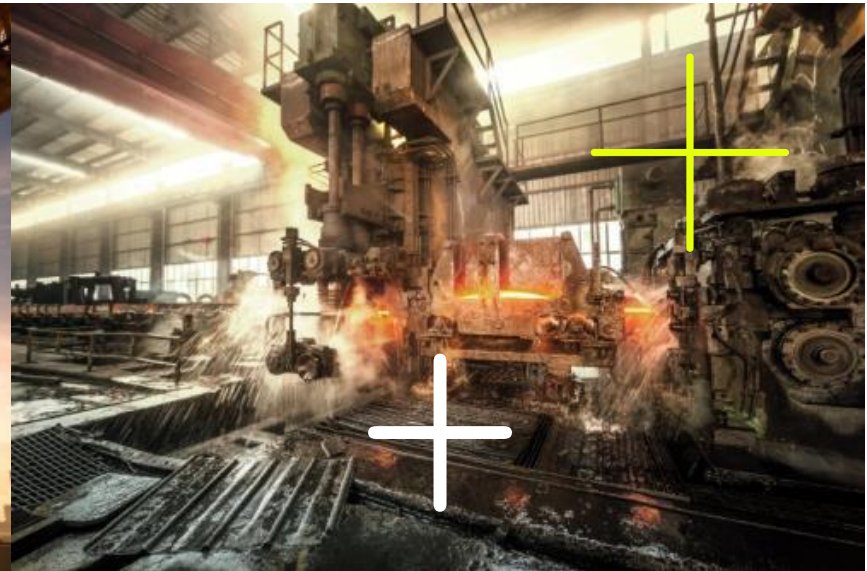




The Belt and Road and Global Development Initiatives What is in them for Canadians?

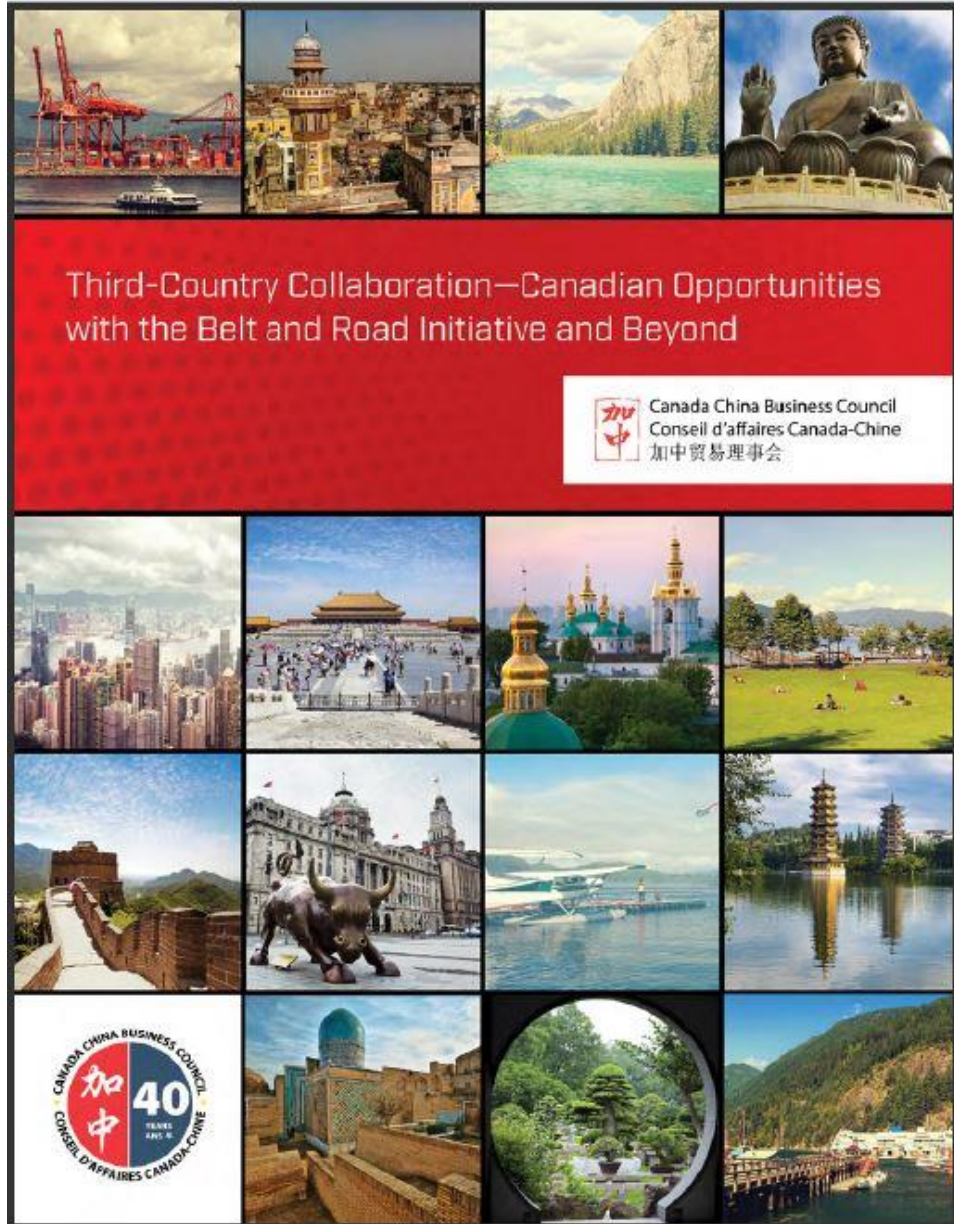


Chris Twigge-Molecey

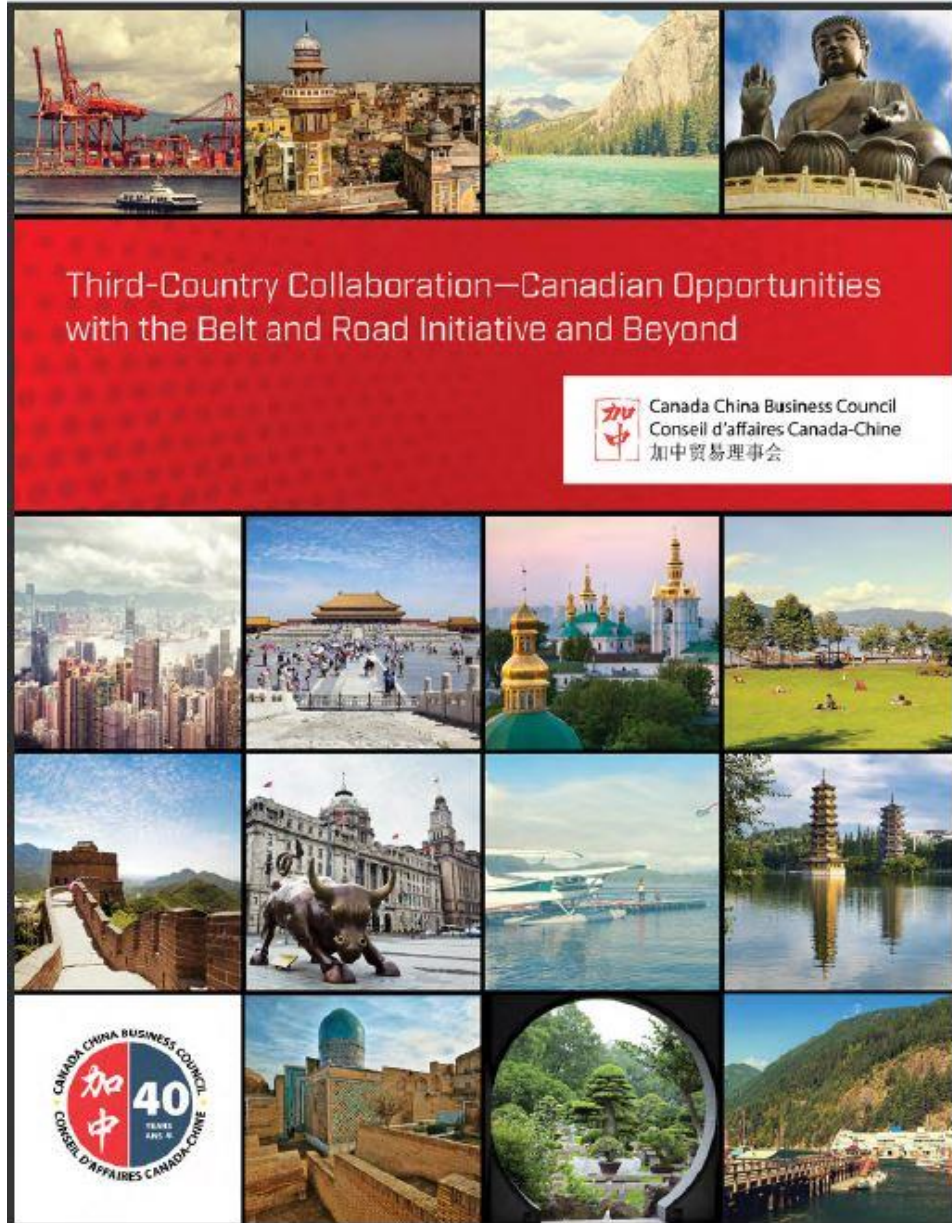
CIM-MES

December 7/2022





The CCBC Report 2018



The CCBC Report 2018

Context
Follow the Money
Case Studies
Thoughts on Access

Current Great Uncertainties

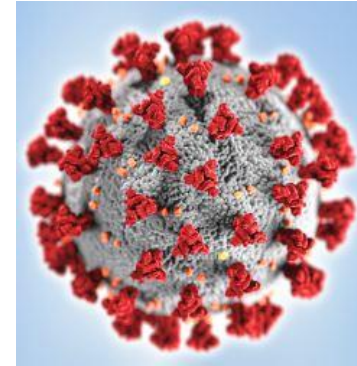


The Two Michaels
Legacy



Russia-Ukraine
Conflict

Pandemic



Trade
Sanctions

Financial Instability



Chinese
Belligerence
to Taiwan



Global Warming

China's Grand Strategy

After Mao, Deng Xiaoping
“Hide capabilities and Bide your
Time”



China's Grand Strategy

After Mao, Deng Xiaoping
“Hide capabilities and Bide your
Time”



Jiang Zemin 1989-2003
Blunting US Influence



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Hu Jintao 2003-2013
Start to “build out” Regionally



China's Grand Strategy

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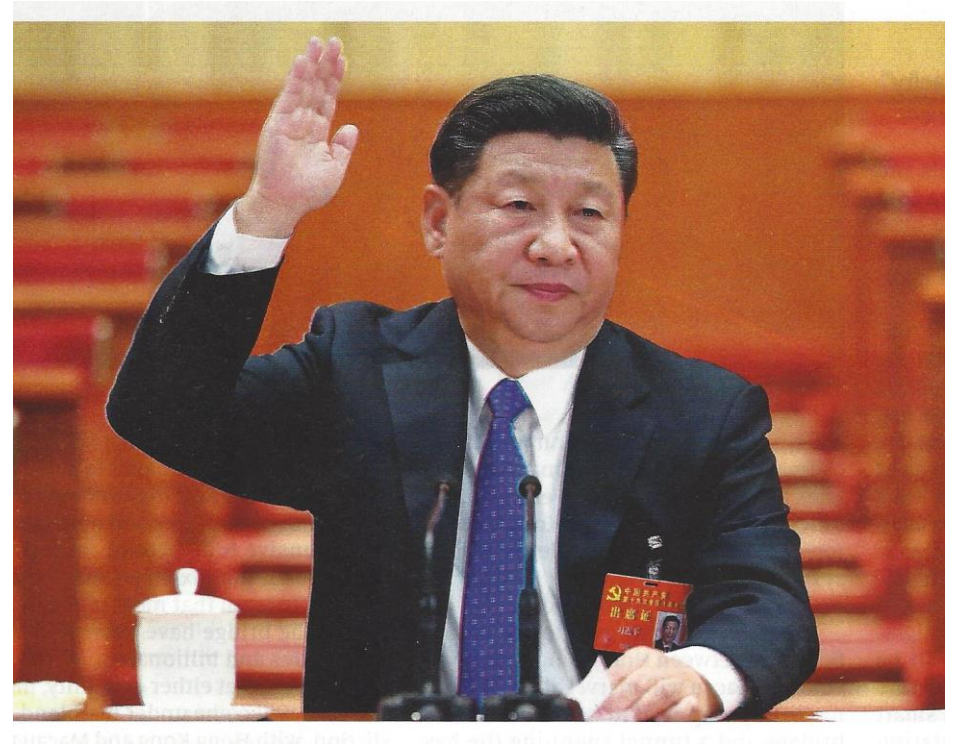
Xi Jinping Starting in 2013
Globalizing Influence



Official Goals for the Belt and Road Initiative The “BRI”

Regional to Global:

- Policy co-ordination
- Facilities Connectivity
- Unimpeded Trade
- Financial Integration
- People-to-People Connections



Drivers for the Belt and Road Initiative

Projecting “Win-Win” Inducements

- Improved International Relations
- International Trade Growth
- Trade and **Energy Access**
- Internal Surplus Capacity
- RMB Internationalization

Power Projection

- Supporting Military Deployment



The BRI Evolution

Silk Road Economic Belt (2013 Astana)

+21st century Maritime Silk Road

➤ One Belt One Road (Yidaiyilu 一带一路)

➤ The Belt and Road Initiative

The BRI Evolution

Silk Road Economic Belt (2013 Astana)

+21st century Maritime Silk Road

➤ One Belt One Road (Yidaiyilu 一带一路)

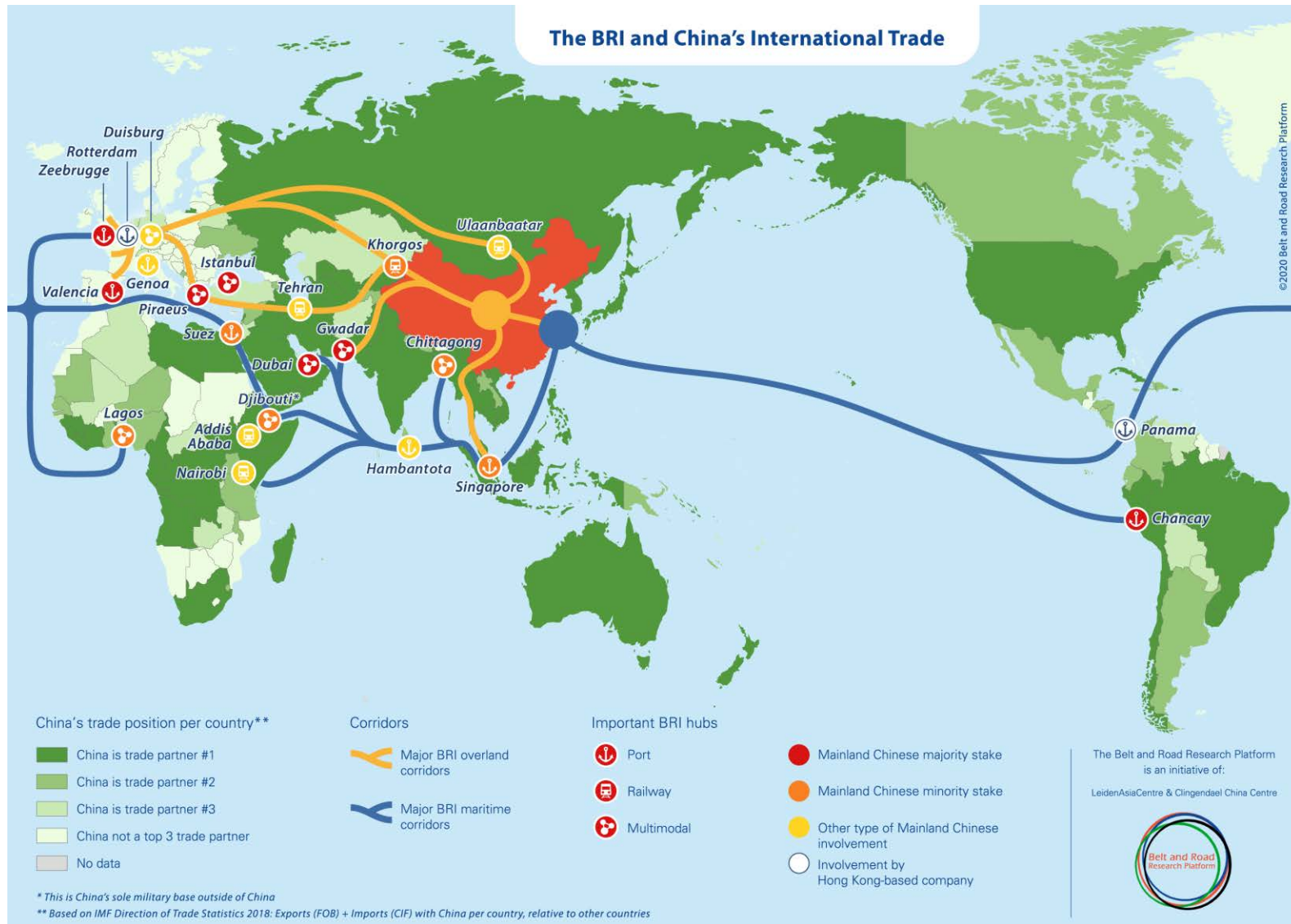
➤ The Belt and Road Initiative

2017 added to the Constitution

- The Arctic Silk Road
- The Digital Silk Road



BRI Infrastructure Network



Chinese BRI Vision and Progress

- Total anticipated: \$4-8 trillion globally
- Completion 2049 (100 years of PRC)

Now:

- 140+ country MOUs claimed
- >15000 Contracts placed
- \$0.97 Trillion USD two-way trade by 2021

Possibly \$4 T USD in infrastructure investment catalyzed

Chinese BRI “Investment”

- >\$500 B+ “Attributed” 2014-18
80% in China, 95% to SOEs
- \$890 B “Attributed” 2013-2021
Investment + Loans + Grants



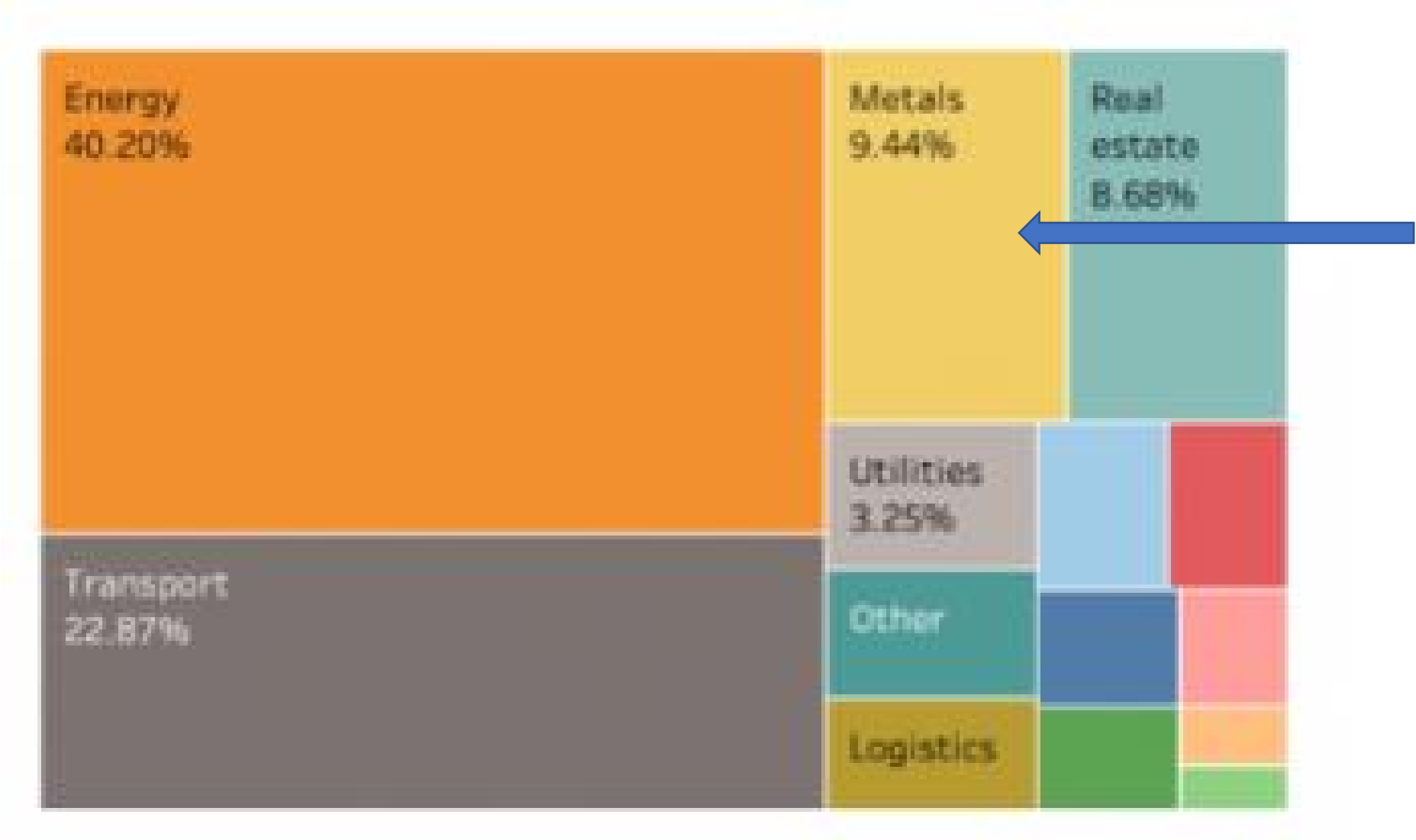
Chinese BRI “Investment”

- >\$500 B+ “Attributed” 2014-18
80% in China, 95% to SOEs
- \$890 B “Attributed” 2013-2021
Investment + Loans + Grants
- Total investment >\$130 B by 2021
- 2021 contracts: \$60 B*
- 2021 investments: \$14 B*
- 2022 Announced: >\$120 B*

*Various estimates available

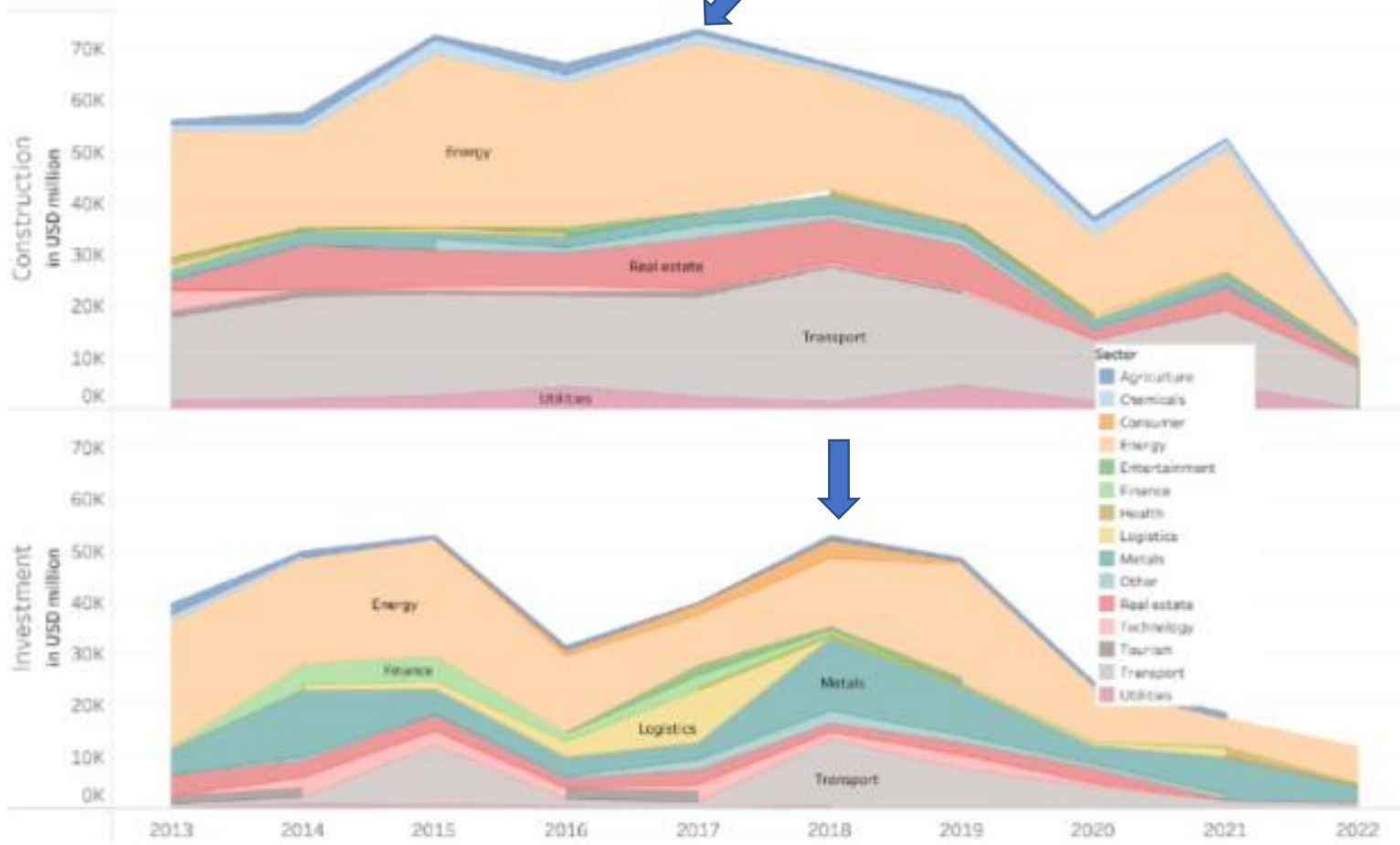


Chinese BRI Investment 2013-2022



Chinese BRI Investment

Chinese engagement in the Belt and Road Initiative 2013- H1 2022



Chinese cumulative BRI engagement 2013- H1 2022



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Five Major Projects

#1 China –Pakistan Economic Corridor

\$65 billion commitment

>50% implemented

Gwadar Port Developments

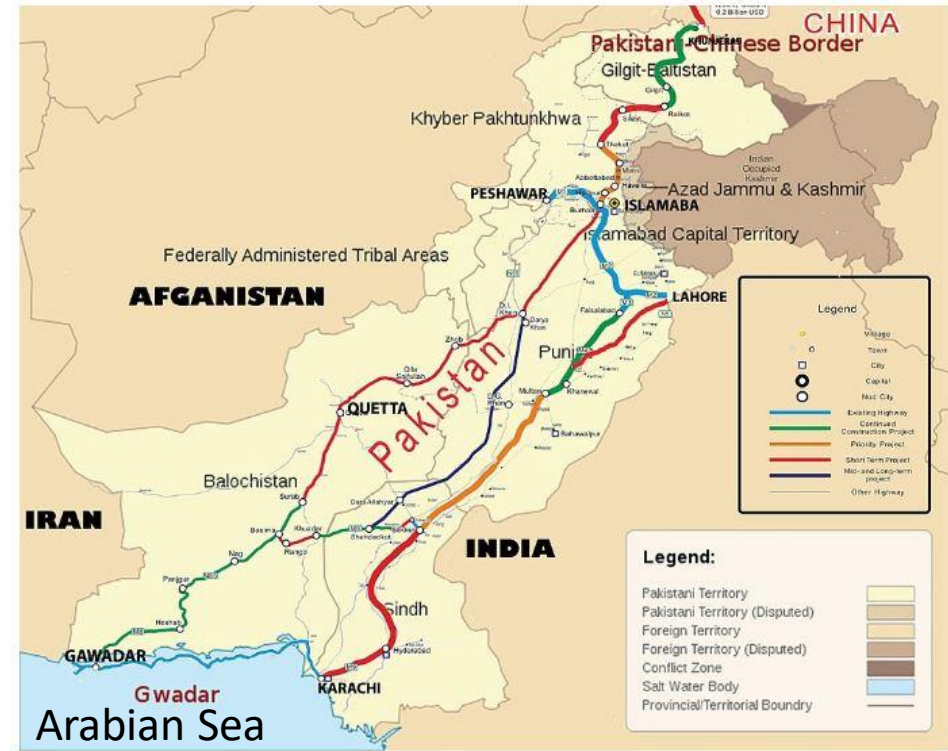
270+ projects on hold

Significant Pushback

Attacks on Projects

Debt re-negotiations

In Crisis



Five Major Projects

#1 China –Pakistan Economic Corridor

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Gwadar Port Developments

270+ projects on hold

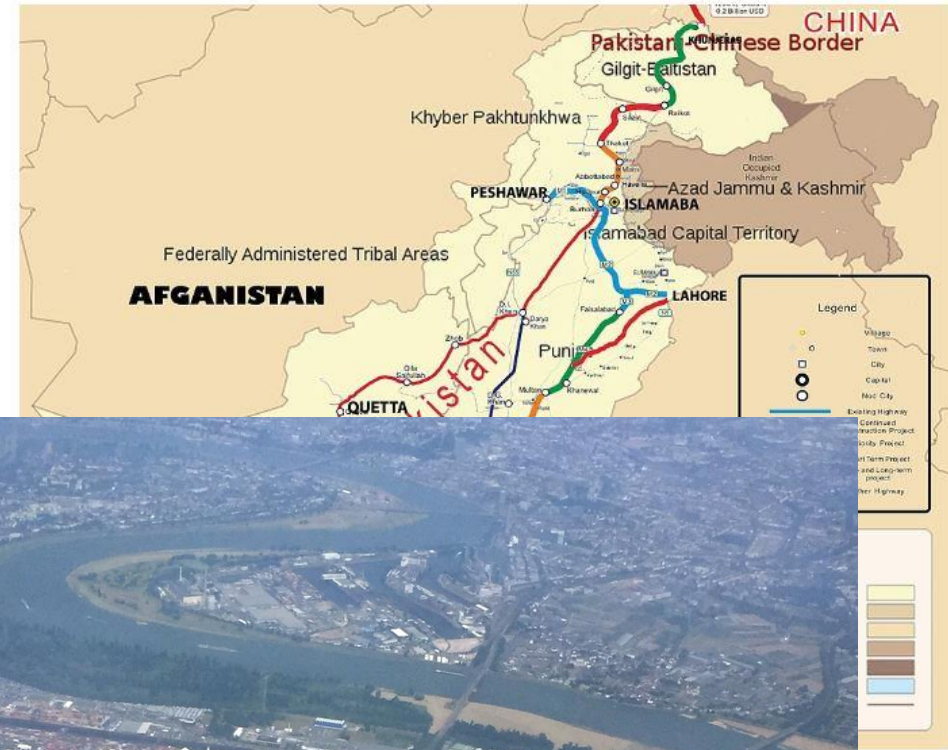
#2 Yiwu–London Railway

5 German terminal zones

#3 Iran Railway

#4 Asia Gas Pipelines

#5 Khorgos Dry Port



Some Accomplishments



First Train Yiwu to London, Jan 2017

Now 40 trains/day (1250/month)

2019 (Pre-Pandemic) Worked on:

- 452 Ports in 34 countries
- 41 Gas pipelines
- 203 Railway lines
- 200 Hydro dams

Finding Opportunities

Canadian expertise

Legal

Finance

Consulting

Construction

Equipment

Supply Chain

Training

Services

and Supplies

The Chinese Players

Chinese Government
MOFCOM/NDRC/MOFA

Policy and Priorities

Leading Group for the Control of the BRI

Canadian expertise

Legal

Supply Chain

Finance

Consulting
Training

Construction
Services

Equipment
and Supplies

The Chinese Players

Chinese Government
MOFCOM/NDRC/MOFA

Policy and Priorities

Major Chinese
Banks

Chinese Policy
Banks

Multilateral
Development Banks

Owners and Contractors

Legal

Supply Chain

Finance

Consulting
Training

Construction
Services

Equipment
and Supplies

Policy Banks and Development Funds



Key Chinese Banks



+12 National Banks

+135 Urban banks +++

All the Players

Chinese Government
MOFCOM/NDRC/MOFA

Policy and Priorities

Major Chinese
Banks

Chinese Policy
Banks

Local Host
Government

Chinese
Embassies

Development
Banks (Host)

Local Banks

Multilateral
Development Banks

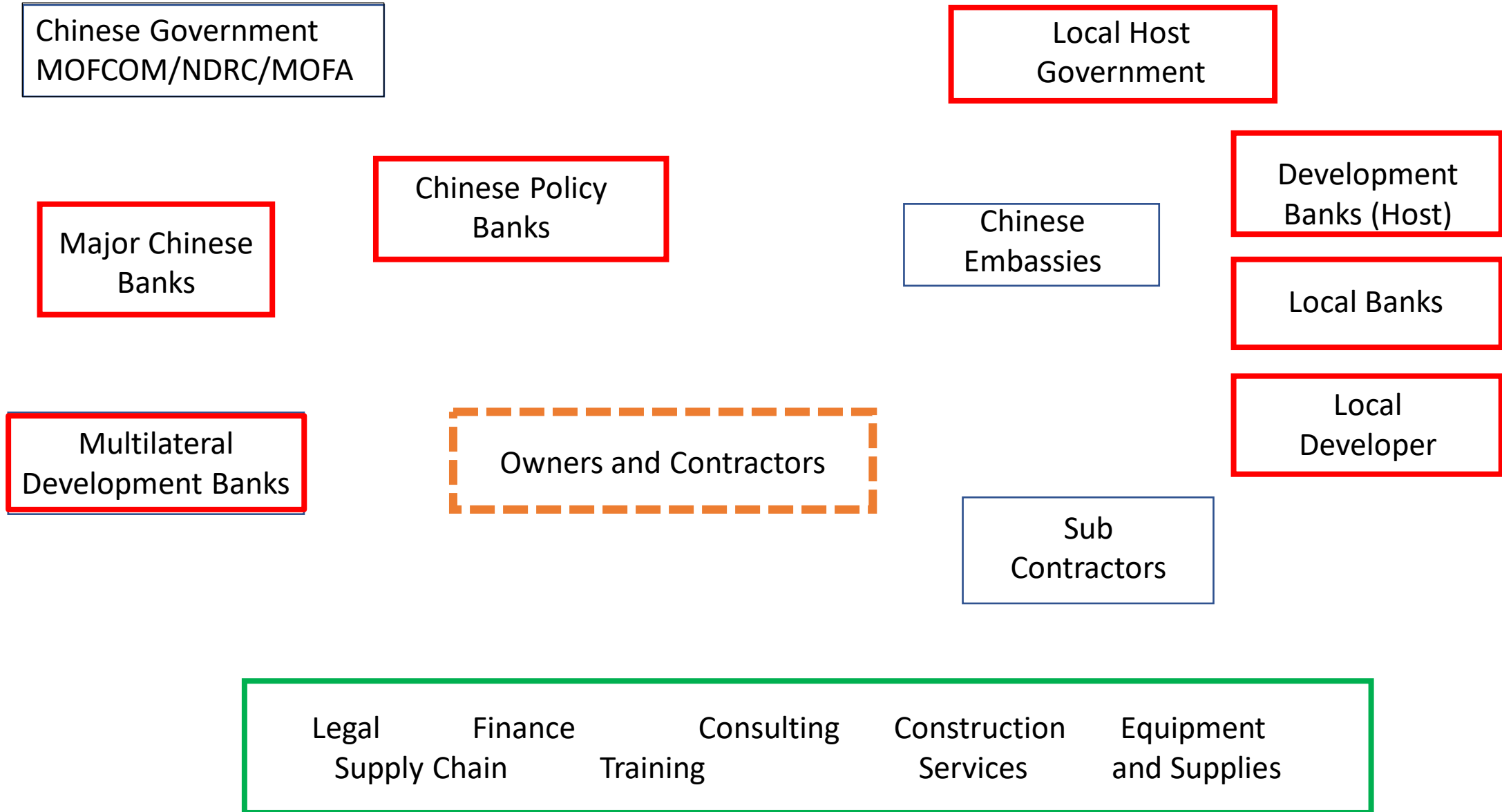
Owners and Contractors

Local
Developer

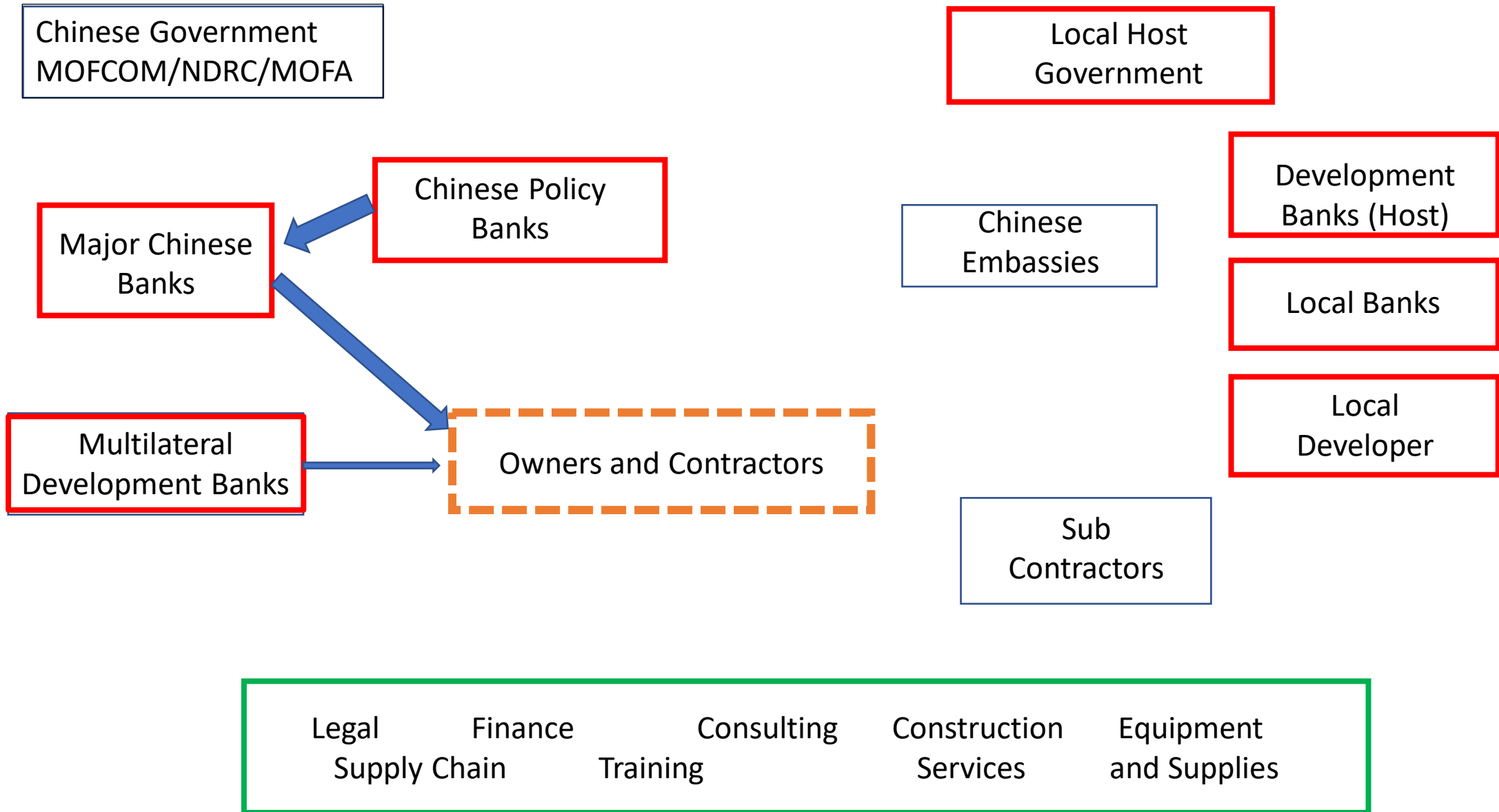
Sub
Contractors

Legal Finance Consulting Construction Equipment
Supply Chain Training Services and Supplies

Who has the Money?



Who has the Money?



Major BRI Investors/Owners



国家电网公司
STATE GRID
CORPORATION OF CHINA



中国交通建设(马来西亚)有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY (M) SDN BHD



中国铁建

CHINA RAILWAY CONSTRUCTION CORPORATION LIMITED



CNPC



中國移動
China Mobile

Jinko Solar



HUAWEI

Alibaba.com
Global trade starts here.



CNOOC



招商局

CHINA MERCHANTS GROUP
創辦於1872年

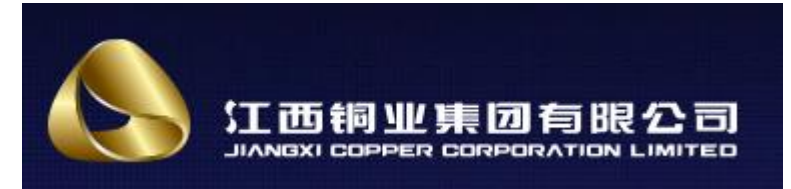


中国长江三峡集团公司
China Three Gorges Corporation



ZIJIN

Major Mining + Metals Investors/Owners



Major Mining + Metals Investors/Owners



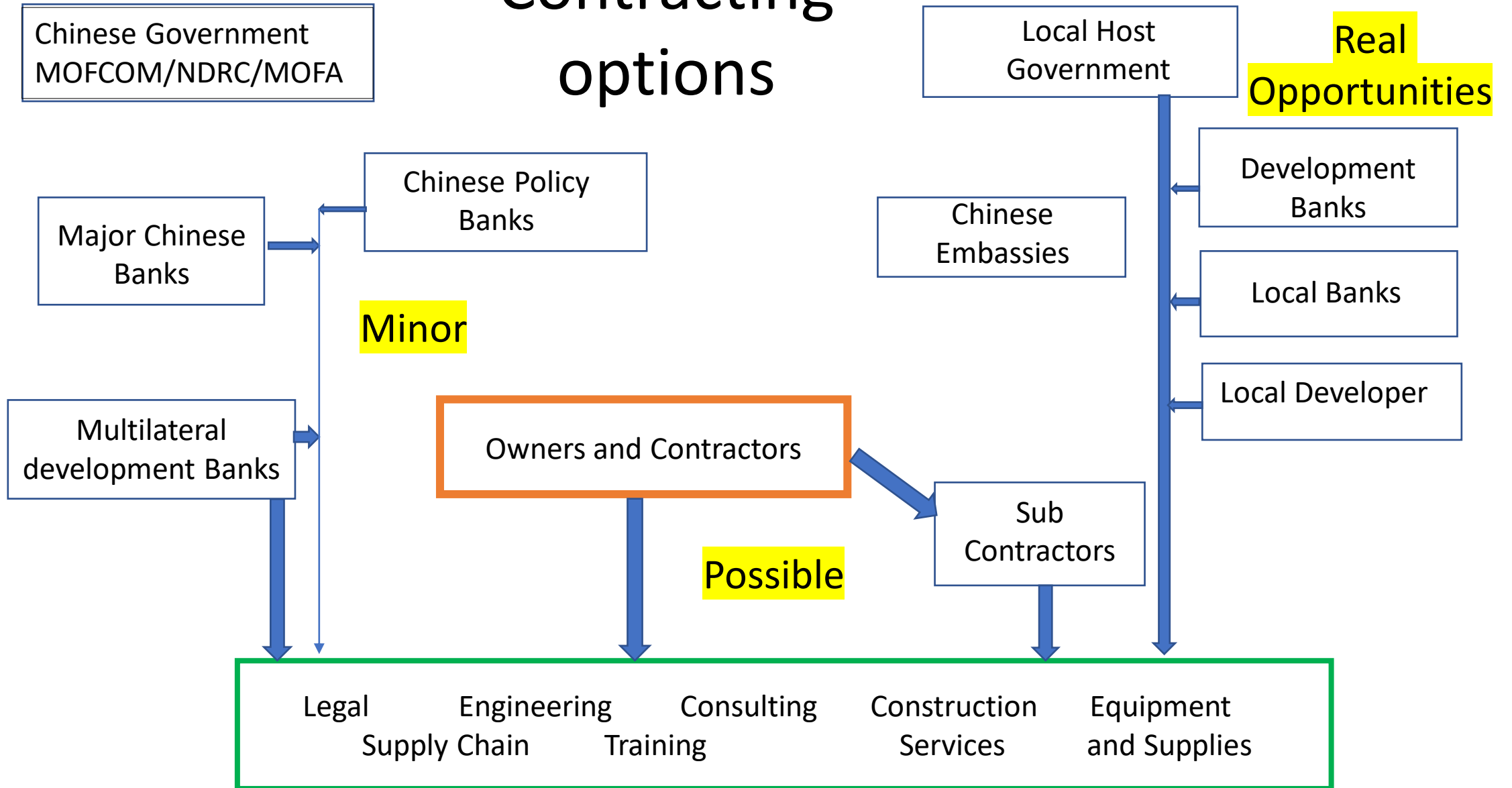
**Design
Institutes +
Fabricators**



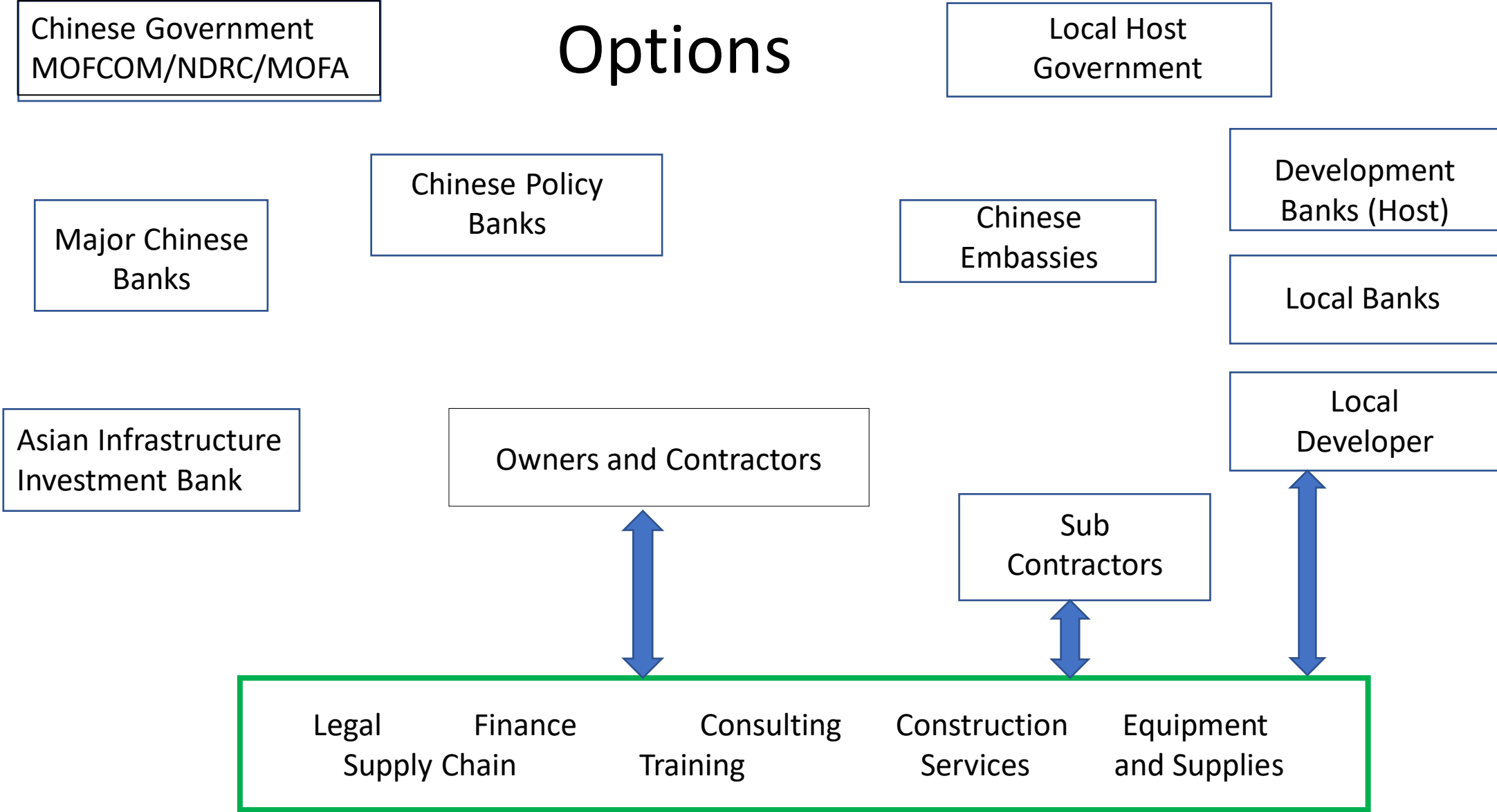
New Mining Investors/Owners



Contracting options



Joint Venture Options



Top recipient countries

BRI Contracts \$B 2005-19

- Pakistan 42
- Saudi Arabia 32
- Nigeria 26
- Indonesia 26
- Malaysia 26
- UAE 26
- Algeria 24
- Ethiopia 23
- Egypt 21
- Angola 20

Top recipient countries

BRI Contracts \$B 2005-19

• Pakistan	42
• Saudi Arabia	32
• Nigeria	26
• Indonesia	26
• Malaysia	26
• UAE	26
• Algeria	24
• Ethiopia	23
• Egypt	21
• Angola	20

BRI Investments \$B 2014-18

Singapore	24
Malaysia	14
Russia	10
Indonesia	9
Israel	8
Pakistan	8
Laos	7
UAE	7
Nigeria	7
Bangladesh	5

Governance?

Sanctions?

Follow the money?.... Carefully!

- Beijing's strategy not driving all Projects
- Driven by Local/Provincial/Private interests
- Rebranding of existing Projects
- 30+% Projects stopped/on hold + 20-40% Covid Casualties

Follow the money?.... Carefully!

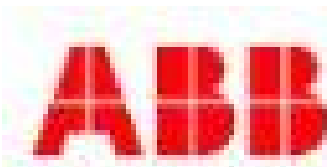
- Beijing's Strategy not driving all Projects
 - Driven by Local/Provincial/Private interests
 - Rebranding of existing Projects
 - 30+% Projects stopped/on hold + 20-40% Covid Casualties
 - Financial risks of 131 countries (2019)
 - 37 Investment Grade
 - 59 country debt rated JUNK
 - 36 countries NO RATING
-) >\$250 Billion (2018)
)

Some Derailed Projects



- Nepal \$2.5B Hydro Dam Bidding issues/India
 - Hungary High Speed Rail Bidding Issues
 - Myanmar \$3B Refinery Financing
 - Pakistan \$10B Karachi Rail Financing issues
 - Thailand \$15B High Speed rail Local contract issues
 - Tanzania \$11B Bagamoyo Port Financing
 - Sri Lanka \$1.5B Hambantota Port Debt load (Debt Trap Financing?)
 - Malaysia \$20B Rail and Pipelines Debt load
 - Myanmar \$3.6B Hydro dam Social/Environment
 - Pakistan \$1.6B Power plant Need/Economics
-
- **\$102 Billion (2005-18) OECD**

Major Foreign Players to Date... Opportunity?



Canadian Case Study #1



Technology (Papua New Guinea)

- Chinese Owned and Financed
- Canadian Consulting Group
- Process Development
- Preliminary Engineering
- Specialty Equipment



Canadian Case Study #2



Due Diligence (The Stans)

- Multiple financial players
- Heavy rail network expansion
- Canadian Consultant in JV with Chinese Contractors

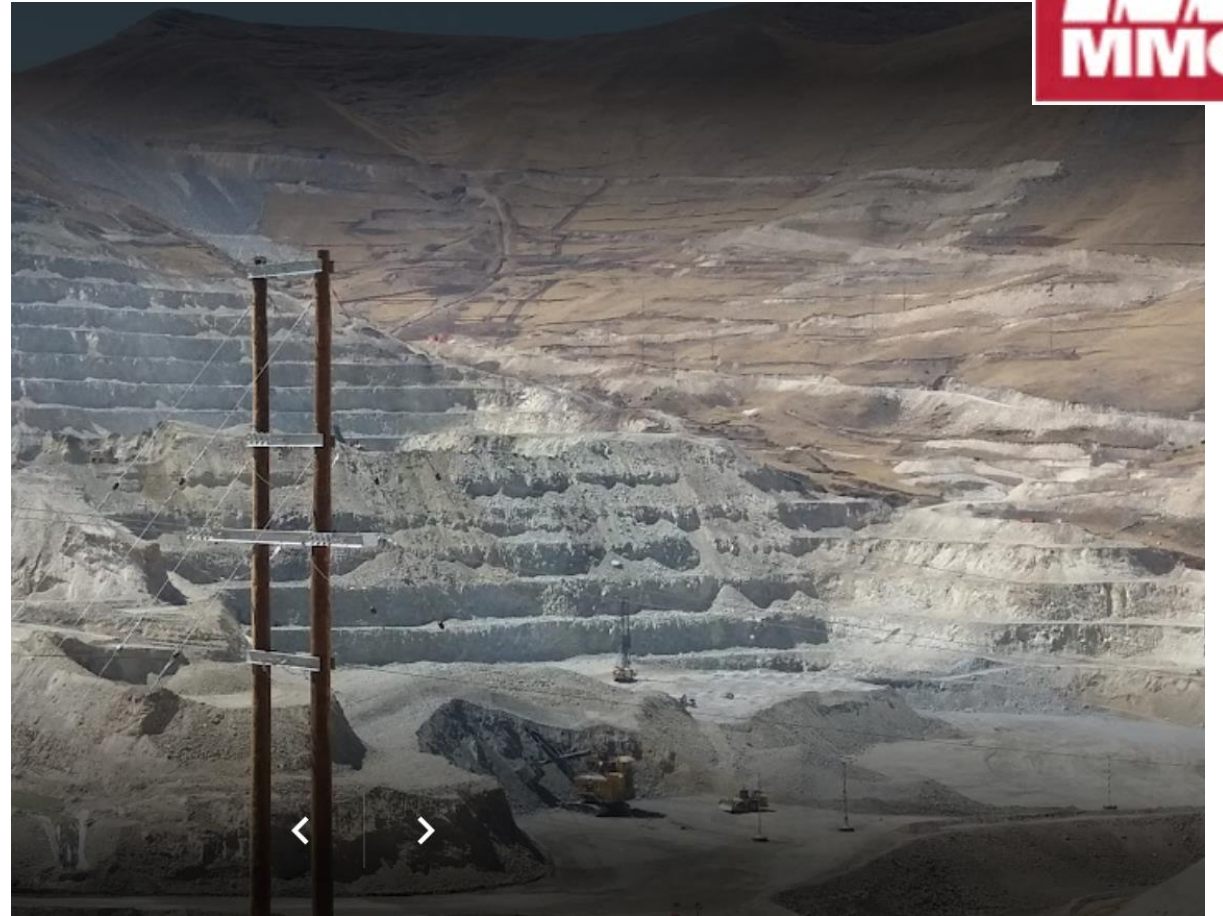


Canadian Case Study #3



Operational Support (Peru)

- Mine Complex De-bottlenecking
- Chinese Owners and Developers
- Chinese finance
- US/Local contractors
- Canadian Consultant and Local Operations Support Team



Canadian Case Study #4

Project Development (Turkey)

- Turkish Owners
- Canadian Consultant and Owners Engineer
- Power Station
- Contractor: Chinese EPC bidder with Chinese financing



Canadian Case Study #5

Turnkey Project (Pakistan)

- Norwegian Owner
- 400 Telecom Towers
- Back-up power Systems
- Canadian Turnkey Contractor
- Chinese Equipment
- Chinese Trade Finance



Canadian Case Study #6

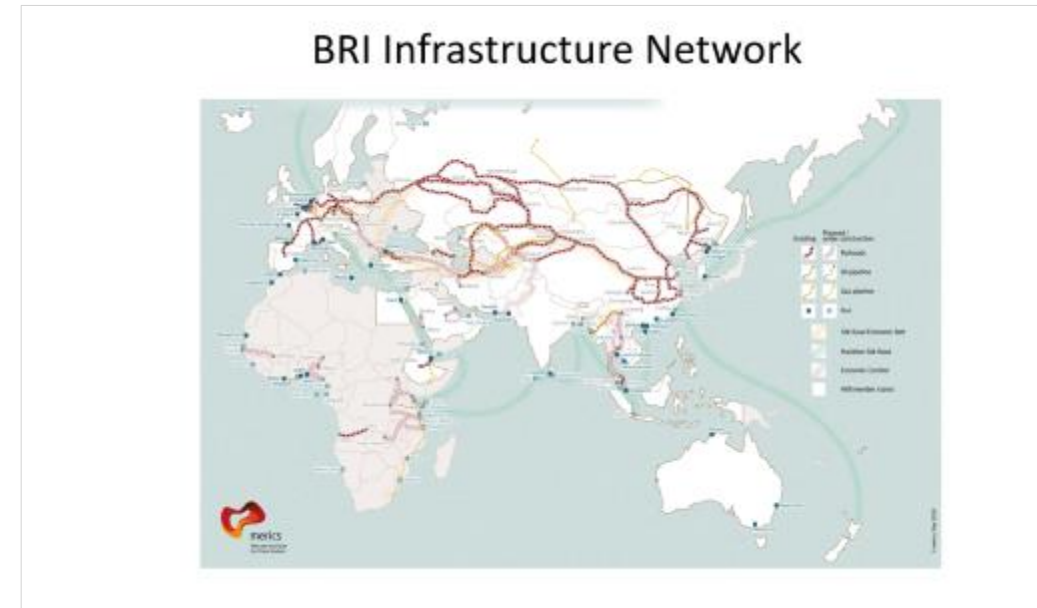
Joint-Venture Ownership (PNG)

- Chinese Equity
- Joint operations
- 24.5%/24.5%/51% ownership
- Canadian, Chinese, Government.



The BRI in Summary to Date

- China Committed approx. 1 Trillion USD
- Two-way trade grown to 0.9T USD
- World bank Study:
 - ✓ 8 million raised from extreme poverty
 - ✓ 32 million raised from moderate poverty
- Jobs maintained in China
 - ✓ = **Stability**
- Massive interconnecting infrastructure



What's Next?

- Basic BRI Infrastructure mostly in place
- Serious pushback developing
- Chinese Influence reducing
- How to Re-build trust?
- How to Re-brand?

What's Next?

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SWITCH:

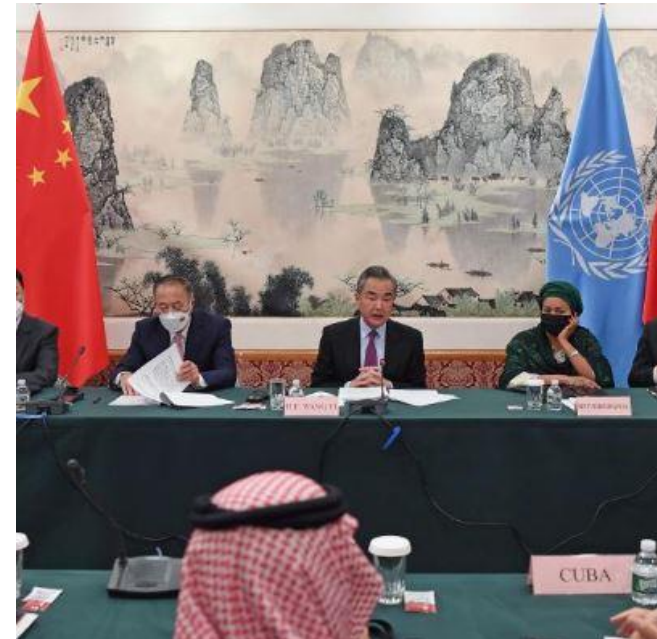
Hard to Soft



The Global Development Initiative (GDI)

Xi announced at UN general Assembly (Sept. 2022)

- To support UN 17 SD Goals
- Put Development at UN core
- Based on Chinese:
 - Wisdom
 - Strength
 - Solutions



The Global Development Initiative (GDI)

- Assist Development Agendas
- Narrow North-South Development Gap
- Develop South-South Co-operation
- Oppose Protectionism
- People –centric
- Smaller “beautiful” Projects



The Global Development Initiative (GDI)

- Assist Development Agendas
- Narrow North-South Development Gap
- Develop South-South Co-operation
- Oppose Protectionism
- People –centric
- Smaller “beautiful” Projects

Following:

- **The Theory of Marxist Internationalism**

The Global Development Initiative (GDI)

BUT, typically, as for the BRI launch in 2013:

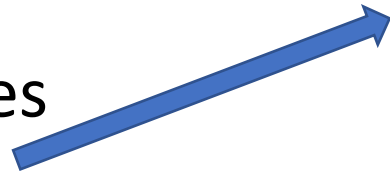
Criticized as a Vision

- No real scope
- No real commitments
- No Geographic Priorities
- No Sector Priorities
- No Financial Goals

???

The Global Development Initiative (GDI)

- **BUT**, typically, as for the BRI launch in 2013:
 - Criticized as a Vision
 - No real scope
 - No real commitments
 - No Geographic Priorities
 - No Sector Priorities
 - No Financial Goals
- A Health Silk Road
 - A Digital Silk Road
 - A Green Silk Road
 - An Innovative Silk Road



Chinese Stated Focus

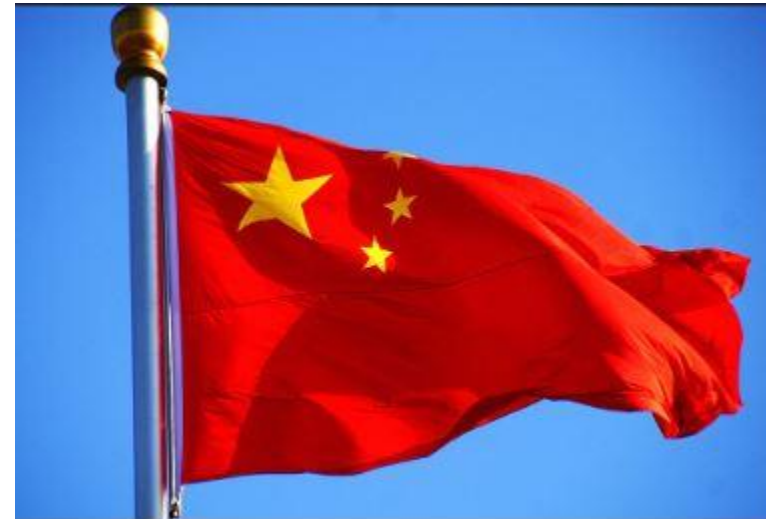
Stated Outcomes... (For BRI countries or China?):

- Stronger
- Greener
- Healthier

Building on the BRI

- Access
- Relationships

Delivering “Smaller Beautiful Projects”



Align with Canada's Indo Pacific Strategy

Target Canadian Priorities:

- Climate Change
- Global Health
- Human Rights

Indo-Pacific strategy

- Peace, Resilience and Security
- Expand Trade, Investment and Supply Chain Resilience
- Invest in and Connect People
- Build a Sustainable and Green Future
- Be an Active and Engaged Partner



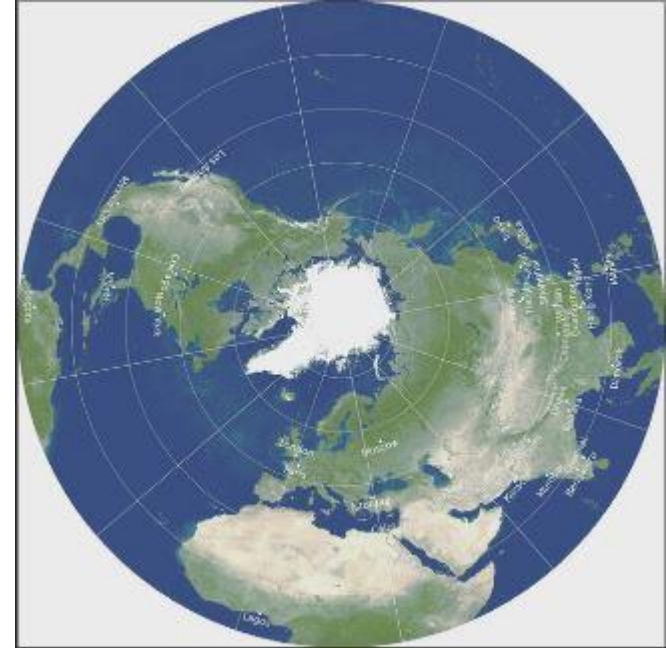
Our Focus for the BRI or GDI

From the Indo-Pacific Strategy:

- Clean Tech
- Ocean management
- Energy Transition
- Climate Finance
- Biodiversity Loss

Plus:

Strengthen the Investment Canada Act



My view for any Access to the BRI or GDI

Local Presence or Experience



My view for any Access to the BRI or GDI

Local Presence or Experience

Unique Technology or Management Skills



My view for any Access to the BRI or GDI

Local Presence or Experience

Unique Technology or Management Skills

Target Local Actors



My view for any Access to the BRI or GDI



Local Presence or Experience

Unique Technology or Management Skills

Target Local Actors

Work with Chinese Participants

My view for any Access to the BRI or GDI



Local Presence or Experience

Unique Technology or Management Skills

Target Local Actors

Work with Chinese Participants

Be sure you have what they need

Thank You
Questions?

chris.twigge-molecey@hatch.com

谢谢

Resources

www.ccbc.com

www.eng.yidiayilu.gov.cn

www.reconasia.CSIS.org

www.cedb.gov.hk

www.beltandroad.hktdc.com

www.rwradvisory.com

HATCH

www.hatch.com

BRI Infrastructure Network

