

Belt and Road: A Game Changer?

Alessia A. Amighini

Associate Professor of Economic Policy, Università del Piemonte Orientale

Co-Head of Asia Centre at ISPI



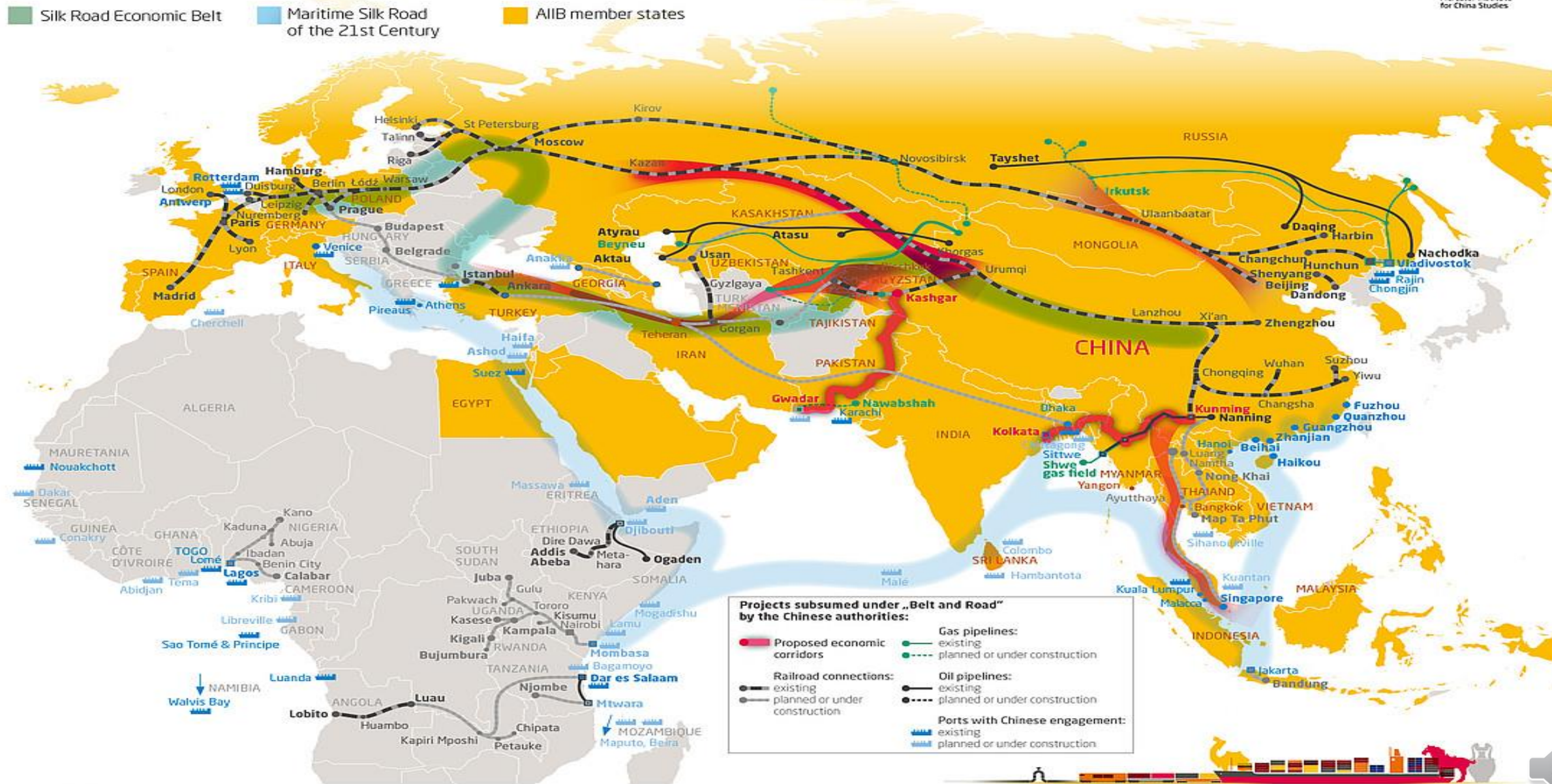
Belt and Road: The birth of an Initiative

- Major initiative launched by Chinese President Xi in Astana in 2013
- The official name has changed from One-Belt-One-Road (OBOR) (yi dai yi lu) to Belt and Road Initiative (BRI)
- Aims at building networks of connectivity across Central, Western and South Asia
- Initiative (not strategy), no sort of Marshall Plan for Central Asia



China aims to build a global infrastructure network

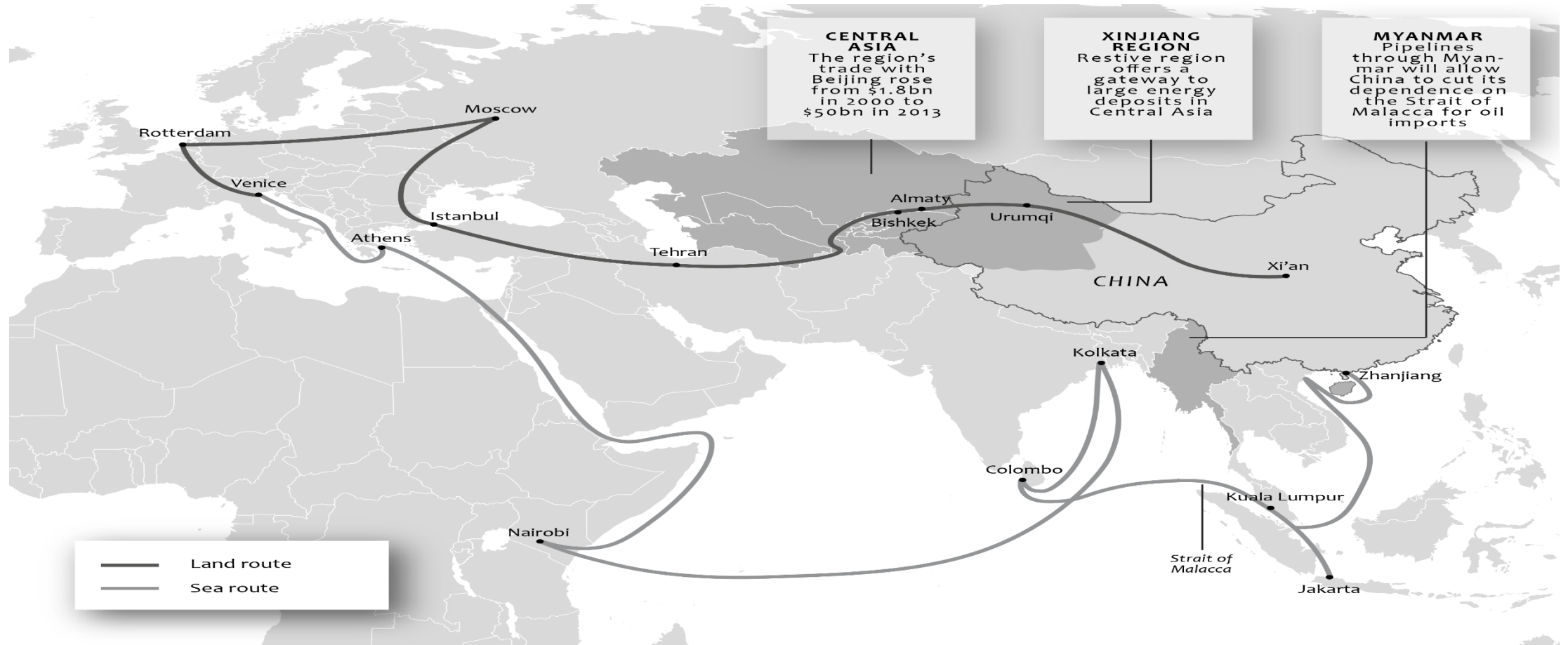
"Belt and Road" infrastructure projects, planned and completed (March 2017)



Silk Road Economic Belt and Maritime Silk Road

- the China-Mongolia-Russia corridor
- the New Eurasian Land Bridge
- the China-Central Asia-Western Asia Corridor
- the mountainous Karakoram Highway all the way through Pakistan to the port of Gwadar
- the Indochina Peninsula Corridor
- the Bangladesh-China-India-Myanmar Corridor

(Very) stylised map of the BRI

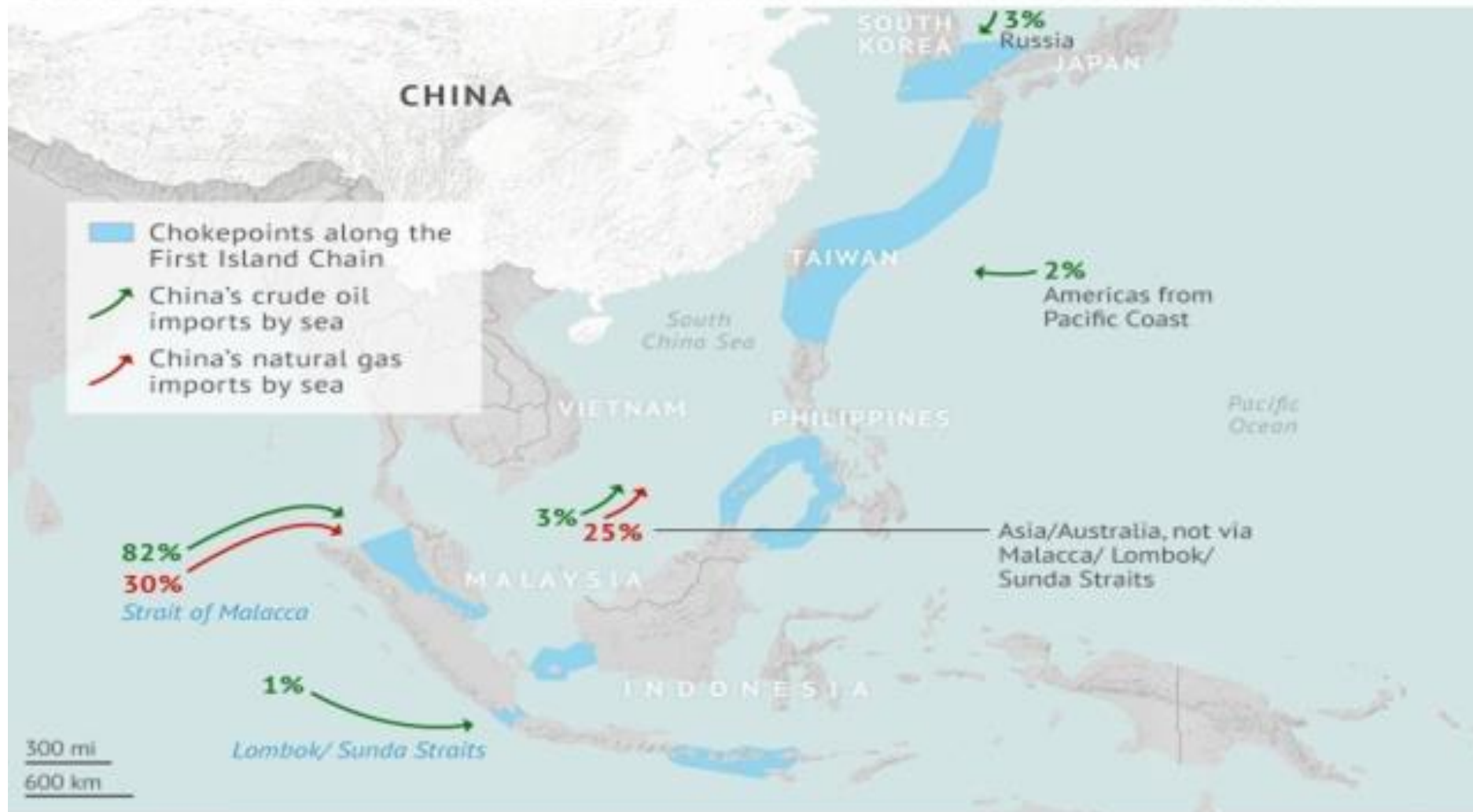


Belt and Road: What it (really) is

Main objectives are both economic and strategic - promotion of commercial and investment ties jointly with foreign policy goals:

- Expand new export markets
- Support China's economic rebalancing
- Secure China's energy supplies

CHINA'S IMPORT TRANSIT ROUTES AND MARITIME CHOKEPOINTS

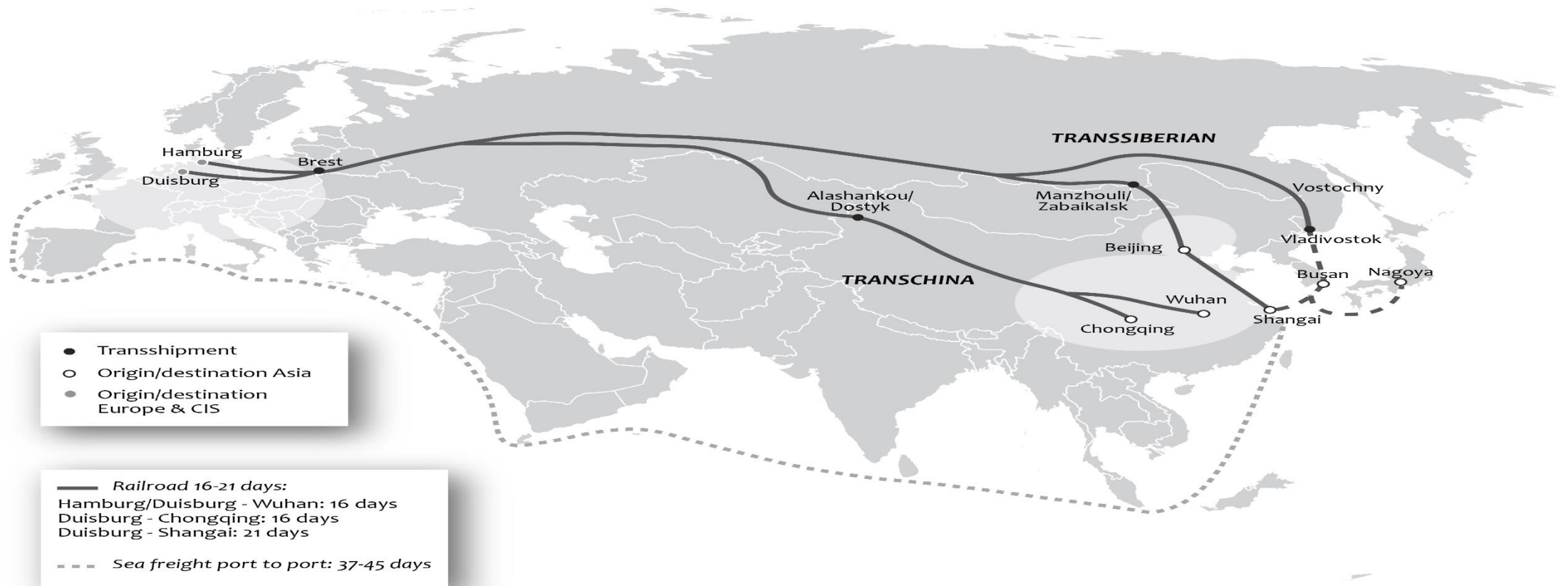


Source: Stratfor

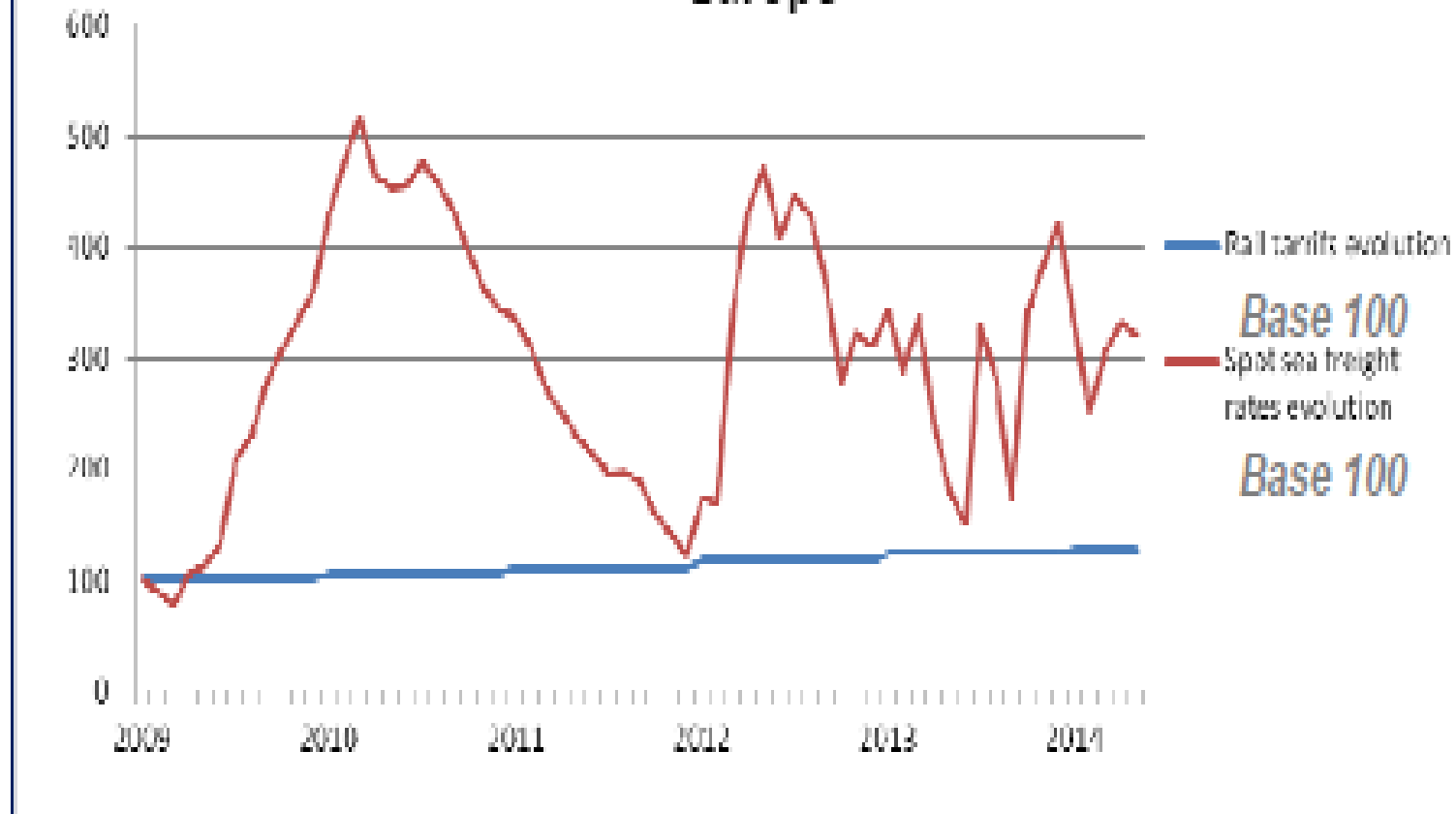
Aim to reduce transport costs

- Transportation costs of bilateral China-Europe trade are significantly higher than the world's average.
- Europe is the main destination for China's exports - The vast majority of these exports (92.3% of the total value) currently travel by sea, leaving very little to air, rail and road transport
- This helps understanding why most of the BR projects aim to increase the prospects for land connectivity between China and Europe

Railroad vs. sea freight port-to-port



Overseas and rail spot rates comparison from China to Europe



Source: GEFECO

Multifaceted Belts and Roads to increase connectivity

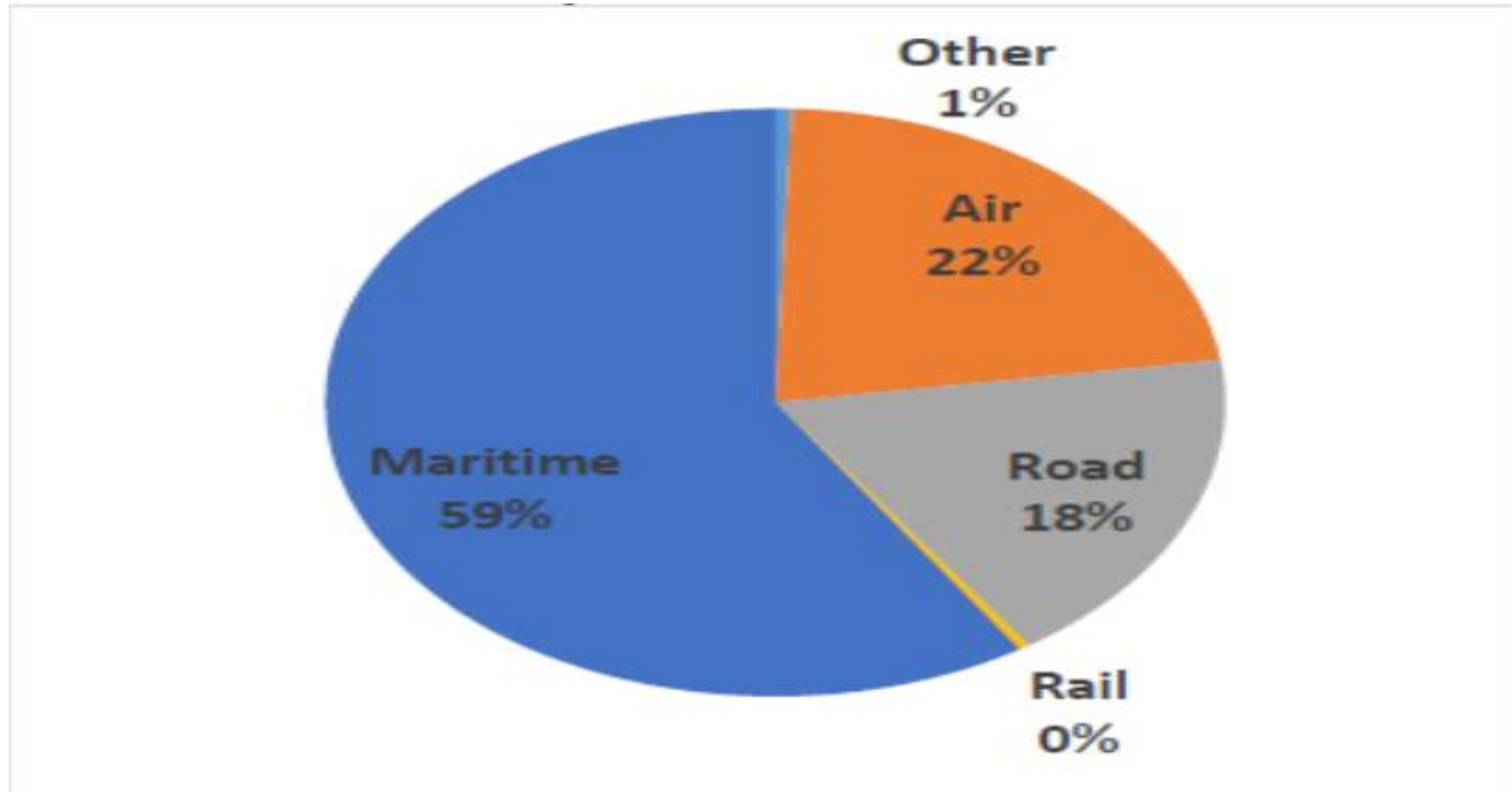
- Physical through infrastructure
- Digital through common platform
- Financial through increased circulation of renminbi
- Cultural through people to people exchange

Belt and Road impact on international trade

Two types of trade creation:

- through the expansion of trade ties between pairs of countries that are already important trade partners, facilitated by the decrease of transport costs and trade barriers;
- through new trade routes that will unlock potential trade ties among hitherto mutually isolated trading partners.

China trade by mode of transport



Paving ways towards a new wave of globalisation

- Strong development impact through increase in connectivity, in particular maritime connectivity
- Access to the sea and the existence of a direct maritime connection play an important role in determining trade costs
- As all Central Asian countries except Pakistan are landlocked, improving connectivity will unlock trade and economic potential in these developing areas
- Central Asia will be the next emerging region

Thank you!

The contents of this talk were mainly drawn from
my chapter in «China's Belt and Road: A Game Changer», edited by Amighini A. (ISPI, 2017)
and from my chapter in «Nomos and Khaos» (Nomisma, 2017)