

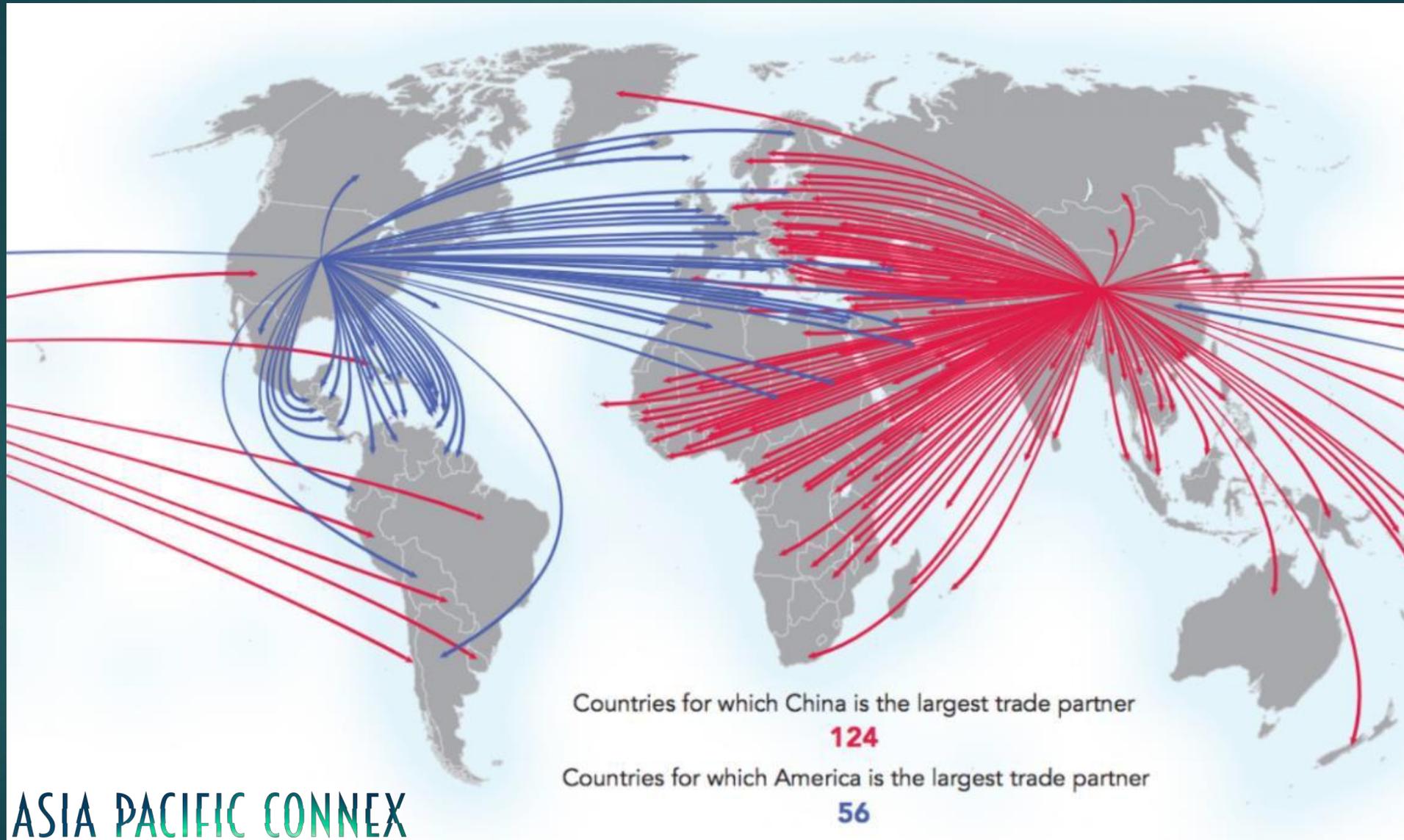


# What does China's Tacit support of Russia mean for the future of the BRI?

# Is China Complicit – the World View?

- ▶ China staged a cyberattack on Ukraine's military and nuclear facilities
- ▶ During Beijing Olympics China / Russia signed an accord to support each other– but is this more than just an energy agreement?

China the largest trading partner for most countries.



## Reviving the Silk Road

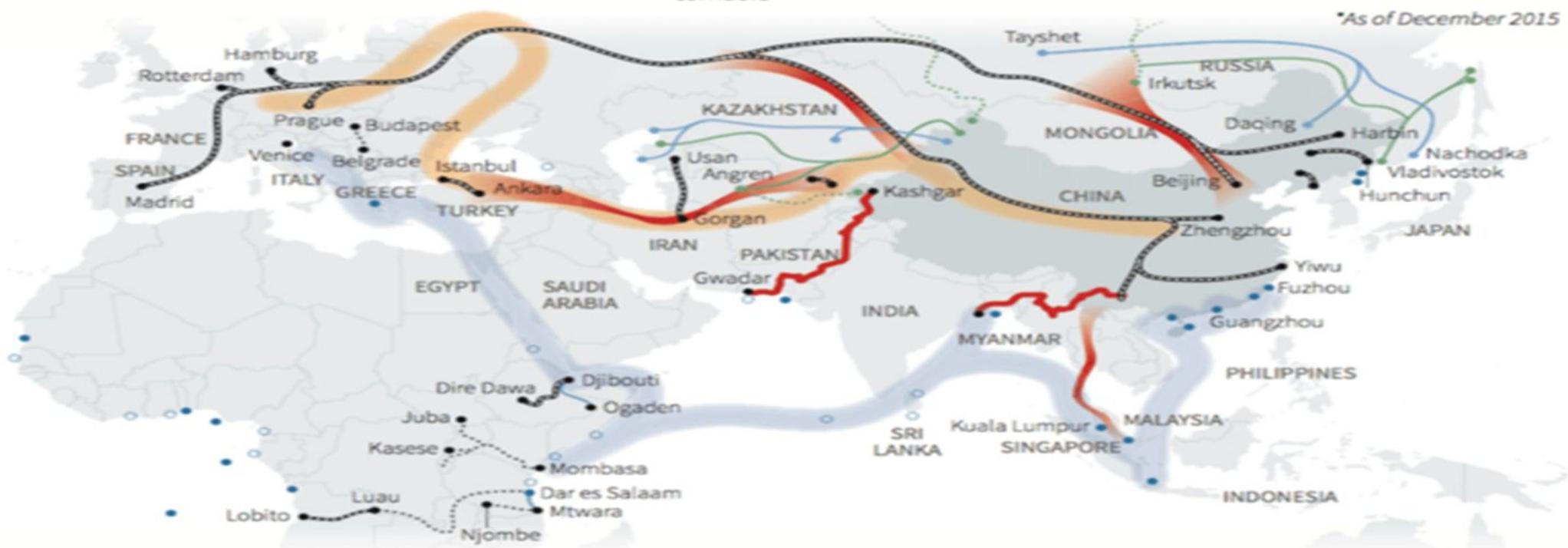
Announced by Chinese President Xi Jinping in 2013, the Silk Road initiative, also known as China's Belt and Road initiative, aims to invest in infrastructure projects including railways and power grids in central, west and southern Asia, as well as Africa and Europe.

### Key

- Silk Road Economic Belt
- New Maritime Silk Road

### Projects subsumed under China's Belt and Road initiative

- Gas pipelines
- Oil pipelines
- Railroad
- Proposed economic corridors
- Ports with Chinese engagement
- Planned or under construction



\*As of December 2015

Source: Mercator Institute for China Studies.

C. Inton, 24/03/2017

REUTERS



# EU / China Trade Vs Russia / China Trade

- ▶ The EU is China's third largest export destination AND largest import partner
- ▶ EU exports to China around us\$245bn and us\$520bn in Imports
- ▶ China exports 10x more to the EU as opposed to Russia
- ▶ Ukraine is secondary Gateway into Europe for China – EU trade with the bulk of trade going via Russia and Belarus
- ▶ Sanctions slow down or stopping bilateral trade flows , with 50% of EU Rail traffic passing through Russia

# China / EU Trade along Rail network

- ▶ Us75bn by Rail
- ▶ Drop in consumer confidence
- ▶ Sanctions and Counter Sanctions
- ▶ Decreased demand for goods via the Northern Route / New Euarasian landbrdige

# Undermines China's claim the BRI gives continental supply chain stability

- ▶ From 2017, the BRI grew from 40 freight routes along 78 Lines, reaching 180 cities and 23 European countries transporting us\$75bn in freight with more than 50,000 trips.
- ▶ This growth saw Chinese subsidies drop from us\$5,000 per container to us\$1000 a container – Rail was entering self sufficiency and profitability phase
- ▶ This poses significant Economic challenges as China's economy slowdown.
- ▶ Threatens China's ambitious Digital Yuan plans as international reserve currency



# Other Consequences for BRI

- ▶ Ukraine was earliest signatory to the BRI, and Eastern Europe viewing China's lack of support for Ukraine as problematic (Romania, Lithuania, Slovenia, Croatia)
- ▶ Ukraine is strategically positioned across Rail / Road and Energy Pipelines
- ▶ 2020 Kyiv signs MOU with China Huawei, and Imports 30% of its Corn from Ukraine
- ▶ Poland is also major Rail node and hosts Huawei Regional HQ
- ▶ Former Soviet Satellites aligning with NATO and EU

# Unintended Geo-Political Consequence for China

- ▶ The portrayal of the USA as a declining power has been reversed with the EU, particularly France and Germany back into NATO defense network.
- ▶ Europe will increasingly need US gas
- ▶ NATO will grow – eg Finland now applying
- ▶ Increased containment of China started in EU
- ▶ China also encircled by QUAD and AUKUS

# China's Impossible Balance?

- ▶ Trying to balance 3 goals / objectives:  
Strategic Partnership with Russia,  
Commitment to foreign policy principles  
of “territorial integrity”, minimize damage  
from EU and US Sanctions.

# Conclusions

- ▶ BRI trade will shift to the less developed middle and southern rail corridors
- ▶ Increasing fears related to sanctions for anyone circumventing EU / US sanctions e.g. Sgp based Alexsong now on US sanctions list that is electronics wholesaler as warning to China
- ▶ China's approach with regards Ukraine at a crossroads that potentially undermines the global BRI network

# ASIA PACIFIC CONNEX

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- ✓ logistics
- ✓ supply chains
- ✓ business development
- ✓ identifying suitable JV partners
- ✓ establishing trade relations
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