Development impacts of the Belt and Road Initiative

Findings from selected Asian Economies

Lin Yang, UN DESA
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Outline

1. Implications of the Belt and Road Initiative on Asia

2. Findings from case studies in selected Asian countries
   - Thailand
   - Cambodia
   - Myanmar
Belt and Road Initiative

Five Cooperation Priorities

- **People-to-people Bond**: Promoting people-to-people exchanges and friendly cooperation.
- **Policy Coordination**: Promoting inter-governmental cooperation and building a mechanism for policy exchange and communication.
- **Financial Integration**: Deepening financial cooperation and promoting financial system development.
- **Facilities Connectivity**: Strengthening infrastructure planning and construction, and achieving facilities connectivity.
- **Unimpeded Trade**: Removing investment and trade barriers, and creating a sound business environment.
Infrastructure gap (1)

Availability of Transport Infrastructures

Max. availability = 100, unweighted mean value based on normalized values, classification in accordance with quantile method
Sources: CIA The World Factbook 2014
Infrastructure gap (2)

Quality of Transport Infrastructures

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

• China-Indochina Peninsular EC
  ○ China-Lao EC (2017)
  ○ Lancang-Mekong Cooperation (2016)
• Bangladesh-China-India-Myanmar EC
• China-Pakistan EC
• New Eurasian Land Bridge
• China-Mongolia-Russia EC
• China-Central Asia-West Asia EC
Latest development of BRI

- 126 countries signed up (as of 20 April 2019)
- **Financial commitments** – over one trillion committed
- **Trade** – over six trillion USD in 2013-2018 btw China and other BRI countries
- **Investment** – over 90 billion USD by China in 2013-2018; 82 overseas economic and trade zones, near 300,000 new jobs created
- **Infrastructure** - extensive development within and across borders
BRI projects are directly contributing to several UN SDGs and indirectly linked to many more

- **Goal 1** – eliminating poverty: Thailand aims to become a high-income economy by 2036, under the 20-year National Strategy Framework

- **Goal 8** – decent work and economic growth: increased transport connectivity could enable more efficient matching in Thai labour markets

- **Goal 9** – infrastructure: under the 20-year Transportation Development Strategy, 2017-36, the Thai government aims to provide effective, green and safe, inclusive and innovative transport for all, and increase connectivity of the 5 Special Economic Zones along the border

- **Goal 10** – reduced inequalities: affordable public transport could help to reduce inequalities, particularly public service access inequalities
Potential contributions to SDGs if managed well – synergies and trade-offs

• Infrastructure (energy, water, etc.)
• Income growth
• Job creation
• Poverty reduction
• Inequality
• Quality of education
• Health
• Environment
UN DESA project countries (2018-2020)

- Azerbaijan
- Bangladesh
- Cambodia
- Czech
- Georgia
- Kazakhstan
- Kyrgyzstan
- Lao PDR
- Mongolia
- Myanmar
- Romania
- Serbia
- Sri Lanka
- Thailand
Preliminary findings: Thailand

• Macroeconomic data suggested Thailand had fiscal space to invest in infrastructure, with the total budget of the Bangkok-Nong Khai rail projects equivalent to 12% of total infrastructure spent, or 2% of GDP in 2016.

• Public debt of Thailand is likely to remain below the limit of 60% of GDP.

• Thailand’s FDI profile may be changed, pushing China surpassing Japan to become the biggest FDI investor (now 6th).

• SDG framework should be utilized to understand the impact of the proposed high-speed rail on Thai local population and ensuring good outcome for all.
Infrastructure projects under way in Thailand

**Cross-Border Economic Zone**
- Thai Ministry of Commerce signed an MOU with the Mekong Institute.
- 4 Chinese-funded projects will promote trade amongst Lancang-Mekong countries.

**Bangkok - Nong Khai**
- High-speed rail from Bangkok-Nong Khai
- Dual track upgrade from Bangkok-Nong Khai

**Denchai-Chiang Khong**
- Dual track construction, bidding expected in March 2019
- Budget - 85 bn baht

**Bang Yai-Kanchanaburi highway**
- Motorway will potentially connect with Dawei Special Economic Zone in Myanmar
- Budget - 49.1 bn baht

**Laem Chabang-Qinzhou**
- Thai and Chinese government MOU: aims to increase the frequency of freight traffic to every day.

**Thailand-Cambodia Railway**
- Ban Klong Luk Border Station construction is nearly complete and expected to be operational in 2019.
Preliminary findings: Cambodia

• China accounts for 41.5% of FDI and 45.3% of export of Cambodia in 2016 – increasing diversified export structure but large trade deficit

• Major BRI projects undergoing including Sihanoukville Special Economic Zone, sea port and air ports, expressways, etc.

• About two million Chinese tourists visited Cambodia in 2018 and over 2000 scholarships have been provided by China.

• The impact of BRI in Cambodia, especially on the employment of the informal sector which encompasses the vast majority of Cambodian enterprises that are household-based, is to be further researched.
Map of BRI infrastructure in Cambodia

- https://reconnectingasia.csis.org/map/
Preliminary findings: Myanmar

- The China-Myanmar Economic Corridor (CMEC), signed in Sept. 2018, will run from China’s Yunnan Province to Mandalay in central Myanmar, and then east to Yangon and west to the Kyaukphyu Special Economic Zone.

- The development of the Corridor involves cooperation in basic infrastructure; manufacturing; agriculture; transport; finance; human resources development; telecommunications; research and technology, etc.

- China-Myanmar railway: MOU on feasibility study on the railway connecting Muse to Mandalay signed in 2018. The project would span 431km and have a designed speed of 160km/h, with possible extension to Yangon and Kyaukpyu.
China-Myanmar Economic Corridor

Kyaukphyu Special Economic Zone
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
Thank you!

Lin Yang, UN DESA, lin.yang2@un.org

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