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The Silk Road: current state of affairs, investments in infrastructure and opportunities of a great development project

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From OBOR to BRI: the main features of the project

Many economists and researchers of geo-economics define the *One Belt One Road Initiative* (OBOR), recently renamed *Belt and Road Initiative* (BRI), as one of the most important investment projects in modern history. Before analysing its figures in detail, it is necessary to outline some features of the initiative. The BRI was launched in 2013 by President Xi Jinping during his visits to Asian countries. In Italy it is often known as 'the new Silk Road' and it entails a project of infrastructural development and integration via road and sea. According to the joint public announcement of the Chinese Ministry of Foreign Affairs and Ministry of Commerce named *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road* (28th March 2015): a) the land economic belt of the Silk Road aims at encompassing China, Central Asia, Russia and Europe (Baltic sea) by linking China with the Mediterranean Sea through Central and Western Asia and by connecting China with South Eastern and Southern Asia, as well as with the Indian Ocean; b) the maritime Silk Road was planned to connect the Chinese coastline with Europe through the South China Sea and the Indian Ocean and also to provide links between the Chinese coastline and the Southern Pacific through the South China Sea.

Therefore, the initiative entails two types of investment: the construction of land infrastructure (railways, roads, pipelines, gas pipelines) and maritime infrastructures to be improved and developed (ports and dry-port services).

Research conducted by the World Bank in 2015 estimated that $819 billion a year is necessary for infrastructure in developing countries, with the axis Europe-Asia covering more than 60% of such figure. This investment cannot possibly be made by multilateral development banks alone and requires the intervention of private investors which often come from other countries.

The BRI is a project promoted by China but it also directly involves 65 countries located in most of Asia, Europe and in some parts of Africa. In reality, the countries involved (both as investors and receivers of investments) are many more. The BRI is, broadly speaking, the project which aims to increase access routes of China to the rest of the world, and not only along the Silk Road (investments will be made also in Australia, Colombia, Sri Lanka, Zimbabwe, etc.).

According to the Belt and Road Portal, over the last 4 years more than 100 countries and international organisations have supported and participated in the BRI and the initiative has evolved from plan to reality – as of September 2017 China had already signed cooperation agreements with 74 countries and international organisations).

Many sources acknowledge that China already invested $60 billion (between 2013 and 2016) and that it is planning to invest a further $800 billion in the next five years. Some estimates forecast an overall investment amounting to $1,800 billion in ten years with the AIIB (Asian Infrastructure and Investment Bank[1]) as the main catalyst but the figures should be extended beyond the simple investments and comprise the possibility of stable growth offered to some economies of the BRI.

This paper, after an analysis of the main economic data, focuses on the investments (expanding the analysis to those not comprised in the 65 countries identified) and then moves on to take into consideration foreign trade of these countries and their bilateral trade with Italy.

The economy of BRI countries

Before starting the economic analysis of the countries directly involved in the initiative, we report their subdivision according to geographic area as stated by the World Bank (Table 1).

The fact that the GDP of these countries (totalling about $25 trillion) represents almost 1/3 (31.1%) of the world GDP gives us an idea of the size of the project we are discussing in this paper. It is estimated that all the regions comprised in the BRI will record high economic growth between 2018 and 2020. On the whole, they will grow by 5.3% over the next three years (compared with +3.7% of global growth). South Asia (which includes countries like India, Pakistan and Bangladesh) and East Asia (China and Mongolia) will grow by 7.5% and 6.3% respectively. South-East Asia (+5%), Central Asia (+4.1%), MENA (+3.1%) and Europe (2.6%) follow. Although the 65 countries represent a good part of the world economy, the respective populations still have a medium-low level of wealth: only the European and MENA countries are on par with the world average level (about $11,000 per capita per year).

If we move from economy to demography, the data are even more significant. The BRI involves 4.4 billion people (62.4% of the world's population) and is mainly concentrated in South Asia (India, Pakistan, Bangladesh, etc.), with almost 1.8 billion people; the East Asian region follows with 1.4 billion people. In addition, the population is growing at a high rate: in the last ten years there has been an overall increase of 13.1% for the 65 countries; in the MENA countries, in South Asia and in South-East Asia the highest growth percentages reach or exceed 20%.

[1] Cfr. SRM (2017). *Italian Maritime Economy. The Mediterranean as new key crossroads: outlooks, geomaps and Italy's role on the Silk Road. 4th Annual Report*. Naples: Giannini Editore.

The 65 countries directly involved in the Belt and Road Initiative

East Asia	South East Asia	Central Asia	MENA	South Asia	Europe
China	Brunei D.	Kazakhstan	Bahrain	Afghanistan	Albania
Mongolia	Cambodia	Kyrgyz Republic	Egypt	Bangladesh	Armenia
	Indonesia	Tajikistan	Iran	Bhutan	Azerbaijan
	Laos	Turkmenistan	Iraq	India	Belarus
	Malaysia	Uzbekistan	Israel	Maldives	Bosnia and H.
	Myanmar		Jordan	Nepal	Bulgaria
	Philippines		Kuwait	Pakistan	Croatia
	Singapore		Lebanon	Sri Lanka	Czech Republic
	Thailand		Oman		Estonia
	Timor-Leste		Qatar		Georgia
	Vietnam		Saudi Arabia		Hungary
			Palestine		Latvia
			Syria		Lithuania
			UAE		FYR Macedonia
			Yemen		Moldova
					Montenegro
					Poland
					Romania
					Russia
					Serbia
					Slovak Republic
					Slovenia
					Turkey
					Ukraine

Table 1 - Source: SRM on China International Trade Institute, 2015

Some economic and demographic data of the Belt and Road Initiative (2017)

	BRI	East Asia	South East Asia	Central Asia	MENA	South Asia	Europe	World
GDP								
$ Bn	24,663	11,948	2,705	280	2,867	2,825	4,038	79,281
% of global GDP	31.1	15.1	3.4	0.4	3.6	3.6	5.1	100.0
% growth	5.4	6.8	5.0	4.5	1.7	6.7	3.2	3.6
% growth 2018-2020	5.3	6.3	5.0	4.1	3.1	7.5	2.6	3.7
$ per capita	5,361	8,572	4,233	3,968	9,042	1,599	9,731	10,752
Population								
million	4,602	1,394	639	70	318	1,766	415	7,374
% of global population	62.4	18.9	8.7	1.0	4.3	23.9	5.6	100.0
% growth (2005-2017)	13.1	6.4	16.7	20.7	22.9	19.1	0.8	15.1

Table 2 - Source: SRM on IMF data

Many of the BRI countries have populations that exceed 50 million and per capita incomes below the global average. These are therefore countries with great potential for development.

It is clear which of the 65 countries analysed have a greater economic dimension (higher GDP) and the best growth forecasts for the next three years (2018-2020). If we exclude China, India and Russia, which together account for 64.2% of the GDP of the 65 BRI countries, the remaining 8,800 billion of GDP (more than 10% of world GDP) are evenly distributed. Among the countries that have a high share of GDP and characterized by high growth estimates in the three-year period 2018-2020 (high performing country) we find Indonesia, Egypt, the Philippines, Malaysia, Bangladesh and Vietnam, all with annual growth rates of over 4%. If we stretch the point slightly we can include in this category Turkey, Poland, Thailand, Iran, UAE, Israel, Singapore, and Romania, with growth rates ranging between 2.5% and 4%.

GDP and economic growth in some BRI countries

	GDP ($bn)	% growth (2018-2020)		GDP ($bn)	% growth (2018-2020)
Question marks			High performing countries		
Bhutan	2.3	11.1	Bangladesh	250.0	7.0
Yemen	25.7	9.8	Philippines	321.2	6.8
Myanmar	67.0	7.5	Vietnam	216.0	6.2
Cambodia	22.3	6.7	Indonesia	1,010.9	5.4
Brunei Darussalam	12.0	6.1	Egypt	332.0	5.2
Uzbekistan	67.5	6.0	Malaysia	309.9	4.8
Low-Medium performing countries			Medium-high performing countries		
Kuwait	118.3	3.8	Islamic Republic of Iran	427.7	3.9
Slovak Republic	95.0	3.7	Romania	204.9	3.8
Ukraine	104.1	3.5	Turkey	841.2	3.5
			Thailand	437.8	3.3
Low performing countries			United Arab Emirates	378.7	3.2
Lebanon	52.7	2.3	Israel	348.0	3.1
Azerbaijan	39.2	2.3	Poland	510.0	3.1
Slovenia	48.1	2.1			
Bahrain	33.9	1.9			
Belarus	52,8	1,0			

Table 3 - Source: SRM on IMF data

Then there are countries that have very high growth estimates, but still low shares of GDP ('question marks'). Bhutan and Yemen fall into this category, with percentages respectively higher and close to 10% per year in the three-year period; finally, Myanmar (+7.5%), Cambodia (+6.7%), Brunei (+6.1%) and Uzbekistan (+6%) also deserve a mention. Some countries are in a middle ground: they have a slightly higher economic dimension and growth rates close to 4% (Slovakia, Kuwait and Ukraine). Countries with the lowest levels of growth and GDP are Belarus, Bahrain, Slovenia, Lebanon, Azerbaijan.

There are few BRI countries that can be classified in the *big population / big income* category.

Population and GDP per capita in some BRI countries (2017)

	Population (m)	GDP per capita ($)		Population (m)	GDP per capita ($)
Small population / High income			Big population / High income		
Brunei Darussalam	0.4	27,893	Poland	38.0	13,429
Kuwait	4.3	27,237	Turkey	80.6	10,434
Bahrain	1.3	25,170			
Slovenia	2.1	23,277			
Estonia	1.3	19,618			
Oman	4.1	17,406			
Small population / Low income			Big population / Low income		
Belarus	9.5	5,585	Thailand	69.1	6,336
Timor-Leste	1.2	2,190	Islamic Republic of Iran	81.4	5,252
Kyrgyz Republic	6.2	1,140	Egypt	92.3	3,685
Tajikistan	8.8	819	Philippines	106.3	3,022
			Ukraine	42.3	2,459
			Bangladesh	163.2	1,532
			Pakistan	197.3	1,441
			Myanmar	52.6	1,272

Table 4 - Source: SRM on IMF data

Only Saudi Arabia with per capita income of over 20 thousand dollars and a population of 32 million. Poland and Turkey follow, with per capita income levels slightly higher than normal, and populations of 38 and 81 million respectively. Then, there is a list of countries characterized by successful per capita income but a low population level. In this case we find some countries belonging to the Gulf Cooperation Council (GCC) such as Kuwait, Bahrain and Oman, some Eastern and Northern European countries such as Slovenia and Estonia, and finally the Sultanate of Brunei. The characteristic "high population-low per capita income" (below the threshold of 10,000 dollars a year) can be found in Iran (81 million) and Thailand (69 million), with GDP per capita of respectively $5,200 and $6,300 a year, but also in Egypt (92 million), the Philippines

(106 million), Bangladesh (163 million), Ukraine (42 million), Pakistan (197 million), Myanmar (53 million). Finally, some countries such as Belarus, Tajikistan, Kyrgyz and Timor-Leste present very low per capita income and population.

FDIs in BRI countries: the figures

When discussing the topic of investments, Foreign Direct Investments (FDIs) are one of the main variables playing a key role and providing a clear idea of a country's attractiveness to foreign investors. Over the last few years FDIs have grown in many countries of the BRI. In particular, in some countries these investments continue to grow despite the fact that the FDI stock has already reached high levels (High performing country). For instance, in Vietnam, Philippines, UAE and Israel FDI stocks exceeded $110 billion in 2016, showing an average annual increase of more than 10% in the period 2010-2016. It is also possible to consider Kazakhstan as a member of this category. In some other countries FDIs grew significantly (by more than 20% annually between 2010 and 2016) but the FDI stock is still low. Therefore, in terms of attractiveness, the following countries represent a sort of question mark: Cambodia and Bhutan (with average annual increases of about 35%), Nepal, Mongolia, Azerbaijan, Turkmenistan, Maldives and Kyrgyzstan (with growth percentages between 20% and 30%). Bangladesh can also be considered part of this group (+15.9%). Egypt and Thailand, despite significant FDI stocks (approximately $190 billion for Thailand), show growth rates in the last few years that are not very marked. On the other hand, Poland, Turkey, Hungary and Romania have medium-high FDI stocks but their annual growth in the period 2010-2016 was nil or negative. Finally, there are some countries where the FDI stock is low and has not increased over the last few years: Croatia, Lithuania, Bosnia and Herzegovina, Macedonia and Syria.

FDI stock and percentage growth in some BRI countries (2016)

	$bn	% growth average (2010-2016)		$bn	% growth average (2010-2016)
Question marks			High performing countries		
Bhutan	0.2	36.2	Vietnam	115.4	13.0
Cambodia	16.7	35.2	Philippines	64.2	12.4
Nepal	0.7	31.0	United Arab Emirates	117.9	11.5
Mongolia	13.0	30.1	Israel	112.7	10.5
Azerbaijan	26.7	21.0	Kazakhstan	129.8	9.4
Turkmenistan	36.2	20.7			
Kyrgyzstan	5.1	20.5			
Maldives	3.2	20.3			
Bangladesh	14.5	15.9			
Low performing countries			Medium-high performing countries		
Syrian Arab Republic	10.7	3.6	Thailand	188.7	8.9
TFYR of Macedonia	5.0	1.8	Egypt	102.3	6.4
Lithuania	13.8	0.9	Low-Medium performing countries		
Bosnia and H.	6.8	0.1	Poland	185.9	2.3
Croatia	27.6	-2.3	Turkey	132.9	1.8
			Romania	71.8	0.6
			Hungary	77.7	-2.8

Table 5 - Source: SRM on Unctad data

In contrast, a stagnant low level of per capita FDI also indicates low attractiveness, while a growing one represents an index of potential attractiveness. Amongst the countries with the highest levels of per capita FDIs and with a higher dynamic of increase we find Bahrain, Israel and UAE, with FDIs higher than $10,000 per capita (more than 50% increase in the period 2009-2016). Levels of slightly lower but significantly growing per capita FDIs are found in Maldives and Turkmenistan. Amongst the countries with a high potential of attractiveness we find Kyrgyzstan, Nepal, Cambodia, Mongolia and Philippines, all showing an increase of more than 100% between 2009 and 2016 but with levels of per capita FDIs still lower than $5,000. Some other countries have high levels of per capita FDIs but show stagnancy in their attractiveness: Estonia, Qatar, Lebanon show figures higher than $10,000 per capita but low or negative growth rates. In Brunei, growth rates are within the average range. Countries characterized by low attractiveness are Yemen, Turkey, Oman, Kuwait and Bosnia and Herzegovina (low per capita FDIs and low growth rates).

Stock of per capita FDIs and percentage growth of some BRI countries

	$	% growth (2009-2016)		$	% growth (2009-2016)
Countries with high potential in attractiveness			Countries with high potential in attractiveness		
Mongolia	4,318	308.6	Turkmenistan	6,664	238.2
Nepal	23	293.9	Maldives	8,695	216.5
Kyrgyzstan	846	218.4	United Arab Emirates	12,727	78.1
Cambodia	1,052	208.8	Israel	13,757	77.6
Philippines	628	151.1	Bahrain	20,480	63.4
Countries with low attractiveness			Countries with stagnant attractiveness		
Kuwait	3,559	0.2	Brunei Darussalam	13,382	47.5
Bosnia and Herzegovina	1,801	-0.4	Estonia	14,661	23.7
Turkey	1,669	-17.6	Lebanon	10,190	5.0
Oman	3,985	-19.9	Qatar	14,813	-9.0
Yemen	104	-48.7			

Table 6 - Source: SRM on Unctad data

Foreign trade

The Belt and Road Initiative countries already represent an important part of world trade and, with the implementation of new infrastructure projects, they are destined to further increase their role. Currently, with almost $11 trillion, they account for about a third of international trade. A significant part belongs to East Asia (and therefore mainly to China) which reaches $3.7 trillion of foreign trade; also important are the shares of foreign trade represented of European countries ($2.5 trillion), South East Asia ($2.2 trillion) and MENA area ($1.5 trillion). By comparing the value of foreign trade to the size of the corresponding economies (trade/GDP ratio), we observe an international openness (43.9%) in line with the world average (40%), but particularly developed in Southeast Asian countries, in European countries and in those belonging to the MENA area. Over the last few years (period 2010-2016), the commercial exchange of BRI countries increased by 40.1%, a higher value than the one recorded globally (26.9%). Growth rates are very high in East Asia (+67%), in South Asia (+45.7%) and South East Asia (+43.5%). Overall, BRI countries have a trade balance surplus (exports exceed imports in value), thanks mainly to the contribution of East Asia (and therefore China) which has a high trade surplus.

Some figures on foreign trade in the Belt and Road Initiative

	BRI	East Asia	South East Asia	Central Asia	MENA	South Asia	Europe	World
Total Trade								
$bn	10,820	3,694	2,208	112	1,511	814	2,482	31,963
% of GDP	43.9	30.9	81.6	40.0	52.7	28.8	61.5	40.3
% of global Trade	33.9	11.6	6.9	0.4	4.7	2.5	7.8	100.0
% growth (2010-2016)	40.1	67.0	43.5	0.5	16.6	45.7	23.6	26.9
Import-Export								
Import ($bn)	5,133	1,591	1,072	52	710	486	1,222	16,023
Export ($bn)	5,687	2,103	1,136	60	801	328	1,260	15,940
Trade Balance ($bn)	554	511	64	8	92	-159	37	-82

Table 7 - Source: SRM on Unctad data

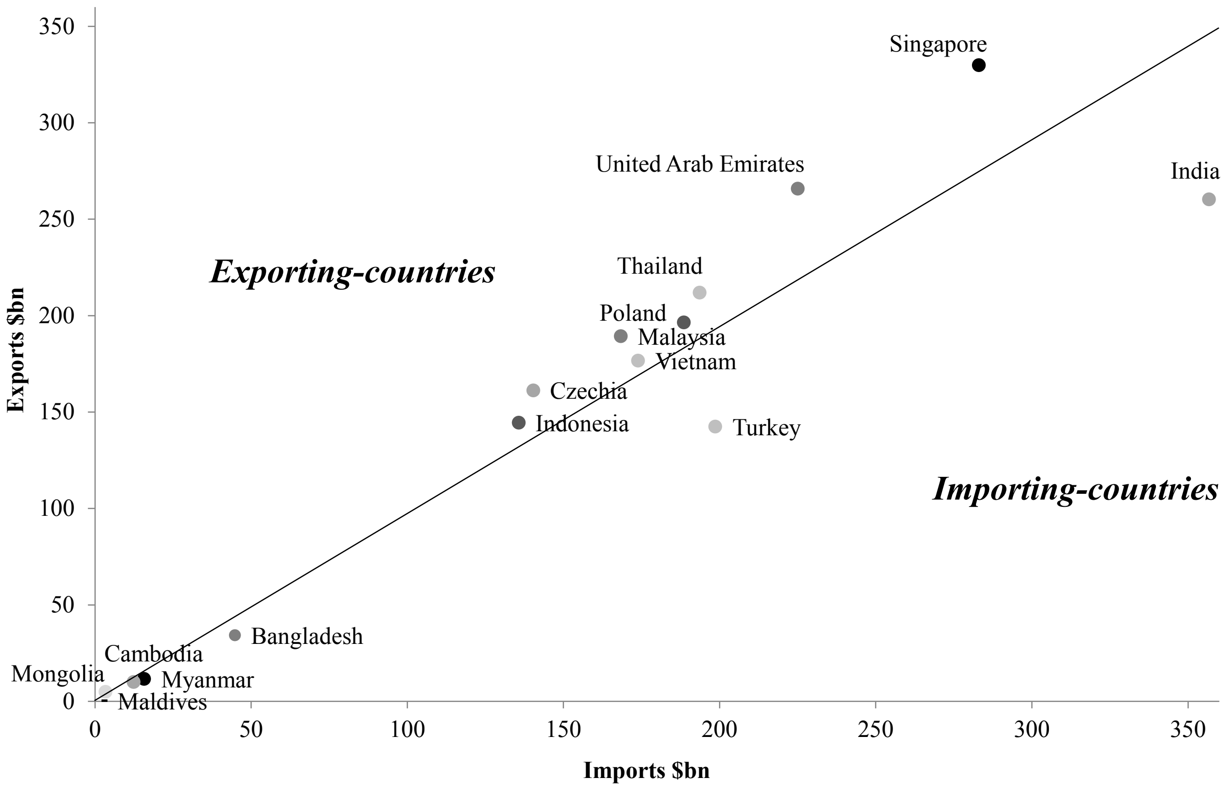
Within the BRI, excluding China, some countries stand out because of their high share of foreign trade and high growth rates (high performing countries): Vietnam, India, UAE, Thailand, Poland, Malaysia, Turkey, Czech Republic and Indonesia, all have exchange values higher than $250 billion and growth rates higher than 20% (2009-2016). Singapore can also be considered part of this group thanks to its 19% growth rate. Myanmar, Cambodia, Bangladesh, Maldives and Mongolia are considered 'question marks' (significant growth of foreign trade but still low values), since their foreign trade grew by more than 100% between 2009 and 2016 but is still lower than $80 billion per year. Saudi Arabia is the only country that shows high levels of import-export (mainly thanks to exports of energy products) but low growth rates. Many countries show low levels of exchange within average growth rates (lower than 50% on 2009) while others show very low or negative growth rates and low values of foreign trade (Yemen, Brunei, Azerbaijan, Kazakhstan, Bahrein, Montenegro). If we focus only on the 15 countries hereby indicated as 'High performing countries' and 'question marks', it is interesting to notice whether they are more inclined to export or import goods. Therefore, amongst exporter countries we find Singapore and the UAE with trade surpluses higher than $40 billion, but also Thailand, Turkey, Malaysia, Czech Republic and Indonesia with a surplus lower than $25 billion. Finally, amongst importer countries we find only one of the 'question marks': Mongolia. The main importer countries with remarkable trade deficits are India ($100 billion), Turkey ($56 billion), Bangladesh, Myanmar, Cambodia, Maldives (less than $11 billion).

Trade exchange in some BRI countries

	$bn	% growth (2009-2016)		$bn	% growth (2009-2016)
Question marks			High performing countries		
Myanmar	27.4	148.1	Viet Nam	350.6	175.9
Cambodia	22.4	123.8	United Arab Emirates	490.9	44.8
Maldives	2.4	110.0	Thailand	405.5	41.7
Mongolia	8.3	104.7	Turkey	341.1	40.3
Bangladesh	79.1	103.9	India	617.0	39.2
			Czechia	301.6	38.5
			Poland	385.0	34.5
			Indonesia	280.1	31.3
			Malaysia	357.8	27.4
			Singapore	612.9	18.9
Low performing countries			High trade / low growth		
Bahrain	21.6	-1.7	Saudi Arabia	307.9	8.3
Montenegro	2.6	-3.1			
Kazakhstan	62.0	-13.5			
Brunei Darussalam	7.9	-18.2			
Azerbaijan	21.7	-20.3			
Yemen	7.8	-49.7			

Table 8 - Source: SRM on Unctad data

Exporter and importer country: an analysis of some countries of the BRI (2016)



Graph 1 - Source: SRM on Unctad data

The role of Italy: bilateral trade with BRI countries

Italy has good commercial relations with the BRI countries, especially with its European counterparts. In total, almost 40% of Italian foreign trade is carried out with these countries, in particular 22.3% with the European area, 6.8% with East Asia and 4.8% with countries of the MENA area. In total, in 2017 we estimate that the commercial exchange of Italy with the BRI countries will reach almost $280 billion (more than half with European countries). At aggregate level, Italy is in a trade deficit (imports exceed exports by about $20 billion), in particular, there is a deficit with all areas except the MENA area. If, on the other hand, we change the point of view and analyse the role that Italy has in the foreign trade of the BRI countries, we observe that Italy manages to cover 2.6% of their commercial exchange, a percentage higher than 2.2% covered by Italy in the global foreign trade.

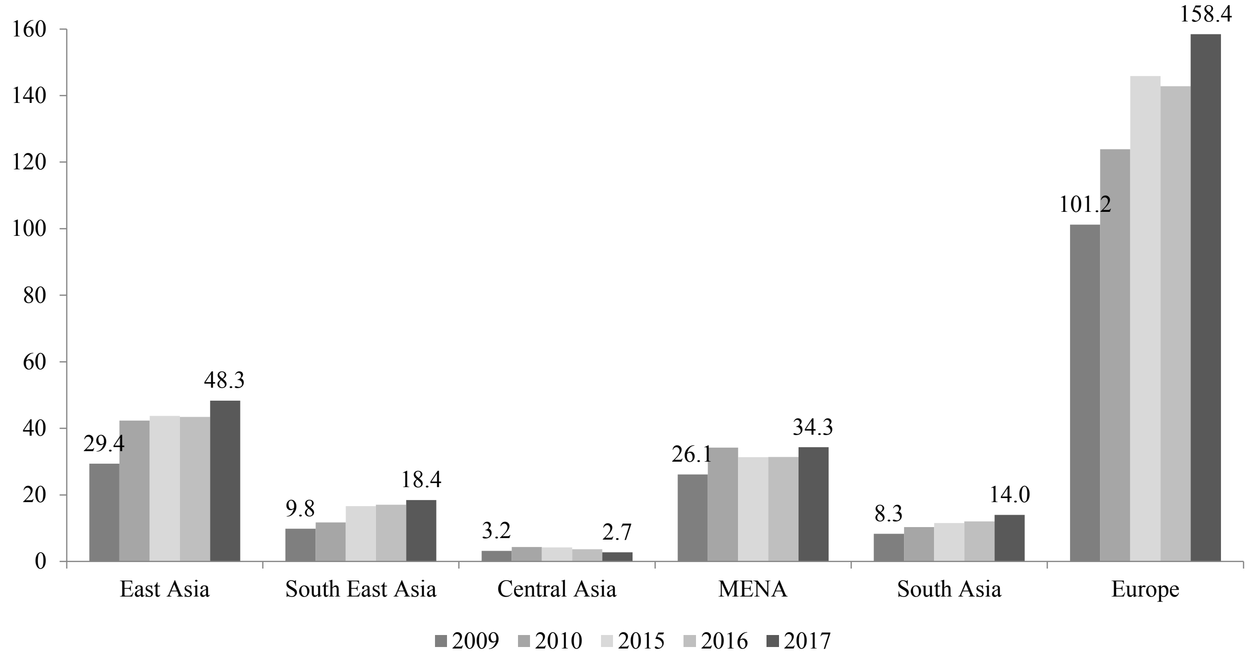
Trade exchange between Italy and all the BRI countries

	BRI	East Asia	South East A sia	Central Asia	MENA	South Asia	Europe	World
Values and shares								
Imports from	148.1	33.4	9.6	1.7	13.5	8.5	81.3	337.1
Export to	128.1	14.9	8.8	1.0	20.8	5.5	77.1	373.6
Trade with	276.3	48.3	18.4	2.7	34.3	14.0	158.4	710.7
% of Italy's trade with BRI	100.0	17.5	6.7	1.0	12.4	5.1	57.4	
% of Italy's total	38.9	6.8	2.6	0.4	4.8	2.0	22.3	100.0
% of partner area's total	2.6	1.3	0.8	2.5	2.3	1.7	6.4	2.2
Balance Trade	-20.0	-18.5	-0.8	-0.7	7.3	-3.1	-4.2	36.6
% growth								
Trade growth (2009-2017)	55.2	64.7	87.6	-13.4	31.2	68.3	56.6	6.7
Exports growth (2009-2017)	53.4	99.0	82.2	-34.9	23.7	35.6	58.0	13.4

Table 9 - Source: SRM on Istat data

Even more interesting is the dynamics of foreign trade and Italian exports in the period from the crisis of 2009 to 2017. Foreign trade increased by 55.2% (+6.7% recorded in the total Italian foreign trade) and exports rose by 53.4% (+13.4% in total Italian exports). With the exception of Central Asia, foreign trade and Italian exports have grown in all BRI areas, with more marked increases in absolute terms for trade with European and East Asian countries (China).

Trade exchange between Italy and the BRI countries: dynamic 2009-2017 (billion $[*])



[*] Exchange rate 2017.
Graph 2 - Source: SRM on Istat data

A closer look at 2017 estimates reveals that the countries with which Italy has solid commercial bases and growing relations are Turkey, Romania, Czech Republic, Bulgaria, Hungary, Slovakia, Serbia and Vietnam: trade exchange exceeds $3.5 billion and growth in the period 2009-2017 was higher than 70% (average exchange Italy-BRI). Obviously, Italy has the most significant bilateral exchange values with China ($42.7 billion in 2017, +64.5% on 2009), Poland ($22.3 billion, +53%) and Russia ($20.4 billion, +9.8%). Remarkable increases were recorded in the Italian foreign trade with Bangladesh and Kuwait (in both cases, values higher than $2 billion in 2017, more than tripled compared to 2009). Interesting figures also emerge with regards to Lebanon, Lithuania and Albania, with trade exchange higher than $1 billion and growth rates 2009-2017 higher than 70%. Mongolia, Kirghizstan, Bhutan, Latvia, Philippines and Estonia show uncertain trends as they all have growth rates 2009-2017 higher than 100% (trade with these countries has more than doubled) but they still have values lower than $1 billion. Amongst the countries with which Italy already has solid trade bases (more than $3.5 billion in 2017), growth rates are all positive and higher than 10% even though in some cases these do not reach the average 70% (i.e. Slovenia, UAE, Egypt, Azerbaijan, Croatia, Iran). Finally, there is a group of countries with which exchanges are low and have further decreased or remained stable in the period 2009-2017: Montenegro, Belarus, Kazakhstan, Yemen, Afghanistan and Syria.

Trade exchange between Italy and some BRI countries

Growing partners (Italy-country trade > $3,5bn)	$bn	% growth (2009-2017)	Growing partners (Italy-country trade < $1,0bn)	$m	% growth (2009-2017)
Vietnam	4	238.9	Mongolia	85	213.2
Serbia	3.5	120.3	Kirghizistan	24	207.6
Repubblica Ceca	12.4	96.4	Bhutan	5	160.2
Bulgaria	4.6	94.5	Lettonia	587	114.9
Slovacchia	7.2	90.2	Filippine	927	111.4
Turchia	18.1	80	Estonia	564	100.6
Ungheria	9.9	79.7			
Romania	13.6	71			
Cina	42.7	64.5			
Polonia	22.3	53			
Slovenia	7	51.5			
Emirati Arabi Uniti	6.2	50			
Azerbaigian	4.8	38.1			
Croazia	4.6	27.4			
Egitto	5	23.1			
Iran	4.6	15.8			
Russia	20.4	9.8			
Other best growing partners (Italy-country trade < $3,5bn)	**$bn**	**% growth (2009-2017)**	**Declining partners**	**$m**	**% growth (2009-2017)**
Bangladesh	2.1	244	Montenegro	170	2.5
Kuwait	2.4	241	Bielorussia	430	-2.8
Libano	1.6	100.4	Kazakhstan	1,922	-22.8
Lituania	1.3	98.8	Yemen	71	-40.9
Albania	2.3	82.5	Afghanistan	18	-49.3
			Siria	95	-91.6

Table 10 - Source: SRM on Istat data

Focus: infrastructure investments along the BRI in the world

The Belt and Road Initiative (BRI) is based on five pillars: political harmonization, infrastructure connectivity, trade and investments, financial integration and cultural exchanges.

This section will mainly address the third pillar, in particular the infrastructure investments on which Beijing and its partners have bet in order to increase trade flows.

These are ports, airports, long-distance and high-speed rail lines, motorways, but also investments in finance, banking, energy, real estate, businesses and companies. If we break down the BRI by geographical area, a great absentee stands out: the Americas. The Trump presidency in the United States, anticipated by a strongly anti-Chinese electoral campaign, saw Washington introduce neo-isolationist positions, such as withdrawing from the Trans-Pacific Partnership (TPP) launched by Obama to boost trade in the Pacific.

Geographical distances do not help either. China has therefore decided to focus on countries that are close or easily accessible by land and sea.

China

It is impossible to analyse BRI infrastructure without beginning with China. Xi Jinping's presidency has been the creator and first sponsor of the New Silk Road and if in the past it was said that all roads lead to Rome we can state that within the BRI all roads (railways and sea routes) lead to Beijing or to the great industrial centres of the nation.

In December 2016 the Chinese government invested CN¥ 3.5 trillion in the railway sector in projects to be completed by 2020 aiming to connect 80% of the nation's cities with more than 200,000 people. This expansion would take the total distance of the national network to 150,000 kilometres. Pricewaterhouse Coopers has estimated an increase in infrastructure investments in that year amounting to 14.5%[2]. From China there are five major railway routes that many investments have concentrated on: 1) the Sino-Pakistani corridor, to reach the port of Gwadar; 2) the China-Burma-Bangladesh-India corridor, to connect Southeast Asia to the subcontinent; 3) the China-Indochinese peninsula corridor, which connects the hinterland with Singapore; 4) the new Eurasian land bridge, which starts from western China, crosses Kazakhstan and ends in Russia, where it joins with the rails arriving to Europe; 5) the China - Central Asia - Western Asia corridor, which reaches Turkey, and finally the China-Mongolia-Russia corridor, which crosses the steppes to reach the eastern part of the largest nation in the world.

Beijing strongly focuses on railways and wants to improve its internal network. For 2018 the government has announced that it wants to invest a total of CN¥ 732 billion, in order to build 4,000 km of new networks, the majority of which (3,500 km) will operate at high speed. The estimated passenger increase is 3.25 billion, with an annual volume of goods moved of 3.02 billion tons[3].

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[2] PwC, B&RWatch (2017, February). *China and Belt & Road Infrastructure, 2016 review and outlook* [https://www.pwccn.com/en/consulting/br-watch-infrastructure.pdf].

[3] China Daily (2018, 3 January). *China to invest $113b in railway in 2018* [http://www.chinadaily.com.cn/a/201801/03/WS5a4c90c4a31008cf16da4e93.html].

Some of the main investments in specific projects of the BRI

Country/City	Plan	Sector
China	CN¥ 3,5 trillion by 2020.	Railway
Beijing	CN¥ 732 billion.	Railway
Thailand	873 km high speed rail to link Thai ports to the Chinese borders.	Railway
Laos	418 km high speed rail. $6 billion financed by the Bank of China.	Railway
Cambodia	New motorway to connect the port of Sihanoukville to the capital. Modernisation of the local airport.	Ports and Airports
Khorgos	$250 million for the construction of an dry port to be completed by 2020.	Dry port
Kazakhstan	Railway Zhezkazgan-Beyneu, worth $1,2 billion. 1200 km long and inaugurated in 2014.	Railway
Turkmenistan	Kuryk ($280 million) and Aktau ($121 million).	Ports
Pakistan	$1,6 billion invested by China in the port of Gwadar and in infrastructure connected to this.	Ports
Iran	China Export-Import Bank contributed $1,5 billion to finance the electrification of the railway lines in Teheran. A further $9 billion will be invested in Energy-infrastructure.	Railway and Energy
Turkey	838 km railway line reaching the city of Kars, financed by the State Oil Fund of Azerbaijan. Rail tunnel of Marmaray and Tavuz Sultan Selim Bridge.	Railway
Turkey	COSCO Pacific, China Merchants Holdings International e CIC Capital acquired a majority share (65%, $940 million) of the strategic port of Kumport.	Ports
UAE	Five Chinese companies have agreed to spend a total of $300 million in a deal with Abu Dhabi Ports.	Ports
Nairobi and Mombasa	471 km railway with freight and high speed passenger trains.	Railway
Egypt	Expansion of the Port of Alexandria by a Chinese company, 70 km extension of the railway network surrounding Cairo by China Railway Construction Corporation.	Ports and Railway
Djibouti	The port of Doraleh, built in two years by China Merchants Holdings International.	Ports
Ethiopia	750 km railway line connecting the new port with Addis Abeba, financed by Chinese EximBank and built by China Railway Group and CCECC.	Railway
Zambia	Renovation of TanZam, railway between Zambia and Tanzania, which will comprise a new line, built by CCECC with destination Mozambique via Malawi.	Railway
Russia	Russian Railways RZD and China Railway Corporation announced the railway line 'Eurasia', a $118 billion project to be completed by 2026.	Railway
Belarus	Smolevichsky industrial park, on the outskirts of Minsk. The project, which will take 30 years to complete, costs between $2 and $5,5 billion, offered by the Chinese State Bank, Belarus and by Singapore and Russian investors.	Industry
Greece	During the economic crisis Chinese companies bought a majority share of the Piraeus port.	Ports
Serbia	Alibaba would like to build a logistic hub.	Logistics

Table 11 - Source: SRM on various sources

The BRI comprises not only rail stations but also ports, which is even more important if we consider that the greatest volumes of good still travel via sea. We have witnessed significant investments also in this sector, with record breaking figures. The port of Shanghai, with 40 million tons of traffic in 2017, was the busiest in the world, taking the lead over Hong Kong which held the second position. Shenzhen, thanks to its technology district and to the proximity with the estuary of river Zhujiang and the city of Hong Kong, handled almost 24 million TEUs in 2016. Guangzhou and Qingdao follow, with about 17.5 million TEUs each[4].

These figures and the rapid rise in the ranking of the busiest ports, show that China is imposing itself as the ruler of the seas, also thanks to the dense network of interests in several other ports around the world, as we will see later.

South East Asia

Amongst the areas that will benefit the most from BRI-related investments, one of them is undoubtedly South-East Asia. The nations south of China are rapidly shifting from developing economies into competitive economies, as highlighted by the extremely encouraging growth estimates of the giants of the region according to the World Bank's Global Economic Prospects.

Indonesia shows an expected growth of 5.3% of its GDP in 2018, while neighbouring Thailand records 3.6%. The entire region, excluding China, shows growth estimates of +5.3% for the new year, thanks above all to a 5.8% increase in investments.[5]

An 873 km high-speed rail project aims to connect the Thai ports to the Chinese border, turning the Yunnan province into the crossroads between the Far East and the rest of the continent.[6]

One of the countries with the highest growth rate is Laos, which recorded a +7% growth in 2016. Here Beijing has planned a 418 km long rapid railway reaching the capital Vientiane, which will be completed in the next five years and will be the longest and fastest in the country. The $6 billion project is funded by the Bank of China. It is impossible for Laos to invest such a sum of money, which represents almost half of its GDP[7]. Many multinational companies operate in this country, attracted mainly by the low cost of labour.

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[4] iContainers (2018, 16 January). *Top 10 ports in China* [https://www.icontainers.com/us/2018/01/16/top-10-ports-in-china/].

[5] World Bank (2018, January). *Global Economic Prospects. Broad-Based Upturn but for How Long?* [http://www.worldbank.org/en/publication/global-economic-prospects].

[6] The Straits Times (2017, 14 May). *The trains and sea ports of One Belt, One Road, China's new Silk Road* [http://www.straitstimes.com/asia/the-trains-and-sea-ports-of-one-belt-one-road-chinas-new-silk-road].

[7] Saigal K. (2017, 26 September). "Belt and Road: China fast-tracks southeast Asian infrastructure" in *Euromoney* [https://www.euromoney.com/article/b14szy6vmn6bg1/belt-and-road-china-fast-tracks-southeast-asian-infrastructure].

Many of the BRI's efforts are concentrated in the region. South of Laos, on the coasts of Cambodia, Beijing has invested heavily on the port of Sihanoukville, whose strategic position is fundamental for trade in the region. Sihanoukville will be connected to the capital Phnom Penh by a new four-lane motorway and some Chinese funds have decided to contribute 15 million dollars to the modernization of the local airport. The area has the potential to become a hive of activity enriched by a "Special Economic Zone" 12 km from the port, where a hundred Chinese companies are already operating.[8]

The SEZs are infrastructures that China is frequently using around the world in planning the new Silk Road. In Malaysia, an industrial park is being built in the city of Kuantan where steel and aluminium will be produced and palm oil will be treated. These types of industrial areas are particularly successful because they are welcomed by local governments, which are often included in a partnership. They allow to reduce the tax burden on companies – given the export tax exemption for products manufactured in these areas – they involve local companies and create jobs for urban dwellers. In the specific case of Kuantan, but also in others, the creation of SEZs is accompanied by the strengthening of pre-existing infrastructures. The local port is in an easily accessible area, just a day of navigation from Singapore.[9]

ASEAN, the political organization that brings together the countries of Southeast Asia, is China's third largest trading partner and some claim that these countries will overtake the EU in the future[10]. According to estimates, the volume of business between China and ASEAN is expected to hit the trillion dollar mark by 2020.

Central Asia

Another strategic area for the future of the BRI, thanks to its geographical position as a crossroads of Chinese business, is Central Asia. The steppes offer Beijing huge political and geographical spaces to improve economic relations with Russia and Europe. Local governments, although often in Moscow's orbit, are open to foreign investment and China is a stakeholder with a lot to offer. One of the most interesting projects in this sense is the dry port of Khorgos. It might look like a cathedral in the desert, but the centre, which cost nearly $250 million and to be completed by 2020, is already

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[8] de Freitas G. (2017, 7 February). "China-Backed Cambodian Deep-Water Port Emerges as BRI Focal Point" in *HKTDC Research* [http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/China-Backed-Cambodian-Deep-Water-Port-Emerges-as-BRI-Focal-Point/imn/en/1/1X3CGF8J/1X0ACZHM.htm].

[9] HKTDC Research (2017, 16 May). *Prospects for the Malaysia-China Kuantan Industrial Park and Kuantan Port* [http://hkmb.hktdc.com/en/1X0AA0CO/hktdc-research/Prospects-for-the-Malaysia-China-Kuantan-Industrial-Park-and-Kuantan-Port].

[10] Li X., Yongke L. (2017, 28 November). "The Belt and Road Initiative and China's Southeast Asia Diplomacy" in *The Diplomat* [https://thediplomat.com/2017/11/the-belt-and-road-initiative-and-chinas-southeast-asia-diplomacy/].

showing competitive traffic data. Khorgos is located in Kazakhstan close to the border with China, under the Tianshan mountains and is a key transit point, since there is a break of gauge between China and former Soviet countries, which makes it necessary to transship goods. This centre opened in 2011 and receives 65 trains per month, amounting to 6,200 TEUs per month. The numbers are destined to grow.

Since Kazakhstan does not have ocean ports, most of the BRI-related investments in this country are in the railways. The most ambitious project in this sense is the Zhezkazgan-Beyneu railway, costing $1.2 billion. 1,200 km long and inaugurated in 2014, this line connects the geographical heart of the country to the Caspian Sea. On this Central Asian water surface, other investments are concentrated, particularly in the ports of Kuryk ($280 million) and Aktau ($121 million), cities near the border with Turkmenistan and Russia on the opposite bank.

China's growing influence in the region is partially outshining the historical importance of Russia in Central Asia. In 2016, Beijing's direct investments amounted to $961 million in Kazakhstan and $301 million in Kyrgyzstan. The share of goods traded with China is between 15% and 30% in all countries of the area.

With the progress of the BRI one can only think that these numbers will grow rapidly. Beijing has flooded the steppes, where domestic regulations often hinder foreign investment, with strategic funding to improve its infrastructure. An expensive but crucial toll charge on the journey of Chinese goods to Russia and Europe.

Middle East and Africa

One of the most important crossroads of the Belt and Road Initiative is the port of Gwadar, Pakistan. Located in a very unsafe region due to the presence of terrorist groups, this is one of China's riskiest bets, as the investment made in this port and its infrastructures amounts to $1.6 billion[11]. The main aim of this operation is to make the port a deep dredging one so as to make it suitable to receive bigger ships travelling along the route to the strait of Aden and the Suez Canal. The investment in Gwadar falls within the scope of the China-Pakistan economic corridor, a project worth $70 billion and which terminates in the city of Kashgar, in the Chinese region of Xinjang.

The involvement of Pakistan in the operation is one of the reasons why India is wary of the Belt and Road Initiative. Also, New Delhi does not welcome the initiative because it would rather pursue expansionist ambitions of its own economic influence.

Close to Pakistan there is another country that is becoming increasingly more important to the BRI: Iran.

[11] Chang L. (2015, 12 November). "Chinese firm to develop SEZ in Gwadar" in *China Daily USA* [http://usa.chinadaily.com.cn/epaper/2015-11/12/content_22441296.htm].

A staging post to the Silk Road, the nation descending from Ancient Persia has maintained excellent relations with Beijing during the period of the international sanctions and now that these have been lifted almost completely Teheran has re-opened its doors to international trade. In February 2017 the first freight train from China arrived in Iran and a few months later China Export-Import Bank provided $1.5 billion to electrify the 926 km long Teheran-Mashhad railway[12]. The aim is to invest a further $9 billion in other projects encompassing infrastructures and energy.

If we take a closer look at countries adjacent to Europe, we find that Turkey has received significant funds to improve its infrastructures.

As far as railways are concerned, the city of Kars, close to the border with Armenia, is the train terminal of a railway track that starts from Baku (capital of Azerbaijan) and shortens the usual route between China and Europe by 7,000 km. This 838 km long line crosses Georgia and was mainly funded by the State Oil Fund of Azerbaijan. It features an extension linking Kars and Edirne and cost $30 billion. Near the Bosphorus Strait there are other big infrastructure projects linked to the BRI: the rail tunnel of Marmaray and the third bridge over the strait – the Tavuz Sultan Selim Bridge[13]. The Turkish coastline is a staging post also to the Maritime Silk Road.

A consortium of three Chinese companies (COSCO Pacific, China Merchants Holdings International and CIC Capital) has acquired a majority share (65% for $940 million) of the strategic port of Kumport, on the European bank of Istanbul[14].

The Arabian Peninsula is also affected by the BRI. Five Chinese companies have joined forces to finance the ports of Abu Dhabi with $300 million. The agreement includes a 2.2 square km Free Zone close to the port of Khalifa, in the UAE[15].

China's interest is also glaringly obvious in Africa. Beijing is filling the void left by the former European colonialist powers without interfering with local politics too much but still obtaining important concessions in terms of exploitation of natural resources. These agreements are usually accompanied by investments in infrastructures which should not be seen as a favour but rather as operations crucial to the economic success of the initiatives. On the African coast of the Indian Ocean, China financed a 471 km long railway between Nairobi and Mombasa with high speed freight and

[12] Shepard W. (2017, 31 October). "Iran: The Place Where The World's Rail Industry Goes To Feast" in *Forbes* [https://www.forbes.com/sites/wadeshepard/2017/10/31/iran-the-place-where-the-worlds-rail-industry-goes-to-feast/#-300d2c111ebf].

[13] Parlar Dal E. (2017, 15 November). "'Belt and Road' project: China's new vision and Turkey" in *Anadolu Agency* [http://aa.com.tr/en/analysis-news/analysis-belt-and-road-project-chinas-new-vision-and-turkey/965994].

[14] Invest in Turkey (2015, 28 September). *News from Turkey: Chinese consortium buys into Turkish port with USD 940 million investment* [http://www.invest.gov.tr/en-US/infocenter/news/Pages/280915-cosco-pacific-buys-turkish-kumport.aspx].

[15] Crabtree J. (2017, 31 July). "China's $300 million investment in Abu Dhabi Ports is a 'milestone'" in *CNBC* [https://www.cnbc.com/2017/07/31/china-300-million-investment-in-abu-dhabi-ports-is-a-milestone.html].

passenger trains. Another crucial area to the Chinese interests in Africa is Egypt and in particular the Suez Canal. A Chinese company has signed an agreement for the enlargement of the port of Alexandria, while China Railway Construction Corporation has been entrusted with carrying out a 70 km extension of the railways surrounding Cairo[16]. Other projects of investors in the region, often in partnership with local players, are the port of Doraleh, in Djibouti, built in two years by China Merchants Holdings International, and the railway line that connects the new port with Addis Ababa, in Ethiopia. The new 750 km long railway is financed by the Chinese EximBank and built by China Railway Group and CCECC. For the future, one of the countries to watch out for is Zambia, where the TanZam, the railway linking the country to Tanzania, is due to be renewed, and a new line, built again by CCECC, is planned with destination Mozambique via Malawi.

Russia and Europe

Russia, despite its commercial relations with Europe not being excellent, is one of the staging posts in the long journey of many goods travelling from East to West, and vice versa. Although Moscow often wants to be a major player in foreign policy, it has willingly joined the Belt and Road Initiative. Last August the Russian railways RZD and China Railway Corporation announced the "Eurasia" railway line, costing $118 billion and to be completed by 2026. The line would connect Berlin to Urumqi, in Xinjiang, going through Russia for most of its length.

Part of the project might include the Moscow-Kazan line to connect the capital to the city on the banks of the Volga. This has to be considered just a possibility because there are doubts about the $30 billion cost of the line, whose project is currently blocked.

The China Development Bank is alleged to have offered $7 billion to finance the railway, adding 900 million for the Moscow-Nizhny Novgorod and one billion for Nizhny Novgorod-Kazan, but the interest rate demanded by the Chinese financial institution is deemed too high by RZD[17].

Contrastingly, a success was recorded with the construction of the Smolevichsky industrial park, on the outskirts of Minsk, in Belarus. The project, which should be completed over the next 30 years, costs between $2 and $5.5 billion, funds that will be provided by the Chinese State Bank, by Belarus and also by Singapore and Russian investors. The industrial park, which should employ around 120,000 people, will be a hub for electronics, biology, chemistry and engineering, with the aim of exporting

[16] Breuer J. (2017, July). "Two belts, One Road? The role of Africa in chinas's Belt & Road initiative" in *Blickwechsel*. Colonia: Stiftung Asienhaus [https://www.asienhaus.de/uploads/tx_news/Blickwechsel_OBOR-Afrika_01.pdf].

[17] Trickett N. (2017, 20 October). "The Gordian Rail Tie: Russia's Mythic Belt and Road Cooperation" in *The Diplomat* [https://thediplomat.com/2017/10/the-gordian-rail-tie-russias-mythic-belt-and-road-cooperation/].

manufactured products to Europe. The old continent, in the race to the Belt and Road Initiative, is not standing by and watching. Chinese companies during the economic crisis have won a majority stake in the Athenian port of Piraeus and have planned investments in all the Balkans. Although the proposal for a modernization of the railway line between Belgrade and Budapest has collapsed, due to a lack of EU interest, e-commerce giant Alibaba has set its eyes on the Serbian capital, where a logistic centre could be built. Also in Serbia, the Chinese steel giant Hesteel took over the Smederevo mine, inaugurated personally by Xi Jinping.

Western Europe, as a destination of Chinese exports and hopefully an origin for imports to China, also benefits from the BRI. Italian ports and railway lines, which require profound modernization, can be crucial for connecting incoming goods from the Mediterranean to the north of the continent. The French President Macron, while visiting this year the city of Xian, has given encouraging signs of openness towards the initiative, while Germany is already a top destination for trains bound for Europe. Even London, which inaugurated the first freight train bound for China, is looking for new shores following Brexit and Beijing could be among the first signatories of a possible new free trade agreement.

The role of Hong Kong

Geography, growth and internationalization

Within the BRI scenario, Hong Kong plays a major role for investors, intermediaries and project owners. The geographical proximity with mainland China and the excellent connections with all the main cities of the mainland make the former British colony an ideal gateway for the development of projects both in the territory of the Asian giant and in the whole area involved in the BRI project.

The Hong Kong Special Administrative Region today represents the sixth commercial economy in the world: with a trade amounting to $974 billion[18] in 2016, it recorded a 3.9% GDP growth[19] in the period January-September 2017. Also, 62% of the flow of foreign Chinese investment passes through here and the city has been increasingly chosen as a headquarter by multinational corporations, international chambers of commerce, consulting firms, media and services.

[18] Fuochi R. (2017). "Hong Kong: partner ideale per cogliere le opportunità offerte dall'iniziativa Belt and Road", speech at the *Genoa Shipping Week*, Genoa 30th June 2017 [http://www.gsweek.it/wp-content/uploads/05_FUOCHI.pdf].
[19] InfoMercatiEsteri (2018, 12 March). *Quadro macroeconomico (Hong Kong)* [http://www.infomercatiesteri.it/quadro_macroeconomico.php?id_paesi=127].

Finance and tax system for the BRI

A member of the Asian Infrastructure Investment Bank (AIIB), Hong Kong, in addition to being one of the world's main financial centres, is Asia's second largest private equity centre.[20]

Thanks to significant experience in assisting Chinese continental and international companies, credit institutes and private funds, numerous public-private partnership projects relating to ports, motorways and power stations can be structured and financed in the whole area covered by the BRI. Over 150 international and local banks present on site, of which 70 among the top 100 in the world, are all active in loans to companies, syndicated loans and in the financing of projects in the region.

The Stock Exchange, the world's eighth capitalization stock market and one of the world's top three IPO markets, is an optimal resource-gathering channel for new or ongoing development projects.

Finally, the Special Administrative Region is characterized by simple and moderate taxation and by free trade. Also, the local currency, the Hong Kong dollar, is increasingly being traded in the world.

State-of-the-art infrastructures

In terms of infrastructure, Hong Kong presents services of absolute excellence. The Region is 1st in the "2016-2017 Infrastructure Competitiveness" ranking of the World Economic Forum.[21]

In 2016, the freight airport ranked first for air cargo with 4.52 million tons and is connected by 100 airlines serving 190 destinations. The commercial port is one of the busiest and most efficient in the world with 24 million TEUs handled and 340 container shipping lines a week reaching 470 destinations (2016). The motorway network is first class and saw the completion in 2017 of the Hong Kong-Zhuhai-Macao Bridge, one of the largest infrastructure projects in the world.[22]

The widespread railway network will soon boast the West Kowloon Railway Terminal, which will be the largest underground railway station in the world[23] thanks to its 38,000 square metres and fifteen high-speed lines connecting Hong Kong with Beijing.

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[20] https://beltandroad.hktdc.com/en/hong-kong-advantage

[21] Fuochi R. (2017). *Op. cit.*

[22] Borgatti C. (2017, 30 November). "Il ponte Hong Kong-Zhuhai-Macao è completato" in *Strade & Autostrade* [http://www.stradeeautostrade.it/ponti-e-viadotti/il-ponte-hong-kong-zhuhai-macao-e-completato/].

[23] https://www.thingsiliketoday.com/west-kowloon-station-hong-kong/

Services to companies and legal assistance

Accountancy firms, insurances, due diligence companies, tax and management services operating in Hong Kong have considerable experience in collaborating with global investors, banks and public entities who need to evaluate their market entry strategies. These Honk Kong based firms are also experts of corporate finance, financial operations, corporate governance, fiscal consultancy, compliance, auditing, risk assessment and allocation.

The Region hosts approximately 850 local and over 70 international legal firms. Legal consultants are familiar with the regulatory and legal framework of various countries around the world and can play a key role in the development of the BRI.

In addition, Hong Kong has a reliable common law system and an independent judiciary system and has always been a highly respected centre for the settlement of litigations. It is no coincidence that the Hong Kong International Arbitration Centre is the favourite arbitration tribunal outside Europe.[24]

Institutional support to the BRI

The Hong Kong Trade Development Council provides information and facilitates opportunities linked to the BRI through its global network of 46 offices and thanks to its experience in the organization of some of the main global fairs and events for the promotion of services. Also, through the Infrastructure Financing Facilitation Office, the Hong Kong Monetary Authority plays a key role in the promotion of collaborations between the private and public sector. These activities are mainly aimed at exchanging information and sharing experiences in order to pave the way for more efficient and sustainable investment flows in the BRI countries.[25]

In 2017 Hong Kong hosted the Belt and Road Summit which gathered over 3,000 high officials from international institutions, company leaders and experts from the countries involved in the BRI. The event, where 70 projects were analysed, focused on multilateral cooperation and on the possibility to explore new investment opportunities.[26]

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[24] School of International Arbitration, Queen Mary University of London (2015, October). *International Arbitration Survey: The Evolution of International Arbitration*.
[25] https://beltandroad.hktdc.com/en/hong-kong-advantage
[26] http://www.beltandroadsummit.hk/en/information_centre/about_bars.html

Public Investors

It is extremely difficult to make a clear distinction between public and private investment in such a majestic work as the Belt and Road Initiative. Even more so if we consider that in China and in many other nations involved, the division between public and private sectors is blurred, with different shades and players that often overlap.

One of the biggest bidders on this project is certainly the AIIB, the Asian Infrastructure Investment Bank, created in 2015 precisely with the aim of participating in infrastructure investments. Launched by China, today it has 57 members, including many European, Asian and Oceania countries.

Amongst the Asian funds involved and to which governments contribute, we find the Asian Development Bank, created in the 1960s to finance infrastructure projects on the continent and the Pacific. Amongst the para-state organizations concerned there is also the New Development Bank, the so-called "BRICS bank" based in Brazil and in which the funds of emerging markets converge.

The Silk Road Fund, launched by Xi Jinping and owned by the Export-Import Bank of China, the State Administration for Foreign Trade, the China Investment Corporation and the China Development Bank, has been created ad hoc. The fund is directly supervised by the Bank of China and is the prime sponsor of many infrastructure projects, from the Mombasa-Nairobi railway to the dams built in Pakistan, as collateral works of the Economic Corridor.

Many projects in China are financed by the China Development Bank, the semi-government arm that funds infrastructure works in the country. The Export-Import Bank of China has a similar status, but it focuses more on financial services related to international trade. On the other hand, export and credit insurance services are guaranteed by Sinosure, linked to the Export-Import Bank of China.

Other public investment banks in Central Asian countries and elsewhere have financed some of the works related to the Belt and Road Initiative.

Private Investors

It has been estimated that nearly 90% of investments in the new Silk Road come from state or public players. Hence, it is challenging to find private investments. This is mainly due to the fact that the initiative entails many highly expensive infrastructures with long-term and uncertain economic return. Also, the cost of these projects is so exorbitant that few private players possess the necessary liquidity or can afford to take the risk.

Nonetheless, some private players have bid on the BRI and, needless to say, most of them are Chinese benefiting from the advantages of an economy that is far from the free market model. Many tech companies have enthusiastically joined the initiative and are thinking of moving their production to countries with a lower cost of labour in order to increase profits. Also, the local real estate sector has grasped potential benefits, although construction, logistics and contractor companies play a significantly major role.

Amongst the aforementioned, China Merchants Holdings International (CMHI), the biggest port operator in the country, controlling majority shares in 29 foreign ports. Alongside this, although with interests covering also land trade, there is COSTO which, together with CMHI, owns Piraeus (Greece), Kumport (Turkey) and has a majority share of the dry port of Khorgos (Kazakhstan). This information give us a clear idea of the importance and power of this company.

The Chinese railway companies are China Railway Group (CREC) and China Railway Construction Corporation (CRCC). CRCC is involved in 111 projects in over 37 countries with a value of $15 billion, while CREC is the second company in the world for number of contracts (CRCC is third).

Amongst the foreign companies that have invested in the new Silk Road there is DP World, the fifth port operator in the world, which controls over 77 maritime and land terminals. Many of these are crucial to the initiative, from the Khorgos dry port to Aktau in Kazakhstan to the Baku port in Azerbaijan. The creators of the free zone of Jebel Ali in Dubai want to export this model all over the world and believe that the BRI offers an opportunity for the creation of low-tax productive and commercial areas.

Among the Western companies involved, it is surprising to find HP, the IT giant, who has been one of the promoters of direct trains from China to Europe. The need to import technology products from Asia led to the first direct line between Chongqing and Duisburg.

Conversely, the great interest of DHL, global logistics leader, should not be a surprise. The German company has been one of the great sponsors and first customers of the Belt and Road since the launch of the initiative. A major supporter of intermodal transport, DHL has been a pioneer in using many of the routes offered by the BRI to connect Asia and Europe.

Conclusions

It is difficult to find historical comparisons that are able to highlight the immensity of funding needed to complete a monumental project like the Belt and Road Initiative. Fundraising, and in particular partnerships with the private sector, is the biggest challenge for this enormous project. The Chinese government is using all its soft power and its geopolitical influence to find funds to devote to the initiative, however, currently it remains the first investor in the BRI, also through various ramifications.

Nevertheless, if the costs are high, so are the benefits. Many areas of the developing world or with limited connections to the outside are finding new life and resources in the infrastructural plans linked to the new Silk Road. Africa can find new momentum in the construction of new railways, Central Asia is becoming the heart of intermodal transport and South East Asia will be supported in its growth by the expansion of its ports and high-speed railways. Europe cannot stand by and be a passive consumer of goods coming from China, but must do its part and stop looking at Beijing with suspicion. In an increasingly global world, it has become inevitable to confront the Chinese economic power. Although many may be afraid, especially for the social costs involved in the competition with a cheaper labour force, it is necessary for the West to play its part, aiming for reciprocity in trade with the East. The benefits will soon result in new cross-over investments, in the opening of new businesses and Special Economic Zones, in modern infrastructures that will drastically cut the travel time of people and goods and the possibility of exporting European goods over the Great Wall. The challenge is not the simplest and requires planning, political caution and team-building skills, but ignoring or even trying to hinder a project like the Belt and Road Initiative is a luxury that the old continent can no longer afford.

Appendix

GDP and growth estimates in BRI countries

Country	GDP ($bn, 2017)	% growth (2018-2020)
East Asia		
China	11,937.6	6.3
Mongolia	10.9	4.7
South East Asia		
Brunei Darussalam	12.0	6.1
Cambodia	22.3	6.7
Indonesia	1,010.9	5.4
Malaysia	309.9	4.8
Myanmar	67.0	7.5
Philippines	321.2	6.8
Singapore	305.8	2.6
Thailand	437.8	3.3
Timor-Leste	2.7	5.8
Vietnam	216.0	6.2
Central Asia		
Kazakhstan	156.2	2.9
Kyrgyz Republic	7.1	4.7
Tajikistan	7.2	4.0
Turkmenistan	41.7	5.5
Uzbekistan	67.5	6.0
MENA		
Bahrain	33.9	1.9
Egypt*	332.3	5.2
Islamic Republic of Iran	427.7	3.9
Iraq	192.7	2.2
Israel	348.0	3.1
Jordan	40.5	2.7
Kuwait	118.3	3.8
Lebanon	52.7	2.3
Oman	71.9	2.9
Qatar	166.3	2.9
Saudi Arabia	678.5	1.5
Syria	n/a	
United Arab Emirates	378.7	3.2
Yemen	25.7	9.8
South Asia		
Afghanistan	21.1	3.5
Bangladesh	250.0	7.0
Bhutan	2.3	11.1
India	2,439.0	7.7
Maldives	4.5	4.8
Nepal	24.1	4.2
Pakistan	278.9	n/a
Sri Lanka	83.6	4.9
Europe		
Albania	13.0	3.8
Armenia	11.0	3.0
Azerbaijan	39.2	2.3
Belarus	52.8	2.7
Bosnia and Herzegovina	17.5	1.0
Bulgaria	56.0	2.9
Croatia	53.5	2.5
Czech Republic	209.7	2.4
Estonia	25.7	3.2
Georgia	15.2	4.5
Hungary	132.0	2.9
Latvia	30.2	3.5
Lithuania	46.7	3.4
FYR Macedonia	11.4	3.4
Moldova	7.9	3.8
Montenegro	4.4	2.6
Poland	510.0	3.1
Romania	204.9	3.8
Russia	1,469.3	1.5
Serbia	39.4	3.7
Slovak Republic	95.0	3.7
Slovenia	48.1	2.1
Turkey	841.2	3.5
Ukraine	104.1	3.5

Table I - Source: SRM on IMF data

FDIs and average growth of FDIs in BRI countries

Country	FDI ($m, 2016)	% growth (average 2010-2016)		FDI ($m, 2016)	% growth (average 2010-2016)
East Asia			South Asia		
China	1.354.404	16.3	Afghanistan	1,361	6.6
Mongolia	12.980	30.1	Bangladesh	14,539	15.9
			Bhutan	171	36.2
South East Asia			India	318,502	9.5
Brunei Darussalam	5,739	7.7	Maldives	3,216	20.3
Cambodia	16,656	35.2	Nepal	653	31.0
Indonesia	234,961	12.6	Pakistan	39,017	12.4
Malaysia	121,621	7.1	Sri Lanka	9,745	8.3
Myanmar	22,666	18.9			
Philippines	64,249	16.1	Europe		
Singapore	1,096,320	11.9	Albania	4,987	7.1
Thailand	188,651	8.9	Armenia	4,633	4.0
Timor-Leste	346	16.1	Azerbaijan	26,683	21.0
Vietnam	115,391	13.0	Belarus	18,970	12.4
			Bosnia and Herzegovina	6,848	0.1
Central Asia			Bulgaria	42,165	-2.0
Kazakhstan	129,773	9.4	Croatia	27,645	-2.3
Kyrgyzstan	5,102	20.5	Czechoslovakia	n/a	n/a
Tajikistan	2,399	12.4	Estonia	19,193	3.2
Turkmenistan	36,241	20.7	Georgia	14,109	9.6
Uzbekistan	8,957	14.3	Hungary	77,721	-2.8
			Latvia	14,253	3.3
MENA			Lithuania	13,773	0.9
Bahrain	28,606	10.7	Montenegro	4,663	1.9
Egypt	102,324	6.4	Poland	185,903	2.3
Iran (Islamic Republic of)	48,469	9.8	Republic of Moldova	3,581	3.8
Iraq	9,498	10.3	Romania	71,804	0.6
Israel	112,701	10.5	Russian Federation	379,035	3.7
Jordan	32,148	6.5	Serbia	30,345	5.8
Kuwait	14,260	5.8	Slovakia	41,615	-3.0
Lebanon	61,019	6.0	Slovenia	12,731	1.8
Oman	18,548	4.7	TFYR of Macedonia	5,016	1.8
Qatar	33,943	4.1	Turkey	132,882	1.8
Saudi Arabia	231,502	6.7	Ukraine	48,385	1.8
Syrian Arab Republic	10,743	3.6			
United Arab Emirates	117,944	11.5			
Yemen	2,865	-6.5			

Table II - Source: SRM on Unctad data

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