by green foliage. The background is a soft-focus blue sky with some light clouds. The flowers are the central focus, with some in sharp focus and others slightly blurred.

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One Belt One Road Research
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May 2017, Hong Kong

Geostrategic meaning of the Belt & Road strategy of China – for a multi-polar world



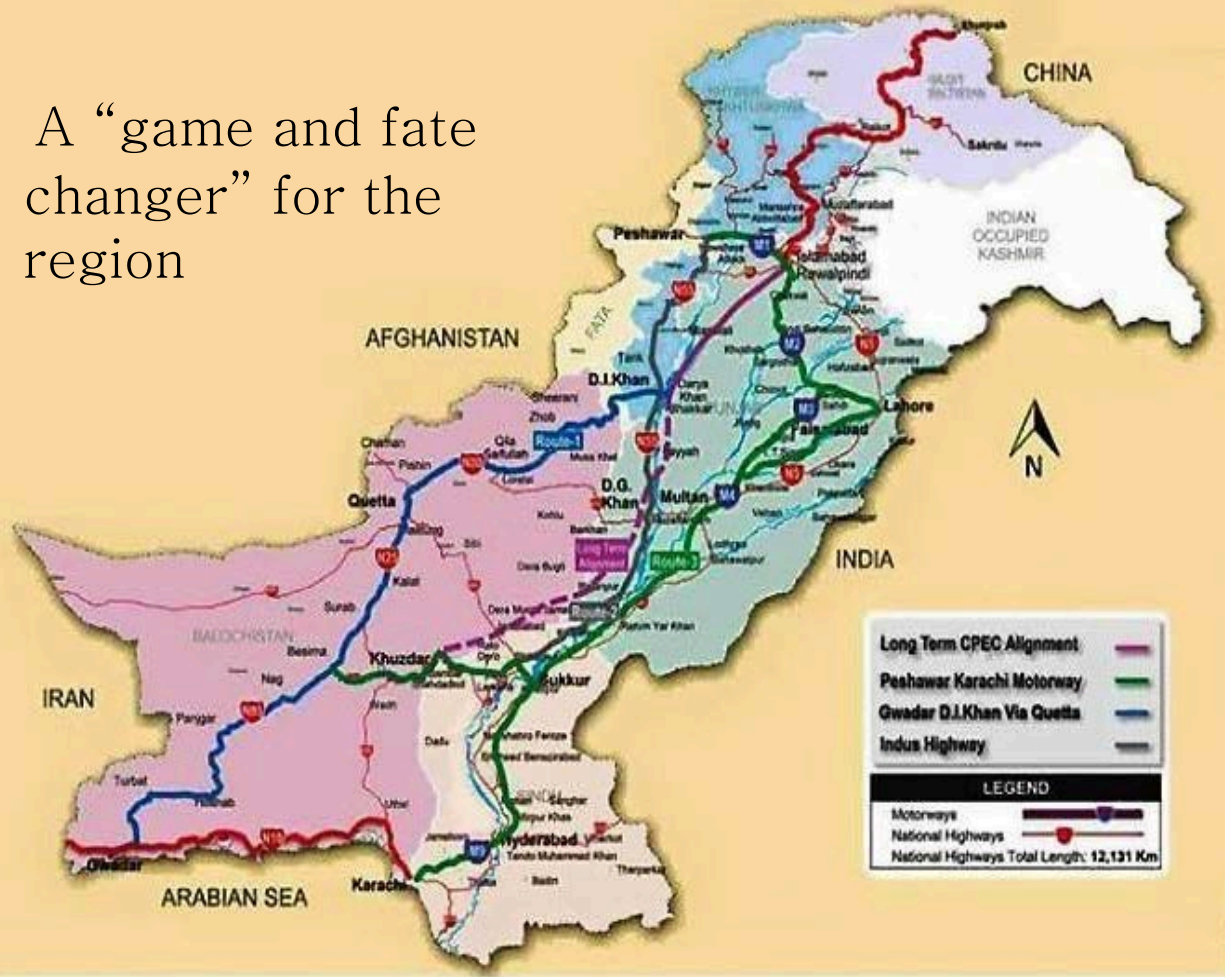
1. China will resurge as the largest economy of the world restoring the past glory during the Silk Road era for
 - a) continuous growth and development amidst competition with other industrializing and industrial economies – not to repeat the history of relatively slow growth during the rise of the west, and not fallen into the trap Japan has found itself now;
 - b) leading the world with a new development model – sustainable growth but with a more complete blending with new technologies (unlike the US new technologies are stored for military supremacy & economic domination in the world) – a new lifestyle based on ubiquitous & instant networking (on 5G mobile telephony & quantum technologies) first to be practice in China and exported in the form of commodities just like the lifestyles associated with silk and tea.
- 2 China resurgence promotes a world of peace and development, and alliance of civilizations, breaking down all politic0-economic barriers created by previous or present hegemons

Progress in the Belt and Road strategy



1. The strategy has been embraced by most, if not all countries and economies along the overland and maritime routes; over 100 countries joined by having some sort of agreement with China and commitment to it with their resources and policy efforts;
2. Through multilateral agreements, Chinese funds have been committed to set up specific regional funds (e.g. in Africa, South-eastern Europe), and international investment organizations (AIIB – over 80 members, BRIC Development Bank, & the proposed Shanghai Cooperation Organization Development Bank, China-Africa Fund, etc.) to supplement funding for individual countries and projects by Chinese banks. There are also bilateral agreements in many other trade and economic cooperation areas;
3. The first country project is Pakistan (US\$ 64 billion for 6 years, but after May 2017 would have another US\$ 50 billion for hydroelectric projects), and the first completed project is the railway in southern Tajikistan (started in 2015 & in operation in late 2016);
4. The Chinese however also promised to raise bilateral trade volume: with Russia to reach US\$ 200 billion by 2020 (60 billion in 2015), Iran

A “game and fate changer” for the region



Source: Saleem Shahid, China–Pakistan corridor: NP criticises centre for not taking Balochistan govt on board, *Dawn*, May 27, 2015



Source: Afshan Subohi, China–Pakistan corridor: Visibility of the game changer, *Dawn*, April 27, 2015

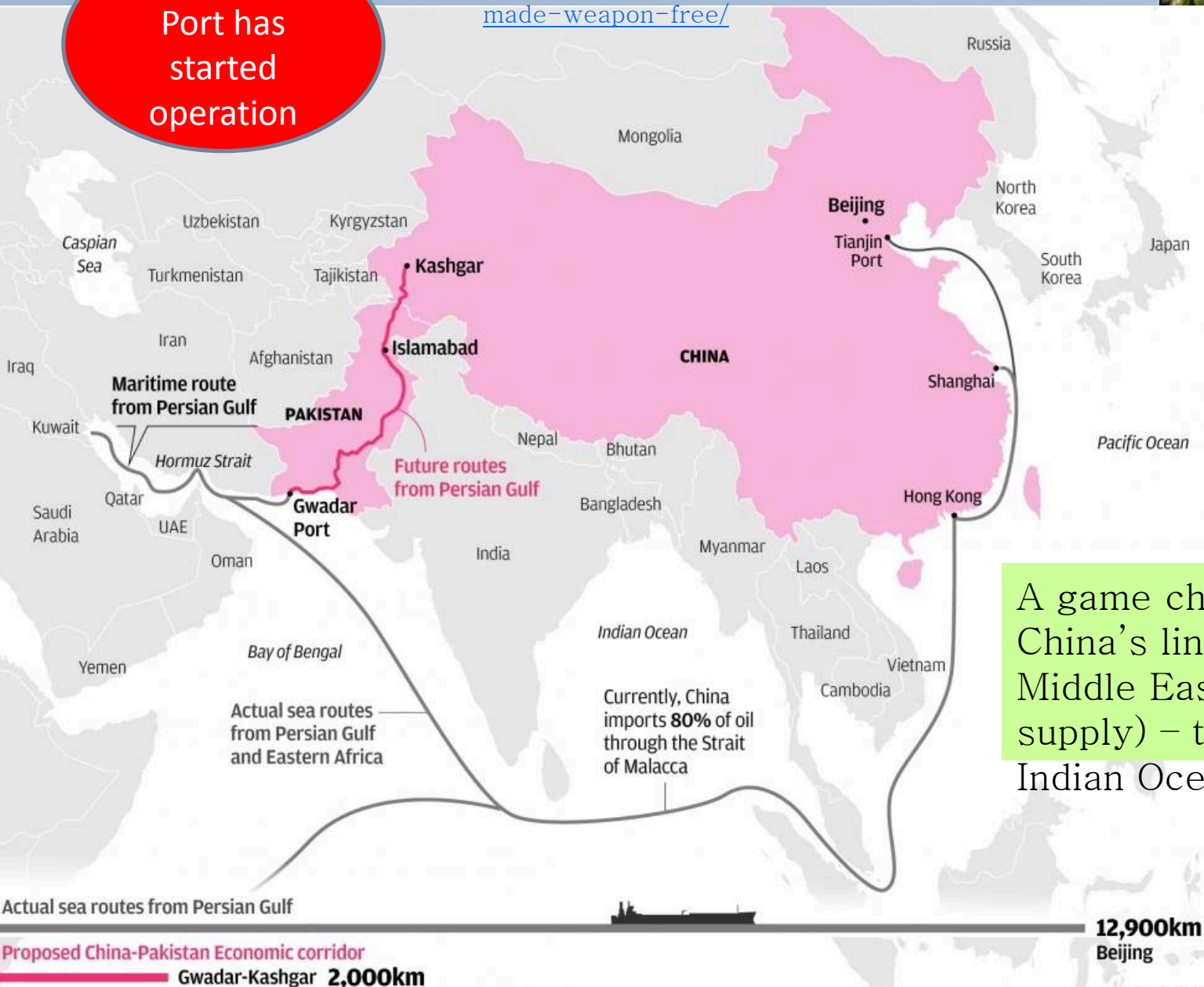
“The Chinese are not just offering to build much-needed infrastructure but also make Pakistan a key partner in its grand economic and strategic ambitions. The project will also open trade routes for Western China and provide China direct access to the resource-rich Middle East region via the Arabian Sea, bypassing longer logistical routes currently through the Strait of Malacca.” from *The Guardian*, (quoted in Lal Khan, The China Pakistan Economic Corridor, *Daily Times* (Pak))

Source:

<http://walizahid.com/2015/11/economic-corridor-gets-4-layer-security-as-gwadar-to-be-made-weapon-free/>



The Gwadar Port has started operation



A game changer for China's link with the Middle East (oil supply) – to avoid the Indian Ocean altogether

From Pakistan to Iran and beyond



The importance of Pakistan for China

- a) China's most stable & reliable ally, politically & militarily; China has no competitor in Pakistan, as it has been abandoned by the west led by the US;
- b) Geostrategic in linking South Asia, Central Asia & West Asia – the heart of Asia;
- c) It supports and contains Taliban in Afghanistan and is crucial for any peace settlement there;
- d) It could check any political expansion of India;
- e) It has a young population of close to 200 million at early stage of industrialization; once industrialized or just to have adequate electricity supply would turn into a huge market & highly competitive low-cost production base;
- f) The test case of China's Belt and Road strategy for development of the receiving country.

But there is competition with India – territorial disputes, military & religious rivalry – the use of nuclear weapons, & as the gateway to Central Asia & beyond. There is also a rivalry between China and India; India would like to block China's entry into

Rivalry between Pakistan and India over regional oil & gas pipeline routes (connecting Iran or Turkmenistan) IP vs TAPI



Two Proposed Pipelines in South Asia



China & Russia support the IP pipeline while the US and India support TAPI (to diversify Turkmenistan gas from

China & Russia)

China finances the new route to Gwadar from Iran

Source: 2008 map

http://www.heritage.org/~media/images/reports/2008/bg2139_map1sm/bg2139_map1.aspx

Map I • B 2139

Gwadar port (Pakistan & China) versus Chabahar port (Iran & India) (100 km apart)

India has agreed with Iran to build the Chabahar port in 2015 with a dual purpose – to encircle Pakistan by maintaining cordial relations with Iran and Afghanistan, & to counterweight China. India has developed a highway from Chahabhar to Kandahar-Heart as it has minerals investment



Japan joins India for Chabahar & peace corridor





Iran
invites
China to
invest in
Chabahar



Both Gwadar & Chabahar ports
will connect Central Asia via

Gwadar Port has the capacity to handle large crude containers of up to 500,000 tonnes deadweight. It will have three containers terminal, a bulk- cargo terminal, a grain terminal and an oil terminal. Yet, it is yet to be developed, including the planned

Source: <http://image.slidesharecdn.com/yamashams-afghanistanrailwayauthority-141028005141-conversion-gate01/95/yama-shams-afghanistan-railway-authority-7-638.jpg?cb=1414457809>

Iran established **Port of Chabahar** for more congenial trade with other countries to escape international isolation if there is foreign blockade of the Strait of Hormuz, while Bandar Abbas Port will remain as the port for Russian and European trade

Any transportation or military problems in the Straits of Malacca, the Straits of Hormuz, the Suez Canal or anywhere along Asia's southern coastline will further boost the importance of Central Asia as a transport and trade corridor



Source: Energy Information Association Data as-of 2011

Sources: <http://www.instc-org.ir/Maps/map205.jpg> & <http://prophecytracker.org/2015/08/oil-surges-to-45-after-saudi-troops-invade-yemen/>

India's intention with Iran's cooperation is to bypass Pakistan & even Afghanistan to link up Central Asia via pipelines, railways & ports in Iran with the Indian Ocean

Planned Silk Road Railway

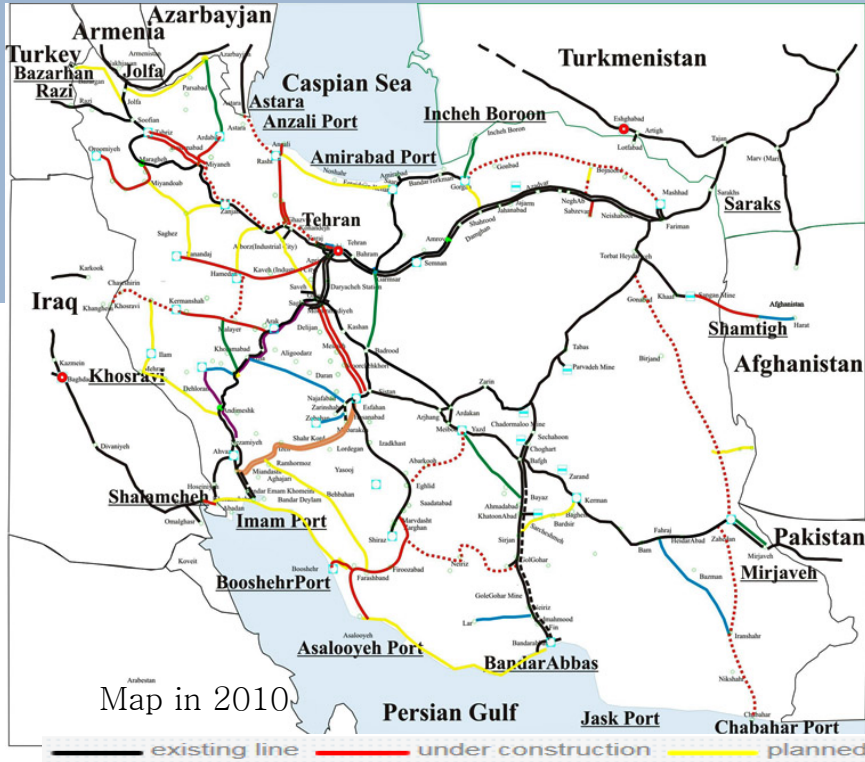


Source: Gabriel Domínguez,
15 December 2015,
<http://www.dw.com/en/china-seeking-to-link-iran-to-its-new-silk-road/a-18917586>

It would link up
all national
railway systems
along the routes

China Railway Corporation proposed a China-Iran high speed standard gauge railway of 3,200-kilometer long (nearly 2,000 miles) in November 2015.

- Due to sanctions, Iran keeps its oil revenues (some \$ 20 billion) from export to China in China, where it will fund ongoing Iranian purchases of Chinese goods;
- As many as 20 Chinese companies intend to invest \$150 million in the Salmas special economic zone located in the Iranian province of West Azerbaijan (Trend: 28 November 2014);
- China National Petroleum Corporation will develop the second phase of the North Azadegan Field on the Iran-Iraq border. (Mehr News Agency, 26 December 2015)



Source: www.iranrail.net

- Iran plans to invest \$25bn over the next ten years in the modernisation and expansion of its railway network from the current 15,000km to 25,000km by 2025. The system will connect to China's Silk Road through the International North-South Transport Corridor.
- The construction of a high-speed railway (350km/hr), extending about 400 kilometers from Tehran to Isfahan, started in February 2015.
- An agreement signed in December 2014 between China, Kyrgyzstan, Tajikistan, Afghanistan and Iran, for a transit railway link connecting Iran and China passing through six Afghan provinces. It would run from Kashgar in China to Herat in Afghanistan, then run on to Iran – presumably using the Khaf to Herat line currently under construction.
- Russia agreed in December 2015 to finance \$1.3bn to electrify Iran's main north-east

International North-South Transport Corridor:

a joint venture of Russia, Iran & India



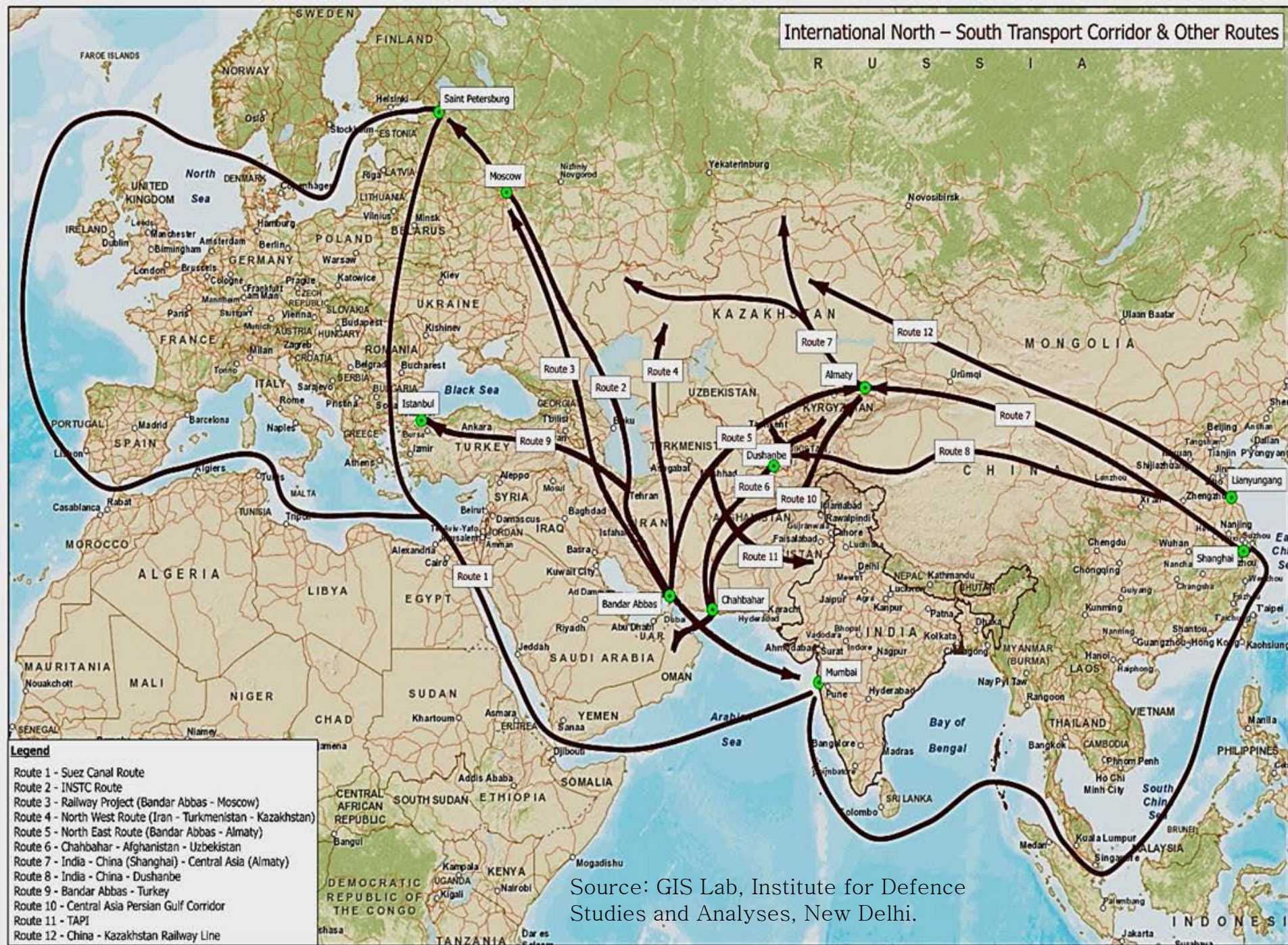
The Suez Canal route takes 45-60 days; the new route, 25-30 days

Transit & customs agreements drafted in 2015

A multi-modal transportation route linking India Ocean and Persian Gulf to the Caspian Sea via Iran, and onward to northern Europe via St. Petersburg in Russia for movement of goods from Mumbai (India) to Bandar Abbas (Iran) by sea, from Bandar Abbas to Bandar-e-Anzali (an Iranian port on the Caspian Sea) by road, and then from Bandar-e-Anzali to Astrakhan (a Caspian port in the Russia) by ship across the Caspian Sea, and thereafter from Astrakhan to other regions of Russia and further into Europe by Russian railways.

Source: International North-South Transport Corridor, by Mr. Shankar Shinde & Mr. Sona F Kazani, Federation of Freight Forwarders' Association of India

International North – South Transport Corridor & Other Routes



The Iron Silk Road – regaining & refocusing on Eurasian connectivity overland



Advantages of overland fast speed transports

1. Speed to market – faster than sea transport (less restricted by the geography of riverways & sea lanes) and cheaper & with much less pollution than air transport;
2. Mass customization of goods in shops or online – deliveries in smaller batches but in greater time frequency;
3. Larger number of stops to increase freight loads and to serve a larger number of cities and populations –by a larger catchment area to achieve a reduction in freight costs and better and more diversified services;
4. Together with local transport network the larger catchment areas could become sites of local economic development facilitated by greater connectivity of the places (esp. cultural & technological exchanges and transfers); the various forms of improved connectivity would enhance diversity, economies of scale & scope, expansion of markets and sources of

Kazakhstan's 2012 version of Trans-Euroasian routes –itself as the Eurasian transport hub & linking up the northern and southern corridors.



Robert Mactier, *The Map of the Transeuroasian Routes* (Kazakhstan – New Silk Road) Published on Aug 29, 2012, Source: The Development of Transport Logistics System of the Republic of Kazakhstan, Kazakhstan Temir Zholy JSC, Mar. 27, 2012.

<http://www.slideshare.net/RobMactier/the-map-of-the-transeuroasian-routes-kazakhstan-new-silk-road>

Kazakhstan to Bandar Abbas & the Persia Gulf and the Indian Ocean to the south and via Turkey to Europe to the west – all for developing transport routes without relying on Russia



Source:

by 13 million tons of grain is being exported annually from Kazakhstan to Persian Gulf countries.

- Kazakhstan and Turkmenistan will thus have an alternative connection to ocean bypassing Russia

Source:

<http://railturkey.org/2014/12/03/kazakhstan-turkmenistan-iran-railway/>

The 908 km North-south railway starts at Uzen in Kazakhstan(120 km), goes through Gyzylgaya-Bereket-Etrek in Turkmenistan (700 km) and ends at Gorgan in Iran (88 km) and has been **in operation since December 2014**.

- Gorgan in Iran is already connected to Iran's national rail network, which enables transportation between Central Asia and Persian Gulf. The connection will shorten the route by 400 km, and reduce freight transport time from 45-60 days at

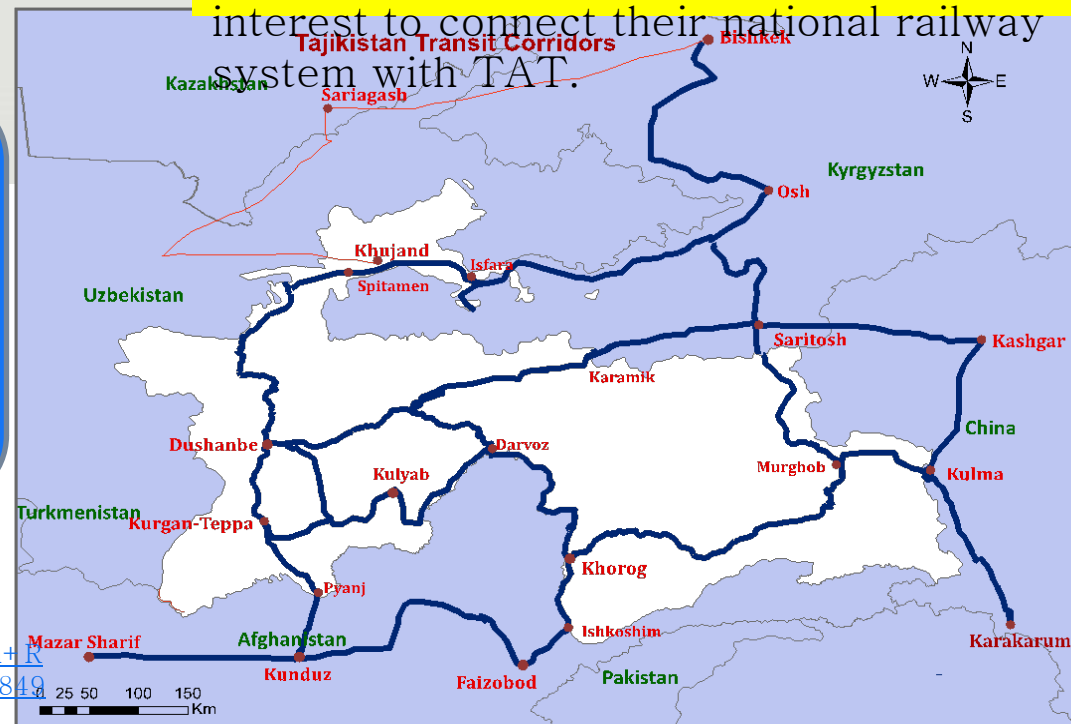


Turkmenistan – Afghanistan – Tajikistan (TAT) Railway – a link in the Central Asian system



Tajikistan has already a highway network to serve as the regional hub, including extension under construction into China to Kashgar via Kashmir; it has also completed a railway connection from the south of the nation to Dushanbe, which could further run to the Fergana Valley

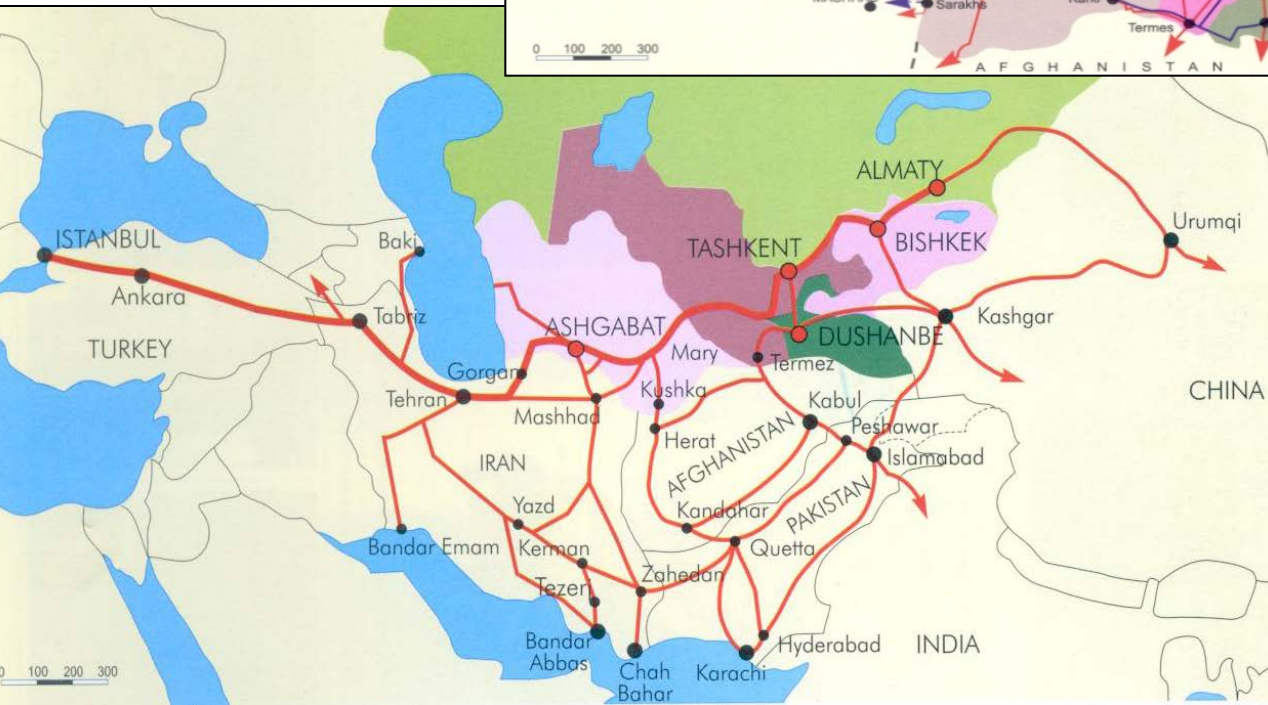
Intention: To bypass Uzbekistan (to avoid blockade of Tajikistan by Uzbekistan) and financed by Turkmenistan and ADB; Original completion date of 2015 too optimistic. With US endorsement, it might be constructed in 2 years from 2015; China and Kyrgyzstan expressed interest to connect their national railway system with TAT.



Sources: <http://www.russiasupplychain.com/wp-content/uploads/2013/06/Proposed-route-of-Turkmenistan-Afghanistan-Tajikistan-railway.jpg>; & <http://dlca.logcluster.org/display/public/DLCA/2.3.1+Tajikistan+Road+Corridors+to+Afghanistan;jsessionid=A6CBEC061283F7849F5E5DF61FFEF2DF>

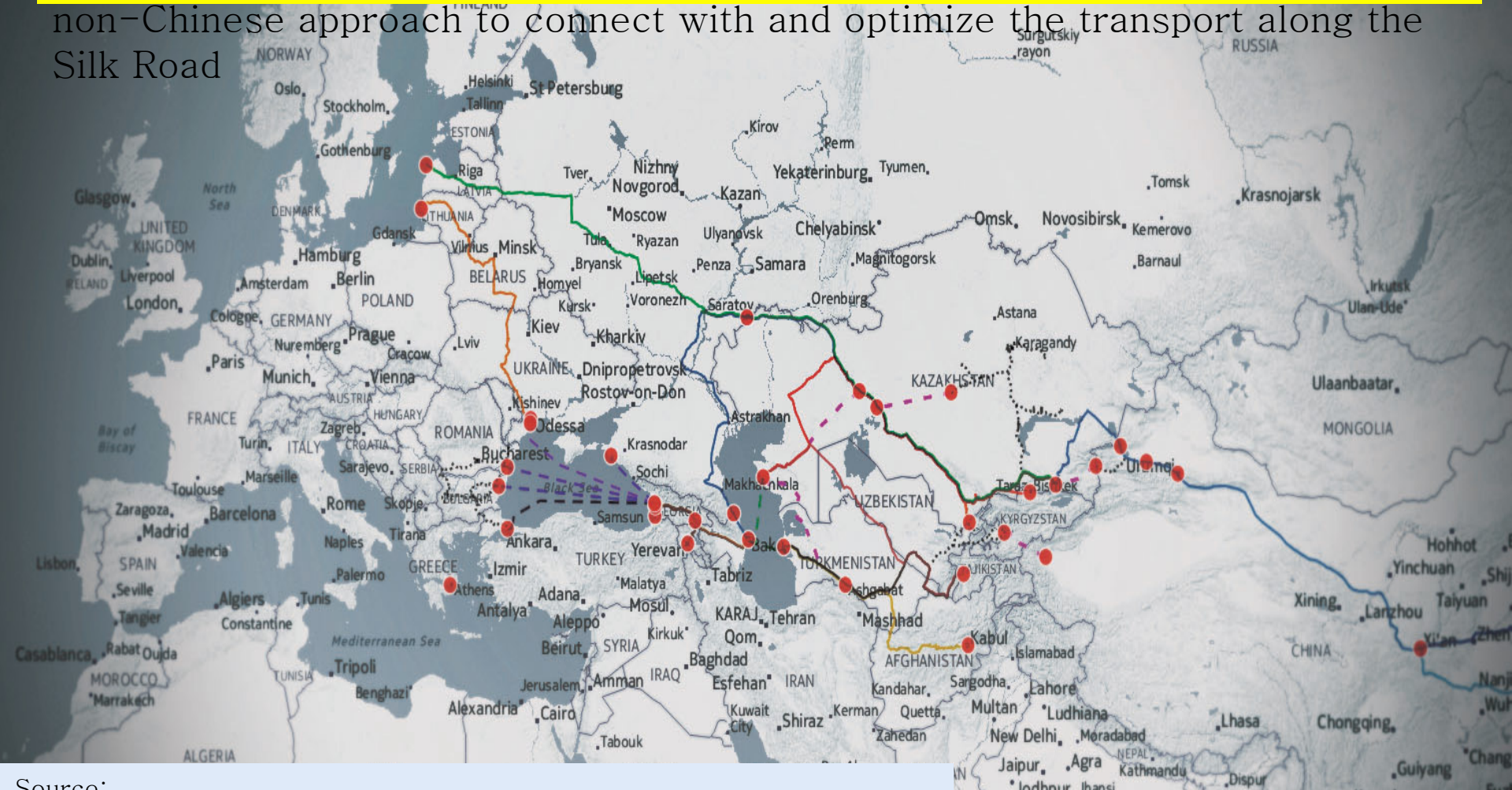
From Tajikistan, by means of TAT railway Central Asia could reach the Persian Gulf via Afghanistan and Iran

Source: Henry Kerali, Senior Transport Specialist, The World Bank, Presentation: *Transport and Trade Linkages: Central Asia & Eastern Europe*



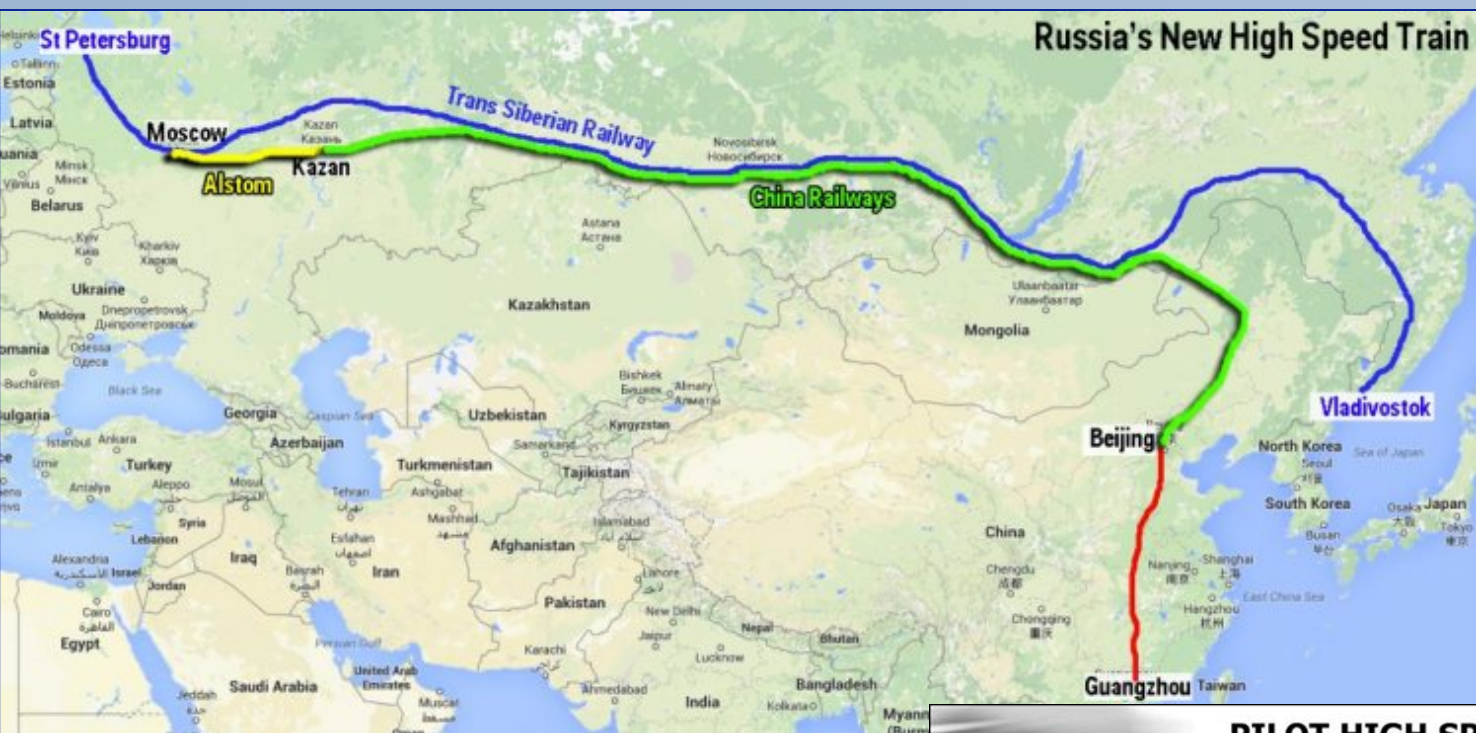
TAT railway serves to avoid transiting through Uzbekistan & would save time & cost to overcome the landlocked-ness of Central Asian economies

There is the joint effort for the Trans-Caspian international transport route that organizes container service on the **China – Kazakhstan – Azerbaijan – Georgia – Turkey route** using different combination of existing and newly constructed railway and sea port terminals. The early 2016 freight cargo link between the **Ukraine – China container route** and the Baltic Sea, and therefore Northern Europe by Ukraine and Lithuania has also presented a non-Chinese approach to connect with and optimize the transport along the Silk Road



Source:

<http://www.businesswire.com/news/home/20160208005531/en/Republic->

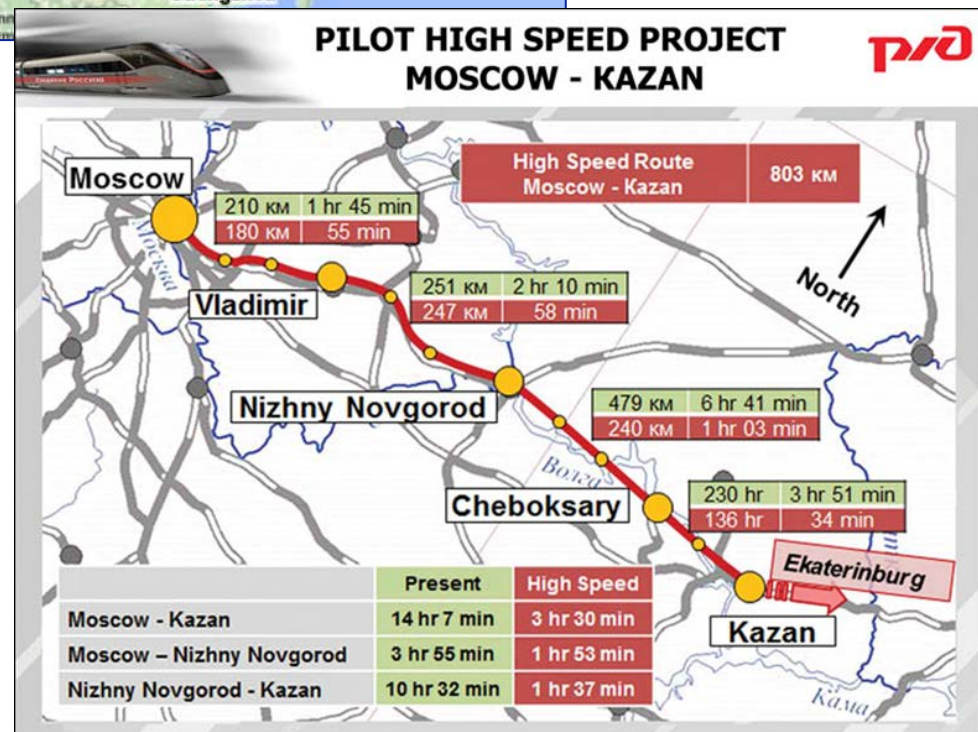


Source:
<http://emergingequity.org/2015/03/04/moscow-to-beijing-in-33-hours-new-details-of-the-high-speed-rail-link-mega-project/>

Moscow – Beijing HSR

Work starts in 2015 to link Moscow and Beijing in 33 hours instead of the current 6 days, to be completed with Chinese financing in the early 2020s (first stage to Kazan before 2018 World Cup).

Source:
<http://siberiantimes.com/business/investment/news/n0136-new-details-emerge-about-high-speed-rail-link-from-moscow-to-beijing>



A FASTER ROUTE FOR TRADE



Resurgence of the traditional overland Silk Road routes

Overland routes could avoid risks on the sea: territorial disputes, political & military blockades by hostile enemies

Sources: <http://euap.hkbu.edu.hk/main/wp-content/uploads/2015/06/OBOR-railway.jpg> & Maryam Turezhanova, Major Transport Corridor to Connect Kazakhstan, Russia, China by 2015, *The Asian Times* (Astana), 20 February 2013



The first achievement – freight train links with Europe & West Asia





By mid-2016 China has 39 China-Europe rail freight routes connecting 16 Chinese cities and 12 European cities with traveling time from 10.5 days (Chengdu) to 19 days (Dongguan).

There are plans to expand to 62 routes by end 2016

Selected China-Europe routes

口岸	阿拉山口/霍尔果斯 Atalaw Pass & Khorgos pass	二连浩特 Erlian	满洲里/绥芬河 Manzhouli/Shuifenghe
1	汉新欧	郑连欧	苏满欧
2	渝新欧	苏连欧	营满欧
3	蓉欧快铁	津连欧	津满欧
4	西（西安）新欧	济连欧	鄂满欧
5	粤新欧	汉连欧	湘满欧
6	郑新欧	蓉莲欧	昆满欧
7	义（义乌）新欧	蒙连欧	哈满欧
8	连新欧		渝满欧
9	湘新欧		沈满欧
10	合新欧		长满欧
11	兰新欧		盘满欧
12	西行班列		临满欧
13			赣满欧

Since 8 June 2016, they have been called China Europe Express

Source: 习近平同波兰总统共同出席中欧班列首达波兰仪式, 2016-6-21, <http://www.zobl.cn/thread-178-1-1.html>

The Yiwu-Madrid line

– 21 days, 6,200 miles with the first train in November 2014



The longest rail link in the world & the first direct link between China & Spain completed its maiden journey of 8,111 miles to Madrid in December 2014 and extended to London in 2017

Source:

<http://www.railnews.co.uk/china-now-owns-worlds-longest-rail-route/>

Yiwu – Bandar Abbas line

with the first train in January/February 2016 of 10,399 km in 18 days – about 578 km journey per day including two breaks of gauge, cutting short by half the distance & 30 days less than by sea

Different China-Europe freight rail links

Chengdu-Europe Express & Chengdu-Europe plus

Changsha-Europe Express



Xiamen-Europe/Central Asia line

Sources: <http://www.maxxelli-consulting.com/wp-content/uploads/2015/02/1234.png> & <http://www.nsrxm.com/uploadfile/image/20150911/20150911144672417241.jpg>

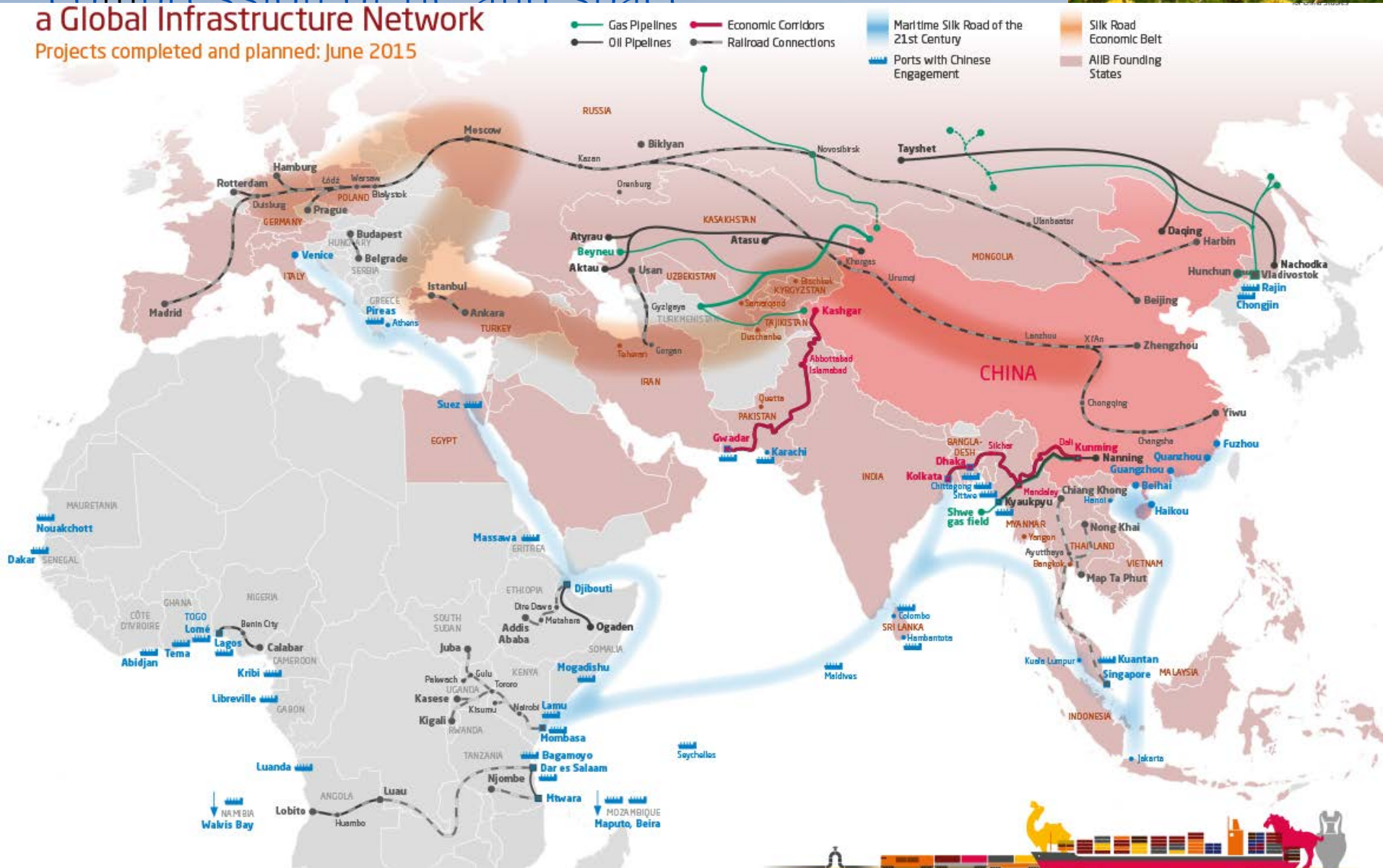


Source: 张欢 白田田, 保障基础货源助湘欧快线常态化运营, 新华社, 2015-11-13

Return to the connectivity of the Eurasia – Africa in history but at a greater compression of time and space

a Global Infrastructure Network

Projects completed and planned: June 2015



Source: Image from Roman Wilhelm/ MERICS, quoted in Moritz Rudolf, China's 'Silk Road' Initiative Is at Risk of Failure, *The Diplomat*, September 24, 2015



China's latest investments in Djibouti



14 major infrastructure projects currently planned & under construction — all financed mainly by Chinese banks amounting to \$14.4 billion, including

1. Ports –\$185 million stake in the port of Djibouti with management from 2015, & \$ 400 million to develop port facilities;
2. Railway – the recently completed \$4 billion, 450-mile railway line linking Djibouti port with its landlocked neighbor, Ethiopia's capital, Addis Ababa – to be carrying 100% exports of Ethiopia replacing truck transports from 2 days to 10 hours;
3. 2 airports;
4. Free Trade Zone – A 10-year project to create new warehouse and office space facilities near the port, the

DORALEH MULTI-PURPOSE PORT (PHASE I) IN DJIBOUTI



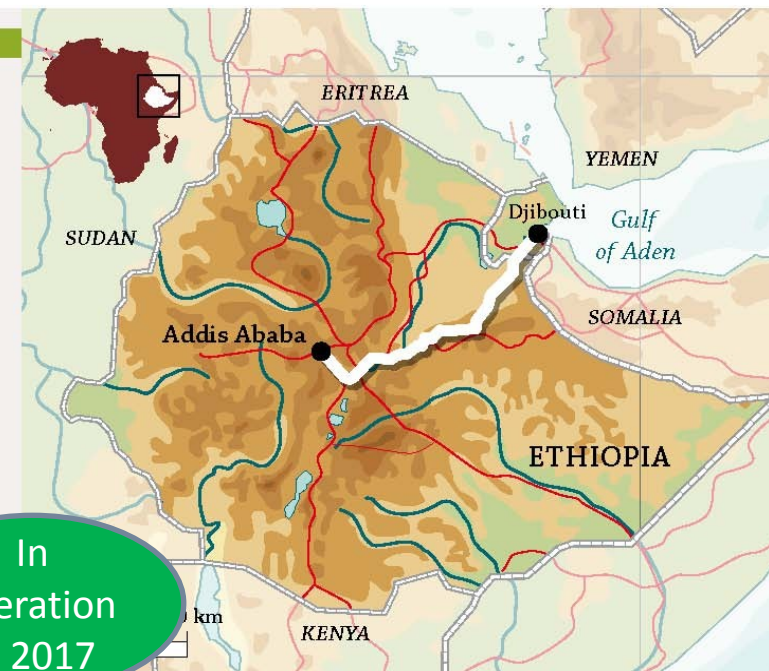
Overall aerial view

DJIBOUTI-ETHIOPIA RAILWAY COMPANY

China's 1st
overseas
naval
logistics
base

FOCUS

The 784 km-long railway line linking up the City of Djibouti with Addis Ababa, the capital of Ethiopia, was built between 1897 and 1917. The operator was previously called Imperial Railway Company of Ethiopia, then Franco-Ethiopian Railway Company from 1909 onwards, before becoming, in October 1981, Djibouti-Ethiopia Railway Company (La Compagnie du chemin de fer djibouto-éthiopien - CDE). CDE went out of business following the



In
operation
in 2017

Source: <http://private-sector-development-facilities-durable-the-mor/01/01/223657234.jpg>

largest FTZ in Africa

Djibouti to become Singapore/Dubai

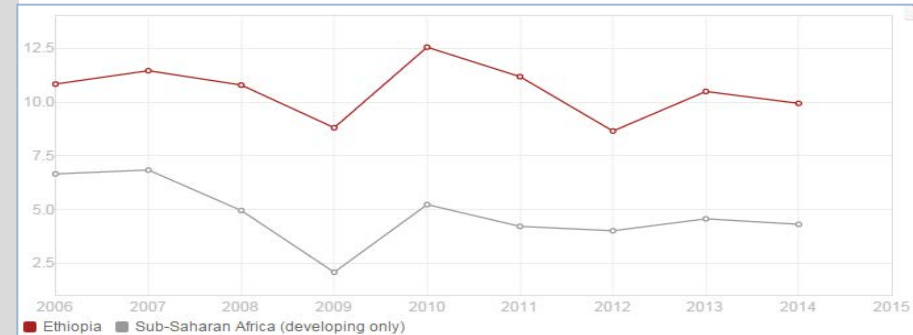


1. A host of logistics, shipping and trading companies have set up emerged. Its ports went from handling 160,000 containers per year in 2004 to 830,000 containers in 2014. With the widening of the Suez Canal and the continuing prosperity of Ethiopia (increase in agricultural exports and imports for industrialization) & stability of South Sudan (the pipeline through Ethiopia to Djibouti for exports), port economy would grow further.

2. It is a major transport hub of East Africa and Sub Sahara Africa, a region expected to develop fast in the coming years & decades.

Ethiopia is particularly bullish with

Ethiopia's 10% growth decade

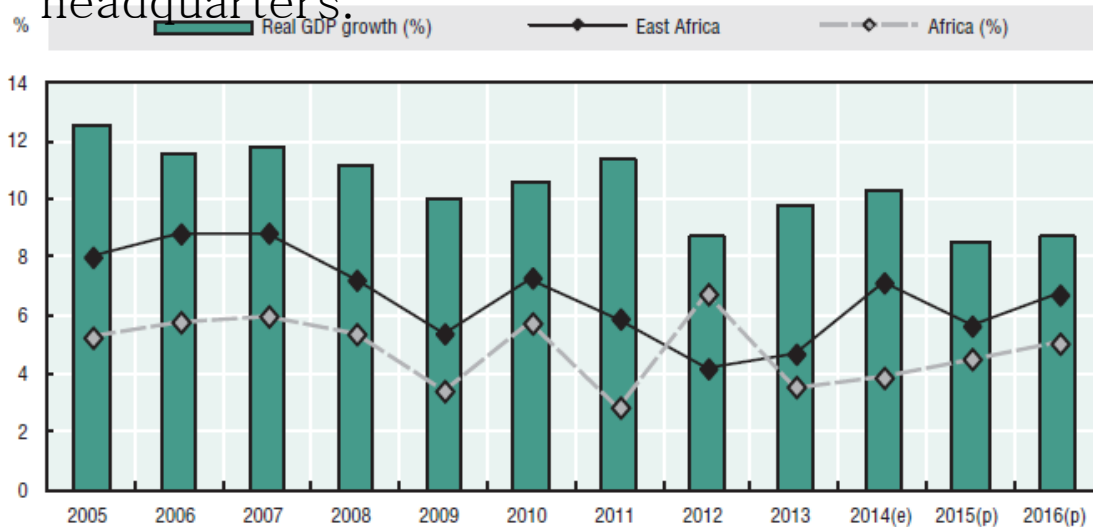


With year-on-year growth of between 7% and 9%, Ghana, Angola, Mozambique, Zambia and Ethiopia have already played a pivotal role in helping Africa's economy triple in size since 2000. The same again is expected to happen in the next 15 years, as half the continent's population migrates to urban centers and its middle class overtakes that of India. – *Global Finance Magazine*, 7 May 2015

Ethiopia – one of the poorest but also the fast improving country with per capita below US\$ 1,000

one of the world's fastest growing economies; they have done a good job in meeting the Millennium Development Goals (poverty reduction & health); they are building what will soon be Africa's largest hydroelectric dam; their national airline dominates the continent's skies; they have achieved an admirable level of political stability in one of the region's roughest neighbourhoods, and their capital Addis Ababa, whose skyline is dotted with construction cranes, is the continent's diplomatic capital, thanks to the presence of the African Union's headquarters.

Figure 1. Real GDP growth



Source: AfDB, Statistics Department AEO. Estimates (e); projections (p)



A developmentalist model after the Chinese with public investment led growth – plan to become middle income economy by 2025

China builds the East African railway in Kenya to Nairobi in 2014 to be completed by June 2017



The first stage will be from Mombasa to Nairobi and will extend eventually to Uganda, Rwanda, Burundi and South Sudan. In September 2015 it was extended to Naivasha, 120 km from Nairobi.

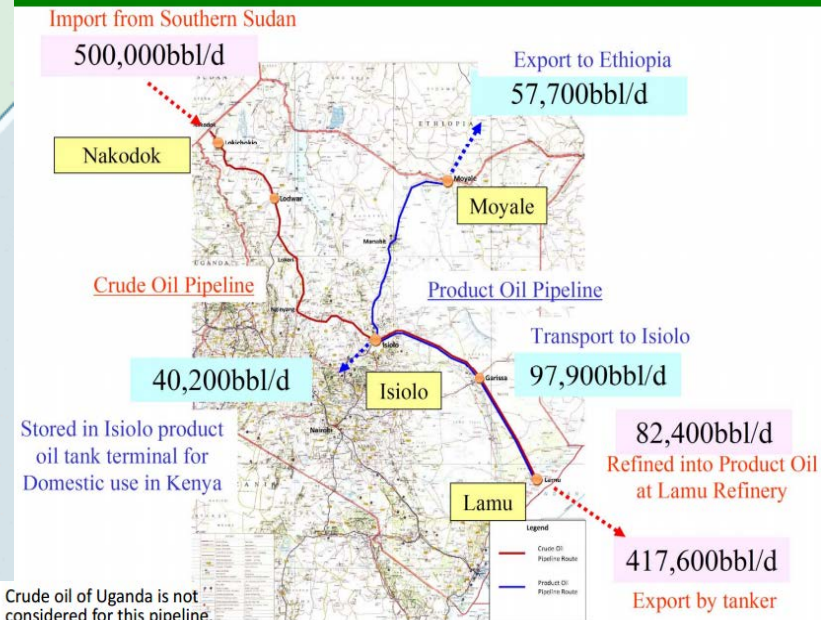
The 'Look East' initiative of the current Kenyatta government (after 2013) gets \$5 billion investment from China, the railway is part of it.

Source: <http://www.africa-confidential.com/resources/1/uploads/content/14/20kenya%20mil%20GOL.jpg>



Kenya's ambitious LAPSSET corridor project to serve as the transport hub in East Africa & link up with the hinterland to

the Atlantic Ocean LAPSSET Oil Pipeline and 5) Refineries





Source:

<http://www.oilnewskenya.com/content/uploads/2015/09/Lapsset-transport.jpg>

- Notes:
- (i) High Capacity High Speed Standard Gauge Railway with transit time of three (3) days
 - (ii) Total length is 4,200 Kilometres
 - (iii) Route Capacity 20 Million TEUs Per Annum

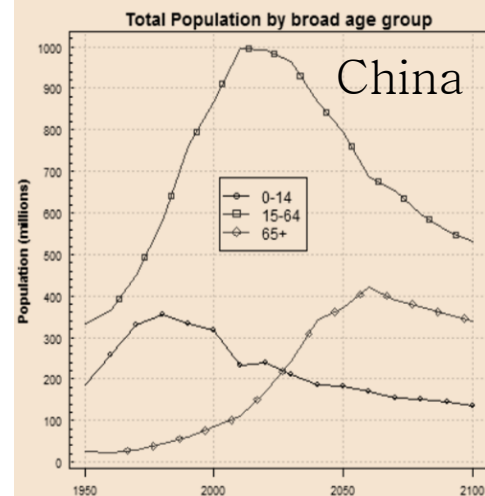
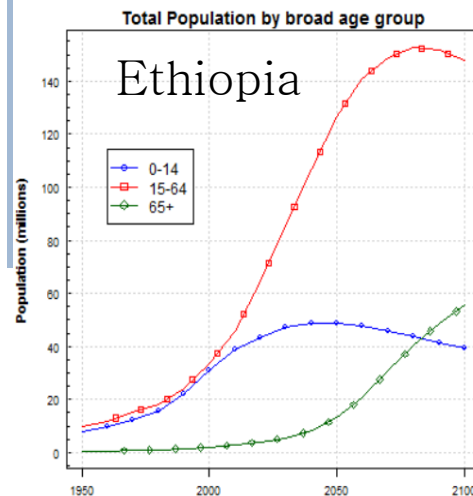
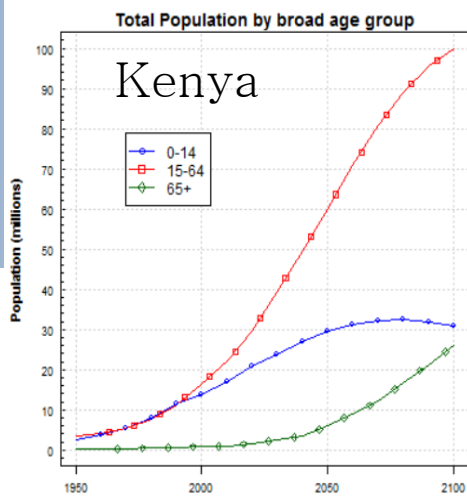
The Great Equatorial Land Bridge

promise:

- new trade routes with international partners in the Middle East and Asia,
- greater regional stability arising from a secure export corridor for South Sudan, and
- the very real potential to lift millions from poverty through jobs and economic

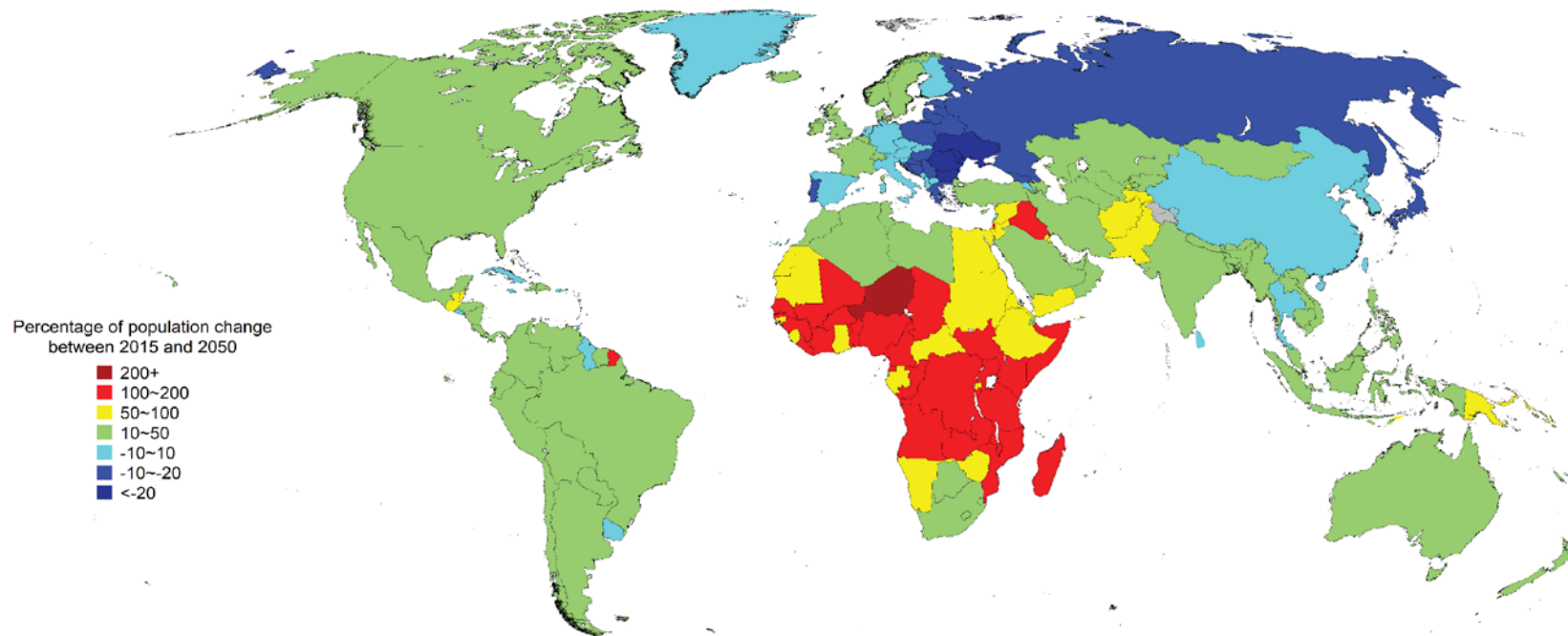


Source: <http://venturesafrica.com/lapsset-a-peep-at-the-east-african-trade-corridor/>



Source: UN, *World Population Prospects, Volume I: Comprehensive Tables, The 2015 Revision.*

World map: Projected population growth, 2015-2050



Data source: World Population Prospects: The 2015 Revision
 The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.
 Dotted line represents approximately the Line of Control in Jammu and Kashmir agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.
 Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined.

China's Belt and Road Initiative in ASEAN – railway investment



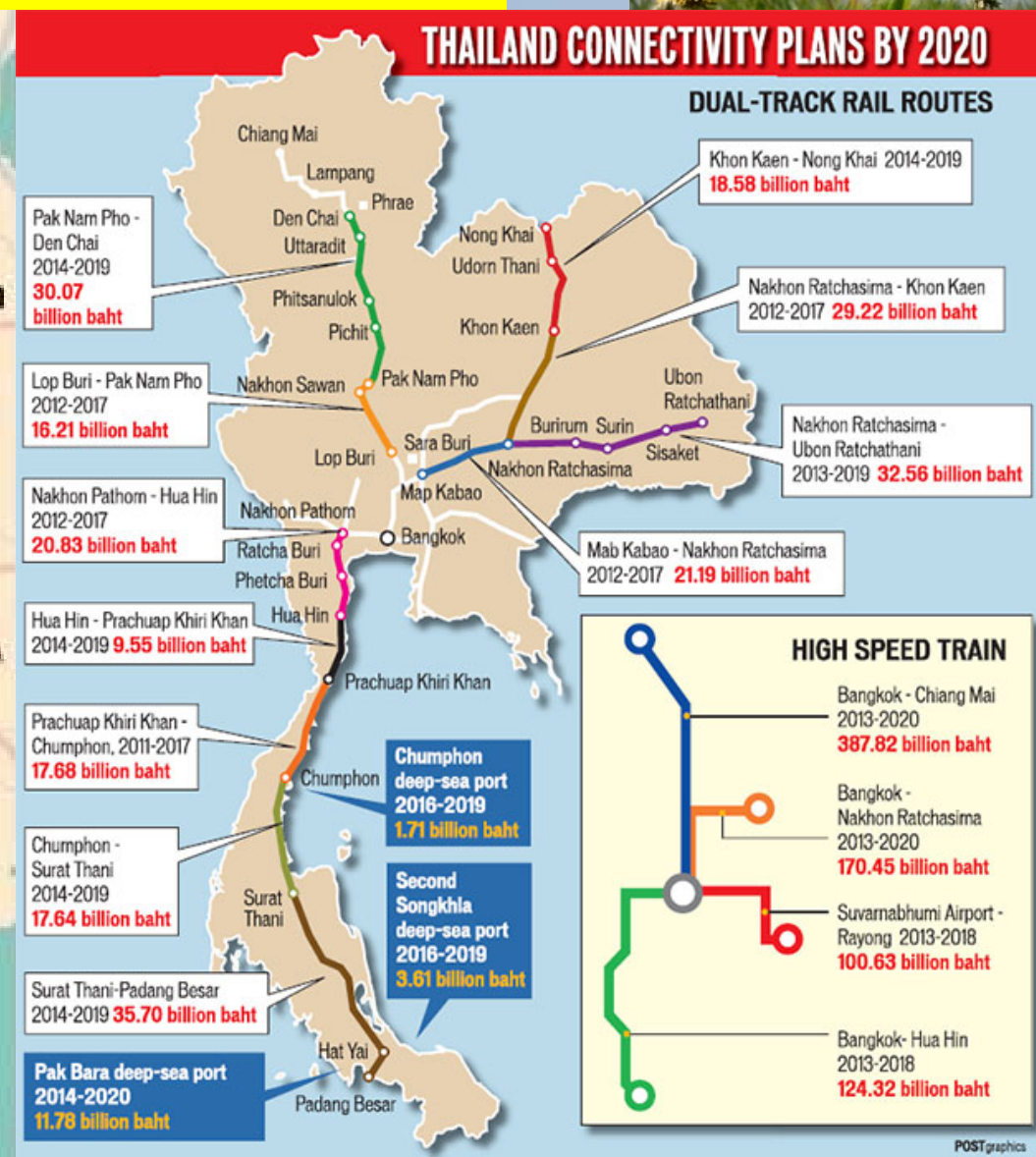
1. China – Lao Railway



Source: Laos and China to Set Up Joint Company for High-Speed Railway, Radio Free Asia, 2015-06-05

1. Construction started in December 2016 for 5 years.
2. Single track, standard gauge, 414 km from Chinese border to Vientiane, interconnecting Yunnan in China to Bangkok in Thailand;
3. Speed of for 160 km/h passenger and 120 km/h freight trains;
4. Construction costs at US\$ 5.8 billion, almost half of Laos' GDP in 2015, with about 70% of

2. China – Thailand Railway



Sources:

http://www.nationmultimedia.com/new/2015/05/18/national/images/30260325-01_big.jpg & <http://www.dickvanderlugt.nl/wp-content/uploads/2013/03/2->



The Bigger picture of regional connectivity – GMS corridors of ADB

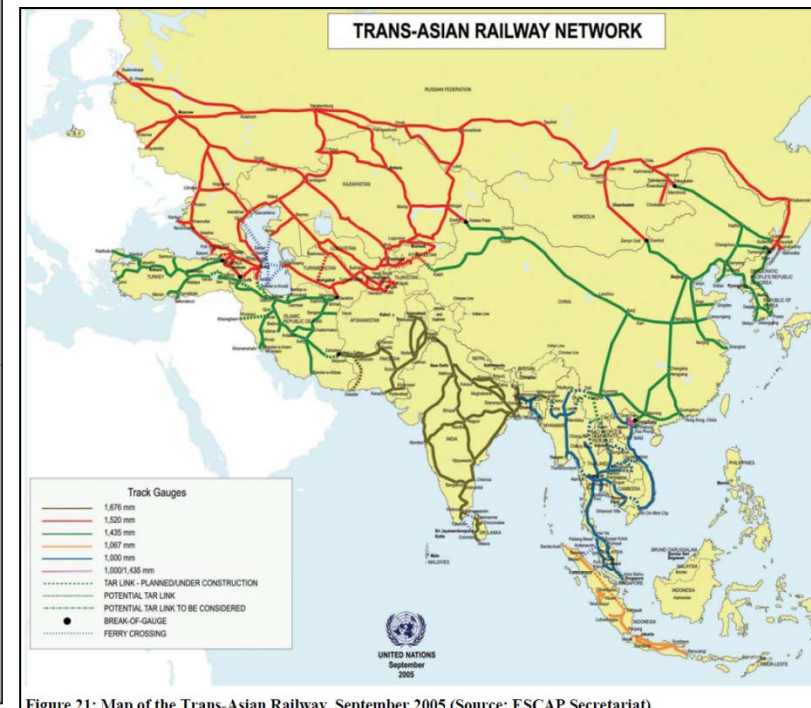


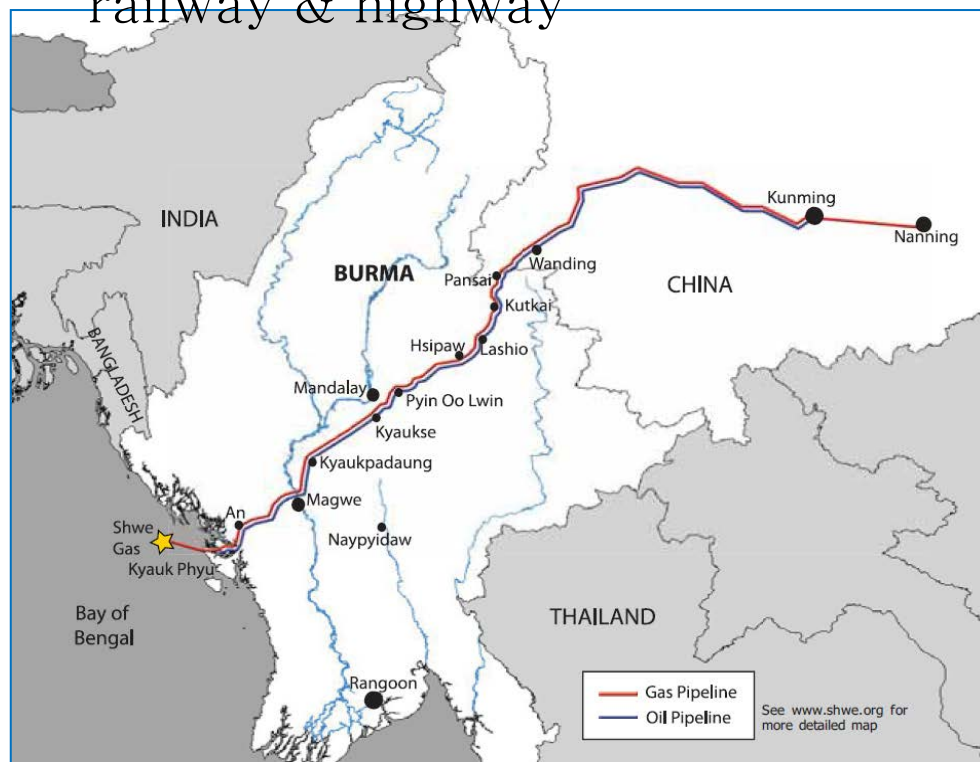
Figure 21: Map of the Trans-Asian Railway, September 2005 (Source: ESCAP Secretariat).

China – Japan competition



Source: *Bangkok Post*, 28 Jan 2015

China – Myanmar Gas and Oil Pipelines and the proposed railway & highway



Source: *Corridor of Power: China's Trans – Burma Gas and Oil Pipelines*, Shwe Gas Movement, (Chiang Mai, Thailand), September 2008

3. China Indonesia high speed railway – Jakarta to Bandung in Java Island



1. Jakarta – Bandung section (142 km), awarded to China in September 2015, to be completed by May 2019
2. Construction costs at US\$ 5.5 billion with 75% funding by China;
3. Speed – 350 km/hr
4. Chinese technology standards



Competition of investment is good for Asia



1. China's initiative has been emphasizing on open regionalism and cooperation and collaboration. It is not a Chinese version of the Marshall Plan and the China-Pakistan Economic Corridor programme is the benchmark.
2. One of China's aim is to mobilize investment and involvement by all stake-holders, from different countries and from private and public sectors. The competition from Japan (and to a lesser extent India) will create a virtuous cycle of investment and development and reverse the previous era of lack of investment for least developed hinterland & landlocked economies – spreading industrialization and ideas, enhancing comparative advantages and fostering economic and social synergy.
3. Infrastructure (esp. of public goods nature) – led investment has proven to be a successful first step for economic catching up (as exemplified by China & more recently by Vietnam). China's investment makes the best use of the recycling of trade surplus and is important for local development and balancing structural problems of FDI-led industrialization for exports by and for multinational corporations.