

QUARTZ

ONE BELT, ONE ROAD

Your guide to understanding OBOR, China's new Silk Road plan

Zheping Huang

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📷 Welcome on board. (Reuters/Damir Sagolj)

World leaders gathered in Beijing over the past two days to hear China's plan for global trade: the One Belt One Road initiative. Nearly 70 countries and international organizations have signed up for the mega infrastructure project, [said president Xi Jinping](#) at the close of the summit today (May 15), but others [still have no idea](#) what it is. The next gathering in Beijing is slated for 2019.

During his [speech at the opening](#) of the “Belt and Road” forum, Xi pledged [at least \\$113 billion](#) in extra funding for the initiative, and urged countries across the globe to join hands with him in pursuit of globalization.

“We have no intention to form a small group detrimental to stability,” Xi said. “What we hope to create is a big family of harmonious co-existence.”

What the heck is it?

It's all about building massive stuff, mostly around transport and energy: roads, bridges, gas pipelines, ports, railways, and power plants.

Proposed by Xi in 2013, the program is an [estimated \\$5 trillion](#) (pdf) infrastructure spending spree that spans 60-plus countries across Asia, the Middle East, Europe, and Africa.

Hailed by Xi as a “[project of the century](#),” the plan fits into his bigger narrative that China is setting an example of globalization, filling the void left by the US under Donald Trump's “America First” policy.

What's with the name?

It's a mouthful. The “One Belt” part of it refers to the Silk Road Economic Belt while the “One Road” refers to the 21st-century Maritime Silk Road. Jointly, they're meant to be a [revival of the ancient Silk Road](#) trading routes. Don't get too tied to OBOR: China might be toying with [a different acronym](#). Meanwhile, one writer noted it's an even more unfortunate acronym when you have [a Belt and Road Forum, or BARF](#). A few people are mixing and matching for [OBOR/BRI](#).

..... Maritime Silk Road initiative Silk Road Economic Belt





📷 The Silk Road economic belt and its maritime counterpart. (Reuters)

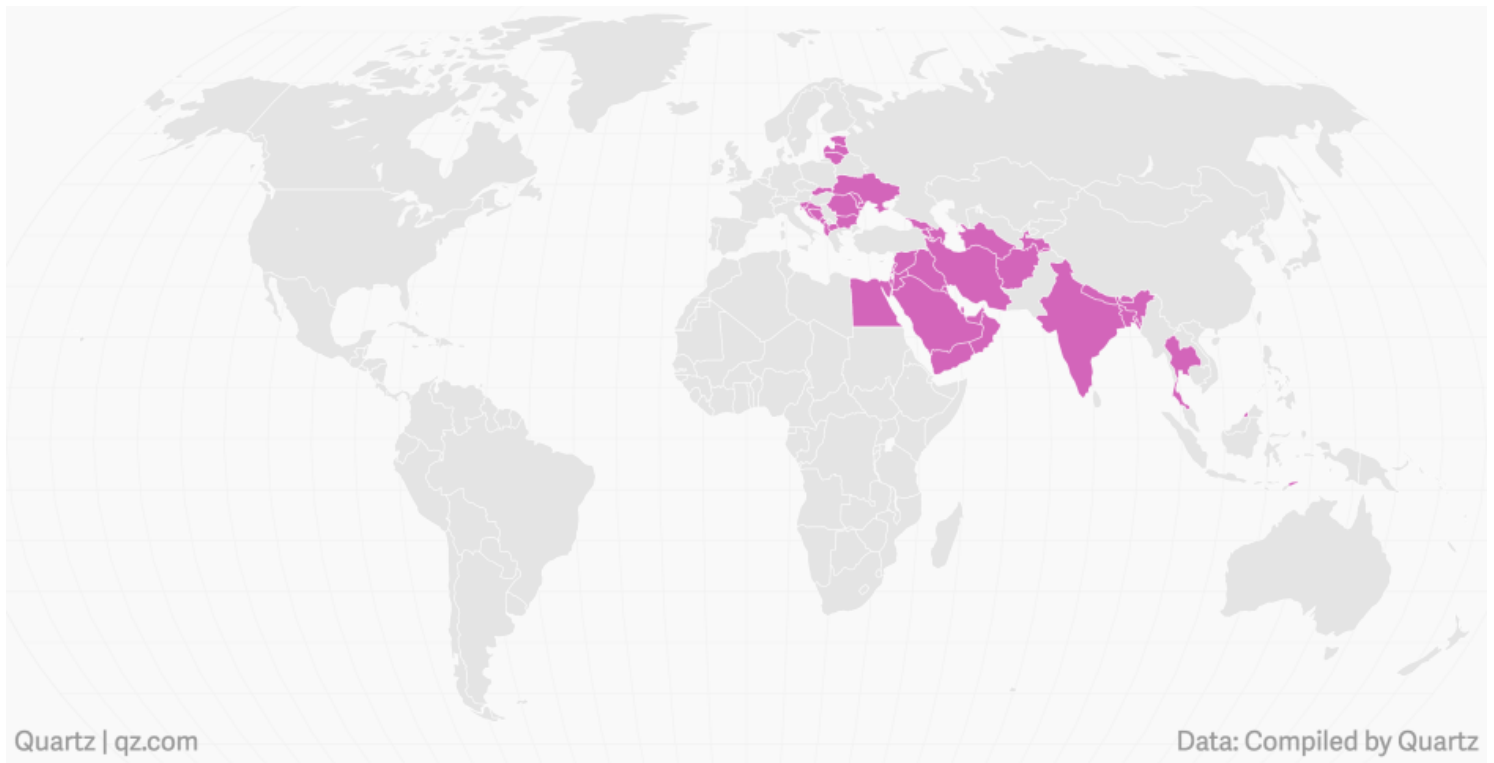
Who's in and who's out?

China says the project is open to everyone, but it has also identified 65 countries along the Belt and Road that, since the early stages of the proposal, it has insisted will participate in the initiative—whether they've confirmed it themselves or not.

Together, the 64 nations plus China account for 62% of the world's population and **30% of its economic output** (pdf).

Nevertheless, only **20 of those nations** sent their heads of state to the OBOR summit over this past weekend, and most of them are smaller Asian countries that are economically dependent on Beijing. A total of 52 nations are **confirmed** to have had some level of participation in the forum.

44 OBOR nations are not sending their heads of state to China's OBOR summit



Those included the United States and North Korea. Matthew Pottinger, senior director for Asia at the National Security Council was [the US representative at the forum](#), despite a previous plan to send a low-level Commerce Department official. Pottinger showed up in Beijing soon after the Trump administration announced a [major agreement](#) with China on trade, which entails an endorsement of the Belt and Road Initiative.

The North Korean delegation at the forum, led by minister of external economic relations Kim Yong Jae, [was overshadowed by his nation lobbying yet another ballistic missile](#) May 14, in reaction to calls to rein in its weapons program.

Chinese planners had [reportedly](#) hoped for at least some top Western leaders to attend the OBOR forum, including British prime minister Theresa May, in order to burnish the plan's credentials. Instead, the UK, Germany and France sent their lower-ranking officials to Beijing.

India was absent. The country has boycotted the Belt and Road Initiative, mainly due to concerns over the China-Pakistan Economic Corridor, a key part of the initiative that [runs through disputed Kashmir](#).

How's it going so far?

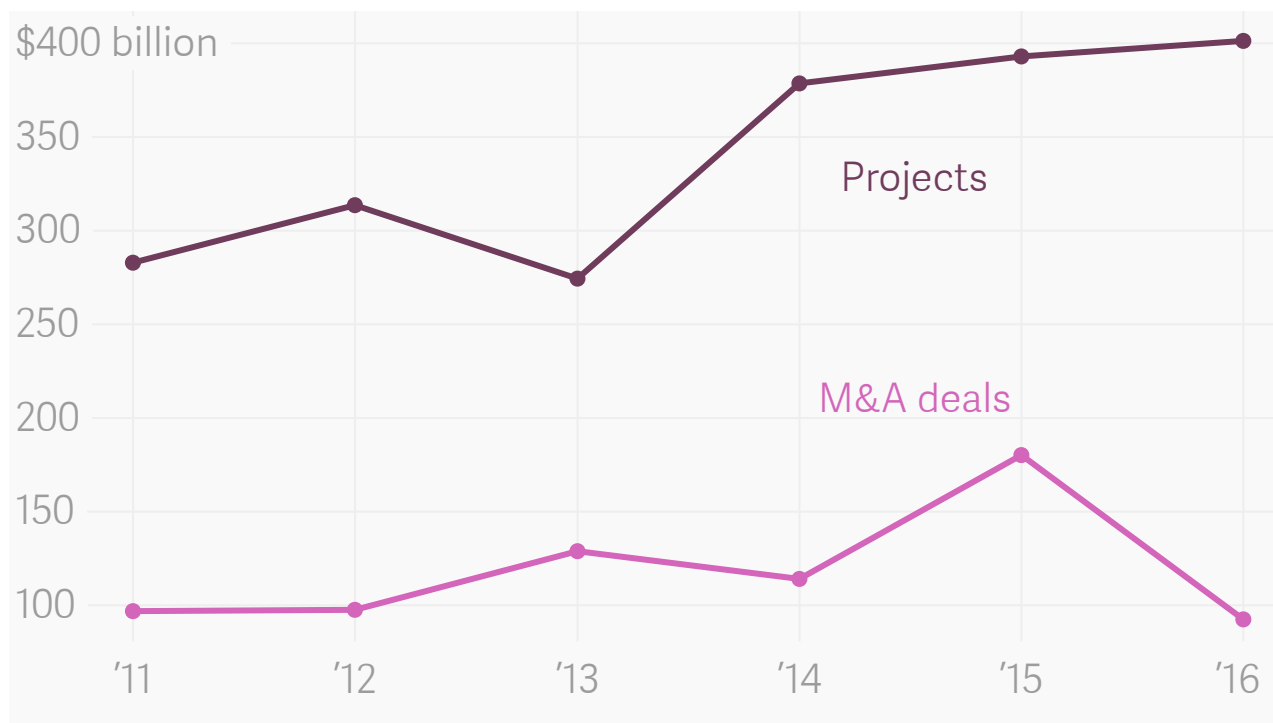
China has never published any comprehensive list of all OBOR-related projects or deals. The initiative is vaguely conceived and described at the first place, perhaps to make it easier to bundle anything it wants into it. As leading players in the initiative, about 50 Chinese state-owned companies have invested in [nearly 1,700 OBOR projects](#) since 2013, said the Chinese government days ahead of the Beijing forum.

The flagship projects include the \$46 billion China-Pakistan corridor, a 3,000km high-speed railway connecting China and Singapore, and gas pipelines across central Asia. The Belt and Road initiative has also entered regions as far as New Zealand, Britain and [even the Arctic](#).

Nearly \$500 billion worth of projects and M&A deals were announced in 2016 across seven infrastructure sectors including utilities and telecoms in OBOR countries, a decline from 2015, according to a [report from audit firm PricewaterhouseCoopers](#) (pdf) in February. A third of the projects and deals were in China, PwC said, and the rest spread across other OBOR nations.

Breaking them down, PwC found that the value of newly announced projects has been flattening, going up just 2.1% in 2016 from the earlier year to about \$400 billion. And M&A deals in 2016 fell 49% in dollar value from the previous year, PwC noted, citing stricter capital controls amid a weakening yuan.

Infrastructure investment in "One Belt, One Road" nations



△ T L △ S Data: PwC

Share

By another gauge, foreign direct investment from China to other OBOR nations went down 2% in 2016 year-over-year and has [dropped an additional 18%](#) (paywall) so far this year, according to the Financial Times, citing commerce ministry data.

Where does the money come from?

The \$113 billion in extra funding Xi promised will be disbursed through three different sources. These include the state-owned Silk Road Fund, which was officially launched in 2015 with \$40 billion of initial capital, and two Chinese policy banks, the China Development Bank and the Export and Import Bank of China. Some analysts [have warned](#) (paywall) that some OBOR projects financed by these banks may lose money—maybe a lot of it.

Two multilateral institutions led by China, the Beijing-based Asian Infrastructure Investment Bank (AIIB)—with its registered capital of \$100 billion—and the Shanghai-based New Development Bank—with \$50 billion starting capital—are

also major financiers of the initiative. In 2016, for example, the AIIB [approved \\$1.7 billion in loans](#) to nine development projects along the Belt and Road.

Chinese lenders are also powering the new Silk Road plan. Louis Kuijs, head of Asia research at Oxford Economics, estimates that the annual Chinese lending to other OBOR countries stands at [around \\$130 billion](#) (paywall) in recent years—and the bulk of that is from commercial banks.

Speaking at the Beijing forum, Zhou Xiaochuan, governor of the Chinese central bank, [has pledged](#) (link in Chinese) to help domestic banks fund more OBOR projects in the years to come. He added that China is also seeking financial cooperation with other OBOR nations, as its own resources are limited.

China is also hoping that other countries and funds will pitch in.