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China's Belt and Road: The $10 Trillion Investment Plan to Integrate the Eurasian Supercontinent

The Chinese Belt and Road Initiative (BRI), by lending out money using an alternative currency to the dollar, opens up huge spaces for investment and the strategic transformation of the region

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The overland integration of the BRI, led by China and Russia, aims to create different transit routes for goods as well as different areas of economic development along the new Chinese Silk Road. A great opportunity is thereby opened up for Chinese banks and for private investors interested in creating infrastructure or developing potential industrial poles in the countries involved in this grand Chinese initiative.

Hong Qi, president of China Minsheng Bank, recently said during an economic forum held in Beijing regarding investments in the BRI that there is potentially about $10 trillion worth of investments in infrastructure in the countries that make up the BRI, such as in railways, urban development, logistics and cross-border e-commerce.

At this point, more than $10 billion has already been committed in investments, thanks to companies already present in over thirty countries and regions along the BRI, with the ongoing intention of financing these loans through China's public and private sectors. According to data from the China Banking Regulatory Commission, a total of nine Chinese banks are involved in the financing of projects, with 62 branches having been opened in 26 countries. A further $10 billion could come from European countries as a result of investments stemming from the China-CEEC forum.

Despite a delay in investment, and especially in the development of such projects, analysts believe that the BRI is the ideal ground for making regional cooperation agreements based on trust and win-win prospects for future integration of the region. Thus, not only are public and private banks involved in investments but the Asian Investment Infrastructure Bank (AIIB) and the Silk Road Fund are also part of the financial package that should lay the foundation for the accelerated development of the Chinese BRI. Confirming a new approach to the development of the BRI, Chinese investors during the first ten months of 2017 proposed projects totalling $11 billion in the 53 countries involved.

The effort is mainly focused on the development of railway networks, hospitals, and power plants. Such basic infrastructure will lay the groundwork for further development in countries involved in the BRI that otherwise have little capacity to invest in such projects themselves. According to Zhang Zansheng, an accredited researcher at the China Center for International Economic Exchanges, the first marker is set for 2020, the year that "further tangible progress" should be made in the development of the BRI, mainly referring to railway links between different Asian regions and the Mediterranean. Reflecting how things are already changing, dozens of trains leave monthly from European countries to reach

China, the latest being one from Italy, leaving from the province of Pavia, a few kilometers from Milan.

Robin Xing, Chief China Economist for Morgan Stanley, echoed many analysts in predicting that 2018 and 2019 will be the two key years where tangible implementation of the Belt and Road Initiative will start to become apparent. These projects and investments will increase global trade with the countries involved in the BRI, which could see a 10% increase in their exports to China over the next 10 years, the practical results of the investments in ports, railways and industrial centers.

The People's Republic of China continues to treat investments and risks with a pragmatic and realistic attitude. Accordingly, the main investors in the BRI comprise state-controlled industries and banks, which allows for sufficient control by the central authority in the event of major problems. With investments amounting to at least $60 billion per year, involving more than 1,676 projects, and representing about 0.5% of Chinese nominal GDP, for the moment Beijing wants to have full control over the whole project, a strategic interest that is perfectly understandable.

The BRI is generating many innovations, including a possible new sea route through the Arctic. Although the project is yet to be fully developed, China is beginning to invest in cooperation projects with Russia to exploit this new route. The Russian Federation is the only country to have nuclear-powered icebreakers. Beijing intends to follow its Russian partner in this project in order to pave the way for its freight containers. Cost savings in terms of transport from China to Europe would be in the region of 30-40%. The Northeast Passage can only be crossed during about four months of the year, due to thick ice and unfavorable weather conditions that otherwise exist. Experts forecast that this route will be increasingly free of ice in coming years, and therefore will become more passable. Given the enormous shipping times to be saved, China and Russia have already started cooperating in order to be ready to develop and exploit this new and strategic route.

Considering the great importance of shipping routes, the ability to reach the Mediterranean is of fundamental importance. As things stand now, China is hampered by several strategic vulnerabilities, such as the Strait of Malacca or the passage through the Suez Canal, two choke points that are susceptible to a naval blockade by the US in the unlikely event of war between these major powers. This is not to mention the Panama Canal, which guarantees transit from the Pacific to the Atlantic, and Gibraltar, which controls access to the Mediterranean Sea. Certainly with an Arctic route, passage would be much faster, as well as be free from the possibility of blockade.

At the moment, the land route to Europe represents a viable solution, but one that also brings with it continuous challenges and several possibilities. One involves transporting goods from the north through the countries of the Eurasian Economic Union. The second involves going through the south, with a passage through Turkey to arrive either at the Greek port of Piraeus or in Venice. Some sort of competition is bound to occur in the future within the European Union, with countries jostling to become the main transit hub between Europe and China. The link between China and the European Union represents a critical issue for the BRI, with a traffic of goods in the order of tens, if not hundreds, of billions of dollars. At the moment, all the parties involved are aware of a much wider problem for the BRI. Freight trains from Europe to China are often empty, without major exports to the People's Republic of China, a problem that makes overland transport routes unprofitable. In this regard, the European Union must accelerate its economic recovery by aiming to exploit new trade routes that offer benefits for all countries involved. As usual, obstacles lie ahead, especially in the geopolitical arena, with the BRI representing a strategic challenge to American hegemony in Asia and Europe.

With this in mind, there is a need to move away from the dollar when it comes to loans and investments made to finance BRI infrastructure projects. This does not prevent the development of new projects for the time being. But China and other countries involved should pay more attention to this vulnerability that hangs over the whole project. Beijing should therefore accelerate use of an alternative currency in this grand project.

The economic power of the United States depends on the continued need for the rest of the world to have dollars available. This Chinese project aims to integrate countries such that Washington is denied it hegemony over Asia, Europe and the Middle East. For such reasons, it is fundamental that Beijing arms itself with every weapon available in its arsenal to defend itself from the sabotage that Washington will inevitably visit on the project. Avoiding a currency that the United States controls would be a good starting point.

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