

‘Port+Park’ as a model for Belt and Road Initiative (BRI): A Chinese Way of Economic Regionalization Led by Infrastructure Development

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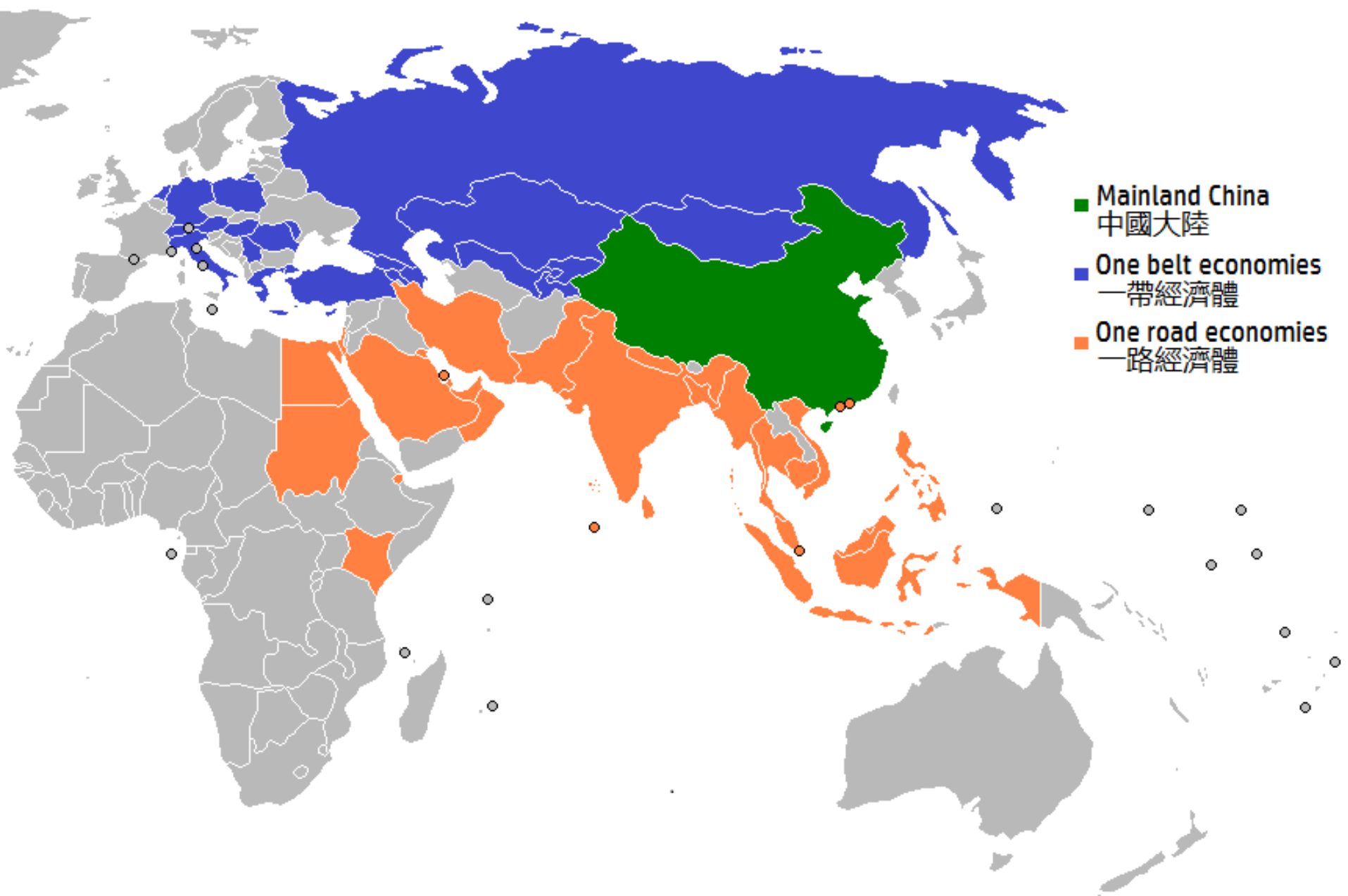
Belt & Road: What and Where

The official document lays out the basic goals of the Belt and Road Initiative: “It is aimed at promoting orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets; encouraging the countries along the Belt and Road to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards; and jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all.” (2015)

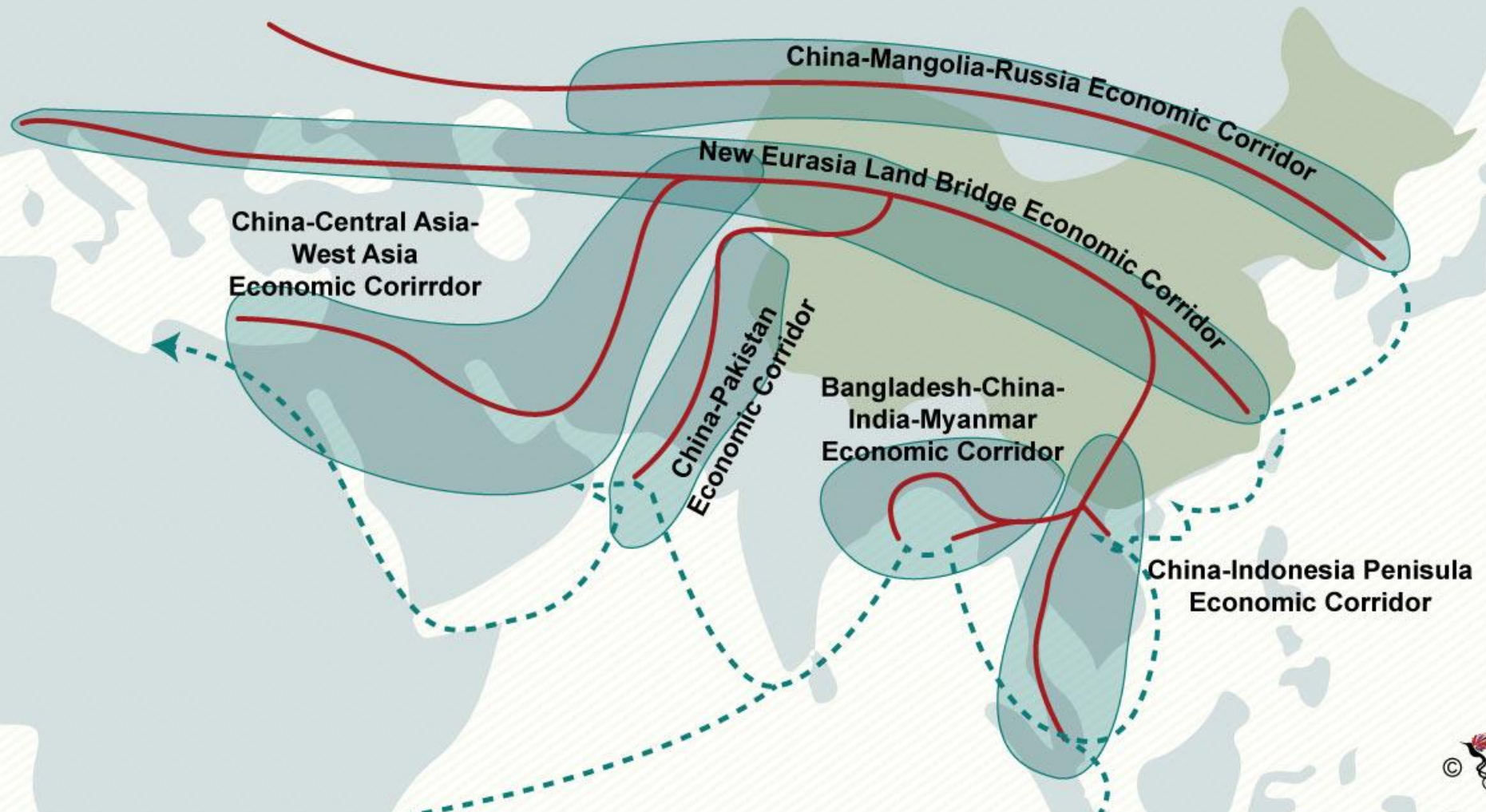


Source: Compiled by the Fung Business Intelligence Centre based on the FRAMEWORK chapter of the *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road*



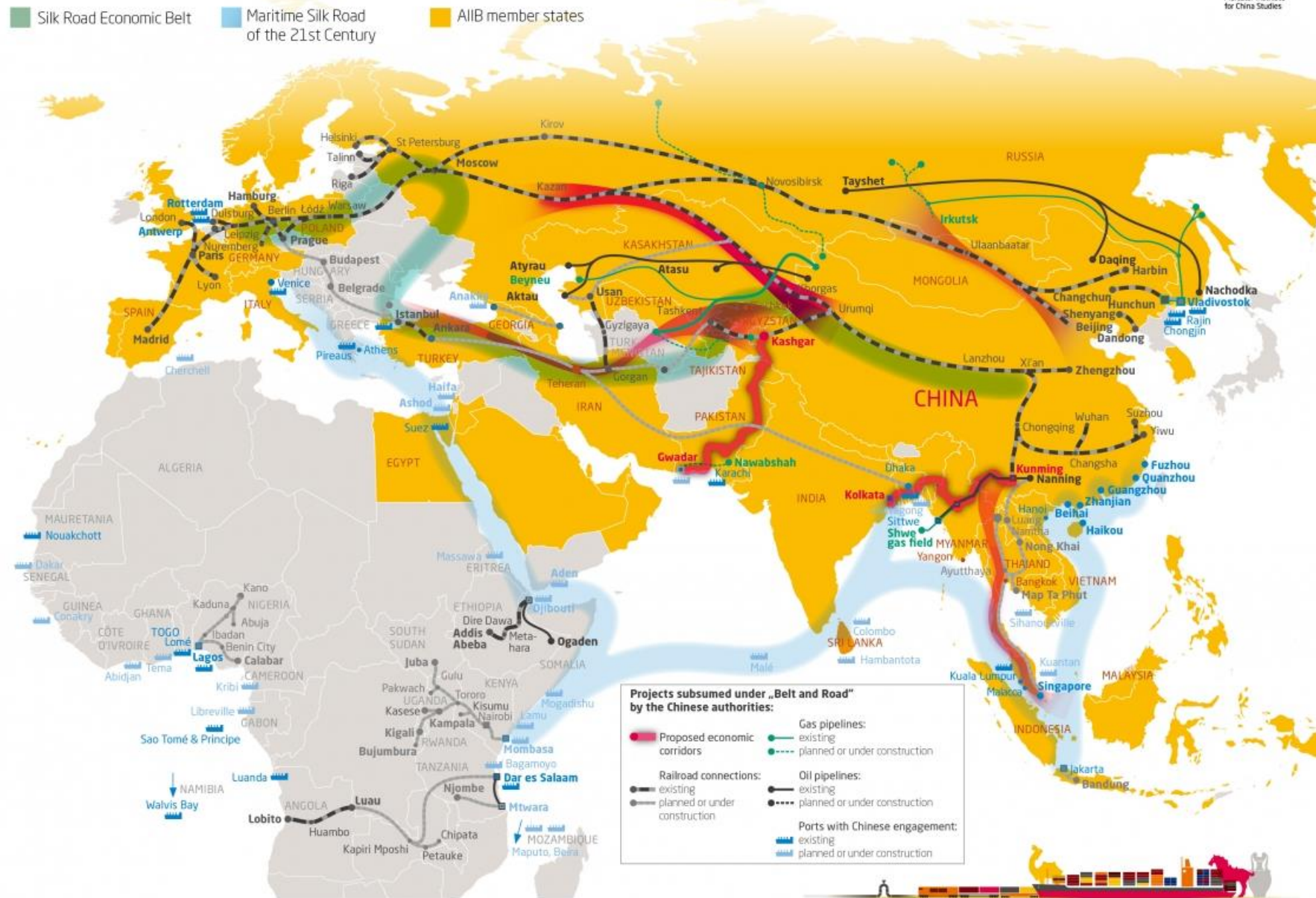


The six economic corridors of the Belt Road Initiative (BRI)



China aims to build a global infrastructure network

"Belt and Road" infrastructure projects, planned and completed (March 2017)





Existing railway links by Azerbaijan Railways

Where among these routes and corridors can we find and establish hubs and gateway ports to sustain the businesses and localize the benefits?

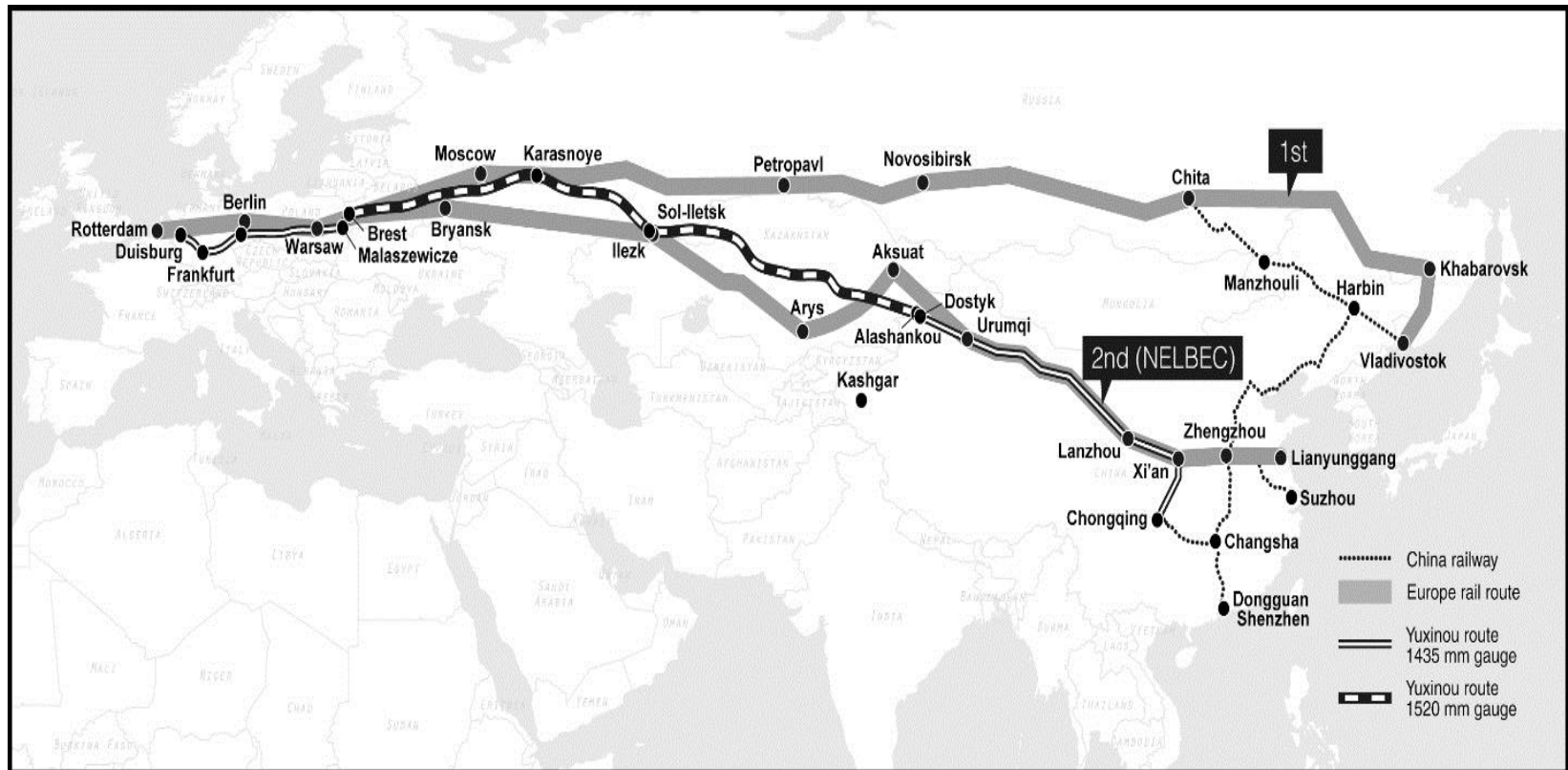


While there are 66 B&R countries, more than 66 views on B&R initiative exist with lots of ????

- Why did China initiate this B&R Initiative with so many unclearly defined items and references?
 - A 'start it first and refine it later' strategy – this is how Chinese defines 'strategic initiative' "A journey of a thousand miles begins with a single step" (千里之行始于足下). This applies to something small in a personal life, and it works also on a great plan as the B&R Initiative as well.
 - Behind this is the 'trial and error' thinking. In contrast to TPP (Trans-Pacific Partnership), B&R Initiative has been carried out on a trial basis in many aspects through individual projects we have examined.
 - Another fundamental rule behind the BRI is flexibility. For example, when the AIIB (Asian Infrastructure Investment Bank) was set up, the deadlines changed a few times and three categories of membership have been created to allow as many countries to join as possible, noting without enough funding, B&R Initiative is nothing.
 - The trial and error is a good and practical way to resolve problems anticipated or even unanticipated, particularly considering that a key reason for China being economically successful in the past four decades is the strong and determined leadership at the national level.

Yu-xin-ou (渝新歐) Eurasian railways: more and more cities in China follow the model to build the New Silk Road.

- Will that work in the long run?



After 2-3 years of progressing the B&R Initiative, one may find that the more and more countries become interested in knowing what is going on, while more Chinese firms become more cautious to participate although the state government attitude remains the same. Why?

At the The Belt and Road Forum for International Cooperation,, May 14-15, 2017, after two years of practices, the discussions began more focused on



Conceptual framework of the Belt Road Initiative.

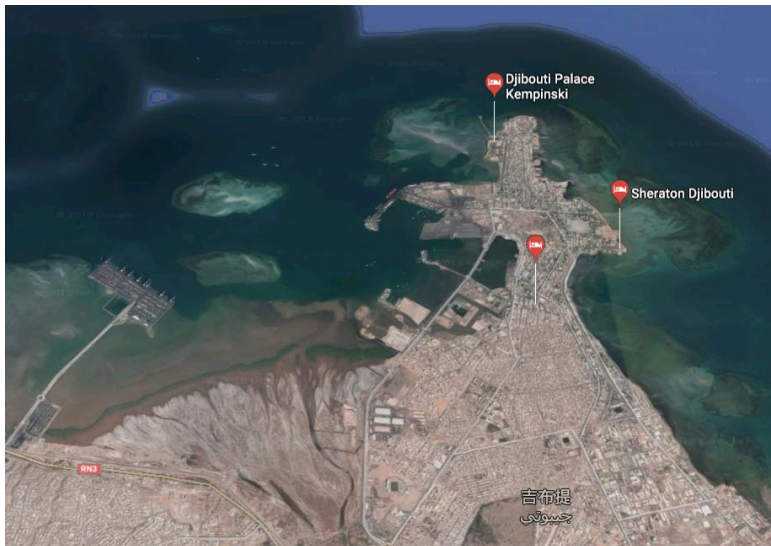
- **Trail and error** works, but ***flexibility*** must have a bottom-line. For example, in financing a transport infrastructure project such as a port or a railway line, if a PPP (public-private-partnership) model is used, there must be a way to make sure the risk is minimized to a bankable level.

The **Port+Park+City (PPC)** as one of the BRI models

- PPC: a model based on Shekou development by China Merchants Group in Shenzhen, a city grown up from 41000 to 17.5 million population and the third largest container port in the world today.

The role and importance of the second 'P':
'the economic and trade cooperation zone'
run by Chinese firms in a B&R economy.

- Examples:
 - China-Belarus Industrial Park in Minsk, Belarus
 - Hambantota Port and Zone in Sri Lanka
 - Djibouti, Africa



**Sri Lanka-China Industrial Zone Office
in Hambantota Port kicks off
industrialisation of Ruhuna**

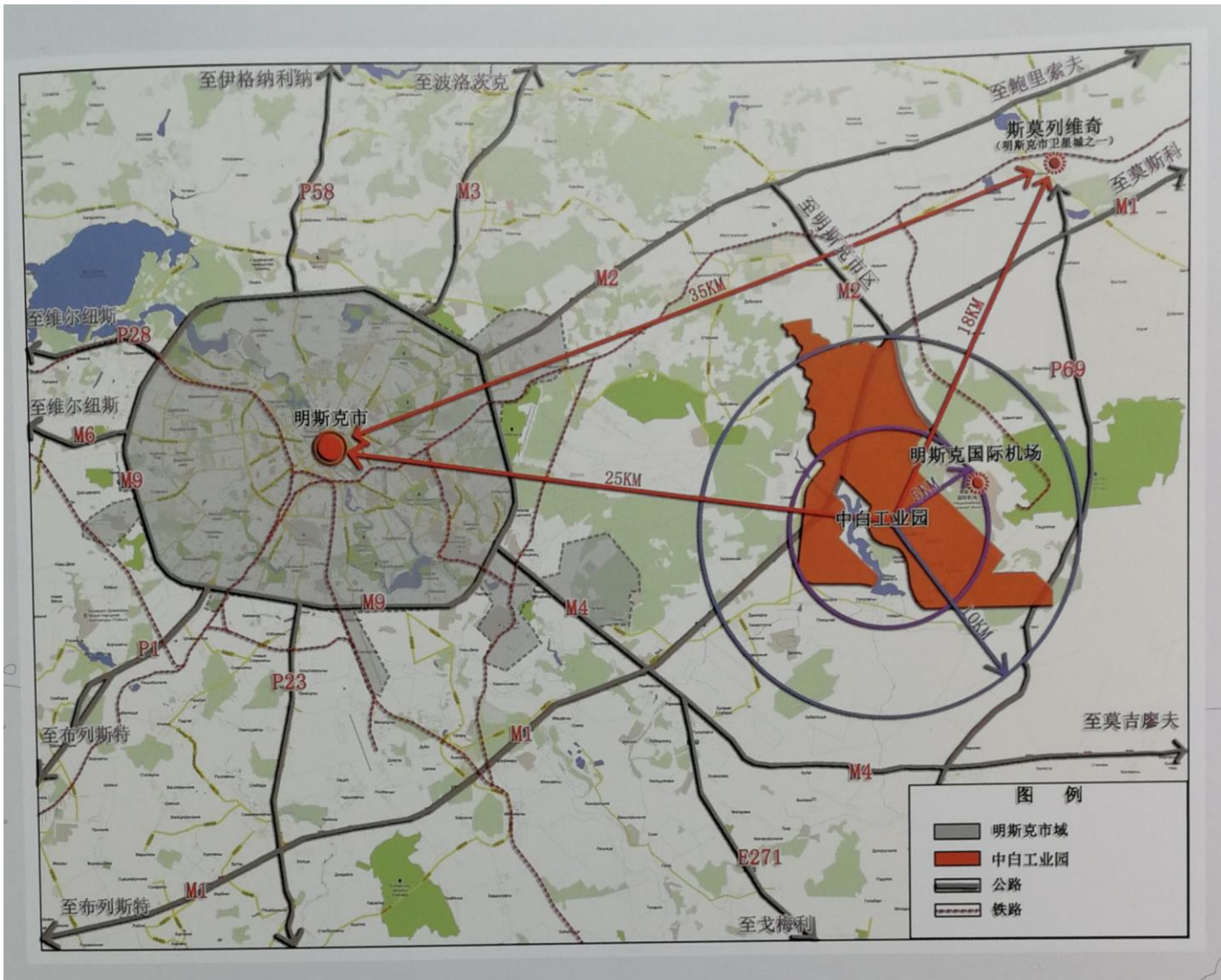
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Why 'Park-centered', not 'port-centered' development?

- Port alone may not be able to sustain a long-term role to play along a trade corridor or as a gateway. Only hub port may do. However, not every port is going to become a hub.
- Park together with port may change the ecology of the investment and trade – after all, you need to have something to trade and to add values to trade. Port adds value to connectivity, but industrial park or free trade zone may add value with local inputs on global supply chains to products themselves.

China-Belarus Industrial Park near the airport of Minsk, along the Euro-Asia Land-bridge from China via Russia to Germany



Industrial Park/Free Trade Zone as a cross-scale platform

- For global supply chains to build and integrate
 - For possible collaboration of complementary firms
 - For G2G communications and policy experiments
 - For mutual understanding of cultures
-
- By cross-scale, we mean that the zone or park is treated as a state-own-enterprise-run entity that provides a country-to-country (G2G) platform on one hand; on the other, as the operator is not the government of either side, the tenants or potential tenants do not regard the platform as a government one, and the contracts between the zone manager and tenants are purely market-based at individual sector level.

Why is the P+P model feasible?

- The highest risk for BRI is the long-term uncertainty, of which no small-to-mediate firms (SMEs) would be able to bare. Nor would be the private ones unless they got subsidy from the government. Even PPP models may not work.
- The large state-own enterprises (SOEs) (from China in particular) would be ideal if they can and be willing to bare a ten-year lost in the beginning, which is exactly what CMG is doing in these cases mentioned.
- For this reason, the potential tenants of the parks/zones need to consider only whether they may gain from their positioning in this part of the global supply chains, and the risk is much smaller than if they invest in their own.



谢谢！

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Your feedback and
comments are welcome:
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