Understanding the Potential Impact of the Belt and Road Initiative on Sustainable Development of Eurasian Economies

Tbilisi Silk Road Forum
Tbilisi, Georgia, 21 Oct 2019

Namsuk Kim
UN DESA
Overview of Belt and Road Initiative and SDGs
Belt and Road Initiative

Five Cooperation Priorities

1. People-to-people Bond
   - Promoting people-to-people exchanges and friendly cooperation

2. Policy Coordination
   - Promoting inter-governmental cooperation and building a mechanism for policy exchange and communication

3. Financial Integration
   - Deepening financial cooperation and promoting financial system development

4. Facilities Connectivity
   - Strengthening infrastructure planning and construction, and achieving facilities connectivity

5. Unimpeded Trade
   - Removing investment and trade barriers, and creating a sound business environment
Infrastructure gap (1)

Availability of Transport Infrastructures

Map showing the availability of transport infrastructures globally, with different colors indicating varying levels of availability: very high (18 - 47), high (11 - 17), medium (5 - 10), low (3 - 4), very low (0 - 2), and no data available. The map is sourced from CIA The World Factbook 2014.
Infrastructure gap (2)

Quality of Transport Infrastructures

Source: World Economic Forum Global Competitive Index 2017
Six major Economic Corridors

1. China-Indochina Peninsular
   • China-Lao EC (2017)
   • Lancang-Mekong Cooperation (2016)
2. Bangladesh-China-India-India-Myanmar
3. China-Pakistan
4. New Eurasian Land Bridge
5. China-Mongolia-Russia
6. China-Central Asia-West Asia
Overview of BRI

• 136 countries and 30 international organizations signed cooperation documents (as of July 2019).
• More than 1,800 projects (loose definition of BRI projects).
• Total BRI investment since 2013 estimated btw USD120bn - 575bn (1-5% of global FDI) although some put it as high as USD1trn
• Sectoral focus in energy and infrastructure development with an increasing emphasis on manufacturing and even services.
• Partner countries already account for 60% of the world’s population and 30% of its GDP – numbers continue to grow
  Notably in ASEAN, CIS, Sub-Saharan Africa and Eastern Europe.
• Progress remains uneven, with projects scattered both inside and outside the scope of the supposed six economic corridors.
Sectoral and Regional Analysis

**Investments in BRI corridor economies by industry**
- Construction and real estate: 7%
- Chemical engineering: 13%
- Metallurgy and mining: 4%
- Transportation and shipping: 25%
- Energy and electric power: 46%
- Other: 5%

**Investments in BRI corridor economies by region**
- East Asia and Pacific: 34%
- Europe and Central Asia: 32%
- South Asia: 19%
- Middle East and North Africa: 13%
- Sub-Saharan Africa: 2%

Source: World Bank, based on USD575bn of investments in the World Bank’s assumptions. This includes projects in the planning phase.
Implications of BRI

• BRI alters the development landscape

• For China, the BRI allows the country to a “new pattern of all-round opening-up, and [to] integrate itself deeper into the world economic system.”

• For the world, the potential to substantially improve trade, foreign investment and living conditions for citizens in its participating countries

  - but only if participating economies adopt deep policy reforms that increase transparency, expand trade, improve debt sustainability, and manage environmental, social and corruption risks.

• UN Secretary-General outlined the importance of “inclusive sustainable and durable” development and the urgency of “green development” in the context of imminent climate impacts, pledging the support of UN country teams (April 2019)
Linking BRI to global development agenda

• Improve infrastructure  --- SDG 9
  Low-income countries are expected to see a significant 7.6% increase in FDI due to the new transport links.

• Boost trade and investment  ---- SDG 8
  World Bank suggests that trade will grow from between 2.8-9.7% for corridor economies and between 1.7-6.2% for the world

• Reduce poverty  --- SDG 1
  It is estimated that BRI transport projects could help lift 7.6 million people from extreme poverty ($1.90 a day) and 32 million people from moderate poverty ($3.20 a day).

  .........
  However, gains will be unevenly distributed (some may incur welfare losses due to huge infrastructure cost)
Introduction of UN DESA project

• https://youtu.be/2U_t1ErxRu0
UN DESA project countries (2018-2020)

- Azerbaijan
- Bangladesh
- Cambodia
- Czechia
- Georgia
- Kazakhstan
- Kyrgyzstan
- Lao PDR
- Mongolia
- Myanmar
- Romania
- Serbia
- Sri Lanka
- Thailand
UN DESA project activities (2018-2020)

• Data collection and research on BRI and SDGs at the national level
• Macroeconomic model (WEFM-e) simulations and projections on SDG indicators
• Capacity building for policy makers, researchers and private sector
• Regional and global events to share experiences, and establish research/policy network
Lessons learnt so far (1)  
– limited data

• BRI was found to be not well understood in many participating countries.
• Lack of available information and evidence for its impact especially on SDGs.
• Policy formulation related to BRI and its activities are mainly driven by the Chinese counterparts given the weak capacity in many participating countries.
• Data collection, progress monitoring and evaluation on the impact of the BRI activities on SDGs would be crucial to inform and present possible options to policymakers to exploit the benefits while mitigating the risks to ensure the achievement of SDGs by 2030.
• Special attention should be paid to the spillover effects and trade-offs on the SDGs at the national level and on local communities.
Lessons learnt so far (2) – inclusive development

• Chinese investments in “connective infrastructure” produce positive economic spillovers that flatten the spatial distribution of economic activity and reduce regional inequality.

• Studies also demonstrate that Chinese development projects could produce a number of negative externalities, including possible displacement of local and marginalized communities, local corruption, environmental degradation, and low-level local community participation.

• BRI should both stimulate industries that channels more trade with China and allow for the diversification of local economy.

• Job creation should be accompanied by training and professional development to sustain the impacts.

• The role of environmental and social safeguards for infrastructure projects is pivotal for securing the overall vision of BRI.
Lessons learnt so far (3) – sustainable financing
Modelling tool and methodology

• Expanded World Economic Forecasting Model (WEFM-e)

• Asses impact of BRI on economic development of selected countries

• Simulate impact of investments in Infrastructure on income growth, labor market, fiscal sustainability, poverty reduction and so on
DESA project implementation plan

- www.brisdgs.org
- WEFM-e simulation scenarios
- Interim report (mid 2019), and final report (mid 2020)
- National workshops in countries until 2020
- In-depth training course on modelling tools including WEFM-e if requested
- Extension of BRI-SDGs project to other countries
THANK YOU

Namsuk Kim, UN/DESA
kimnamsuk@un.org