

Briefing

The Belt and Road Initiative and FLEGT: Possible synergies

This policy brief takes stock of the Belt and Road Initiative (BRI) and explores the potential areas where the BRI could interface with the European Union’s (EU) Action Plan on Forest Law Enforcement, Governance and Trade (FLEGT). Large BRI-related investments occur in several Asian and African countries that are implementing or negotiating a Voluntary Partnership Agreement (VPA) with the European Union (EU). These investments brought a large number of Chinese operators to the VPA countries, thus increasing their significance in these countries. These operators are subject to the national laws of the host countries.

At the policy level, cooperation priorities of the BRI are in line with the key themes of the EU 2030 Agenda and focus on policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bond. A number of the BRI elements match VPA principles and related national developments. The corresponding principles include good governance, inclusive participation, environmental protection, gender equity, democracy and anti-corruption.

Based on these findings, the brief offers two reflections. First, VPA experiences could guide BRI investments and actions, particularly for Chinese operators in VPA countries. Second, more transparency and accountability on BRI project implementation could potentially open-up new engagement pathways to promote good governance and inclusive participation in forested countries, some of which are VPA countries.

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The container transfer area at Khorgos Gateway.
Source: Khorgos Gateway

Overview of the BRI: What is it?

Launched in September 2013, the BRI remains the best-known, least-understood policy effort championed by President Xi Jinping.¹ The first cause of confusion is that the BRI is not a single plan. While the BRI Action Plan identifies five cooperation priorities, no blueprint details the Initiative's aims, its projects nor their rationales.² Second, the name itself is confusing. The 'Road' refers almost entirely to the maritime route, while the 'Belt' is on land.³ The 'Belt' connects Chinese trade and production to Europe through Central Asia, while the 'Road' improves Chinese maritime trade through South East Asia, the Horn of Africa and Europe.⁴ The Chinese Government has never released a definitive, official map of the BRI routes and the countries that it traverses.⁵

Third, the number of BRI participating countries varies. For example, the Chinese state media⁶ identified more than 80 BRI countries, while the World Bank⁷ suggested that there are 65. Fourth, estimates of the BRI's total investment also differ. While the World Bank values the BRI's total investment at USD 8.5 trillion⁸, other sources often cite lower or higher amount⁹. There is no official figure on the BRI total investment from the Chinese Government. President Xi often remarked that government, private sector and other stakeholders in any country are welcome to join the BRI.¹⁰

Another factor that contributes to the BRI mystery is that the BRI evades typical project classification. There is no agreed-upon definition for what constitutes a BRI project. Chinese-funded projects (private, public or both) that started years before the launch of the BRI have been re-branded as BRI projects.¹¹ In addition, some projects have self-identified as BRI sister projects or extensions of the BRI.¹² While infrastructure is a major component of the BRI and is often used as a proxy to assess the motivations and implications of the BRI, the BRI itself is an ever-expanding list of activities.

Finally, the BRI has undergone a few re-naming efforts. Before 2017, the Initiative was known as the 'Silk Road Economic Belt', the '21st Century Maritime Silk Road', the 'One Belt, One Road' and/or the 'Belt and Road Strategy'. In 2017, to abate the political connotation of the term 'Strategy', the Chinese Government decided to replace it by the term 'Initiative'.



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China-Iran Railway.

Source: Financial Times

BRI key guidance documents

The BRI is now five years old. Nonetheless, the Chinese Government only adopted its guiding philosophy, basic principles, implementation frameworks, cooperation mechanisms, financing plans and so forth in mid-2017. At the time, some of the major BRI projects were already being implemented. China aims to integrate these components into all BRI projects by 2025.¹³ To that end, the Chinese Government has issued the following key guiding documents:

- **Guidance on promoting the Green Belt and Road 2017¹⁴**: This guidance was developed to execute the Vision and Actions of the BRI, mainstream ecological civilisation into the BRI, promote green development and strengthen 'eco-environment' protection.
- **Guiding principles of financing the development of the Belt and Road 2017¹⁵**: These principles include equal-footed participation, mutual benefits and risk sharing. They were established to build a long-term, stable, sustainable financing system that is well-placed to manage risks associated with the BRI.
- **Belt and Road Ecological and Environmental Cooperation Plan 2017¹⁶**: The Plan aims to strengthen cooperation on 'eco-environmental protection'. Its objectives also include enabling environmental protection to serve, support and guarantee the BRI construction of environmentally-friendly routes.
- **Joint Communiqué of the Leaders' Roundtable of the Belt and Road Forum for International Cooperation 2017¹⁷**: The Communiqué emphasises the importance of the economic, social, fiscal, financial and environmental sustainability of BRI projects. It also calls for promoting high environmental standards while striking a balance among economic growth, social progress and environmental protection.

BRI philosophy: Five Principles of Peaceful Coexistence

Three Government agencies (the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce) oversee the BRI. In 2015, they released the BRI Action Plan, which states that the BRI is in line with the purposes and principles of the Charter of the United Nations. The Action Plan also states that the BRI upholds the Five Principles of Peaceful Coexistence, which are¹⁸:

1. Mutual respect for each other's sovereignty and territorial integrity
2. Mutual non-aggression
3. Mutual non-interference in each other's internal affairs
4. Equality and mutual benefit
5. Peaceful co-existence

The Chinese Government advocates for peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit. It promotes practical cooperation in all fields, and works to build a community of shared interests, destiny and responsibility featuring mutual political trust, and economic development.¹⁹ In terms of international regimes, the BRI aims to contribute to the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change.

Five cooperation priorities

1. Policy coordination

According to this coordination priority, China will promote intergovernmental cooperation, build a multilevel intergovernmental macro policy exchange and communication mechanism, expand shared interests, enhance mutual political trust and reach new cooperation consensus. The BRI Action Plan also provides that BRI countries may coordinate their economic development strategies and policies, work out plans and measures for regional cooperation, negotiate to solve cooperation-related issues, and jointly provide policy support for the implementation of practical cooperation and large-scale projects. Several countries have announced their intention to link the BRI with their national development plans.²⁰

2. Facilities connectivity

'Facilities connectivity' means infrastructure construction that connects China to the world. It is at the core of the BRI. The BRI Action Plan encourages the promotion of green and low-carbon infrastructure construction and operation management. It aims to take into account the impact of climate change on construction. Facilities to be constructed or improved include: port infrastructure; land-water-air transportation channels; energy infrastructure (oil and gas pipelines); cross-border power supply networks; and cross-border optical cables and other telecommunications, including transcontinental submarine optical cable and spatial (satellite) information passageways.

3. Unimpeded trade

Given the size of its investment, the BRI has the potential to strengthen international trade by integrating participating countries into global value chains through improved infrastructure (physical, financial and telecommunications).²¹ The scope of BRI investments includes agriculture, animal husbandry, forestry, fisheries, energy sources and related processing technology, and equipment and engineering services in the fields of energy and resources.²² To achieve unimpeded trade for these investments, the BRI Action Plan proposes the following improvement in participating countries:

- Enhance customs cooperation through information exchange, mutual recognition of regulations and mutual assistance in law enforcement
- Improve the customs clearance facilities of border ports, including by establishing a 'single-window' at these ports
- Reduce the costs and improve the capability of customs clearance
- Increase cooperation in supply chain safety and convenience
- Improve the coordination of cross-border supervision procedures
- Promote online checking of inspection and quarantine certificates
- Facilitate mutual recognition of Authorised Economic Operators
- Improve the transparency of technical trade measures, and enhance trade liberalisation and facilitation

4. Financial integration

Financial integration refers to efforts in building a currency stability system, an investment and financing system, and a credit information system in Asia. Specific activities have included establishing the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (for development projects in BRICS (Brazil, Russia, India, China and South Africa)), negotiating the establishment of the Shanghai Cooperation Organisation financing institution, and operationalizing the Silk Road Fund.

These institutions, operational since September 2018, have been instrumental in funding BRI projects. Besides putting in place regulations and coordination mechanisms, this coordination priority aims to encourage commercial equity investment funds and private funds to participate in the construction of key BRI projects.

5. People-to-people bond

'People-to-people bond' focuses on awareness raising on the BRI, thus garnering support for the Initiative in China and overseas. Some of the main activities under this priority include extensive cultural and academic exchanges, personnel exchanges and cooperation, tourism promotions, media cooperation, youth and women exchanges, and volunteer services. Non-governmental organisations in BRI countries have been engaged on a variety of topics such as education, healthcare, poverty reduction and environmental protection. Other areas of support listed under this cooperation priority include those of common interest to China and BRI countries.



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Chinese President Xi Jinping delivers his speech during the opening ceremony of the Belt and Road Forum in Beijing on May 14.

Source: CNBC

BRI southeast Asia high-speed train. Source: China Railway International



BRI implementation arrangement and status

Finance

Finance for BRI projects has mainly come from the AIIB, which started operations in January 2016. As of September 2018, the AIIB had 87 member countries that included all the member States of the Association of Southeast Asian Nations (ASEAN) and 19 European countries.²³ Six other multilateral financial institutions have officially announced their support for the BRI. These include the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the International Monetary Fund (IMF), the New Development Bank and the World Bank Group, including its sister organisation the International Finance Corporation.²⁴ In addition, the Export-Import Bank of China (EXIM Bank) is the main source of finance for interest-bearing BRI investments or loans. For example, loans for infrastructure projects in most BRI countries are channelled through the EXIM Bank.²⁵

Participating countries

Among the 65 BRI countries identified by the World Bank²⁶, there are 11 EU Member States, five EU candidate countries, and 10 ASEAN member States, including Timor-Leste.²⁷ President Xi welcomes any country that wants to participate in, or associate with, the BRI. For example, the African Belt and Road Initiative has publically announced that it is an extension of the BRI, connecting, among others, Cameroon, the Central African Republic, Côte d'Ivoire, the Democratic Republic of the Congo, Gabon, Ghana and Liberia.²⁸ This is one of the many examples that contributed to disagreements on the actual number of countries that are part of the BRI and the total investment of the BRI.²⁹

Implementation status

Five flagship projects have been promoted as BRI projects (see annex). In addition, data from the Chinese Ministry of Commerce indicates that more than 7 000 projects were contracted in 2017 under the BRI brand.³⁰ Nonetheless, President Xi was reportedly dissatisfied with the overall lack of BRI progress.³¹ Various publications indicate that the BRI faces multiple implementation challenges.

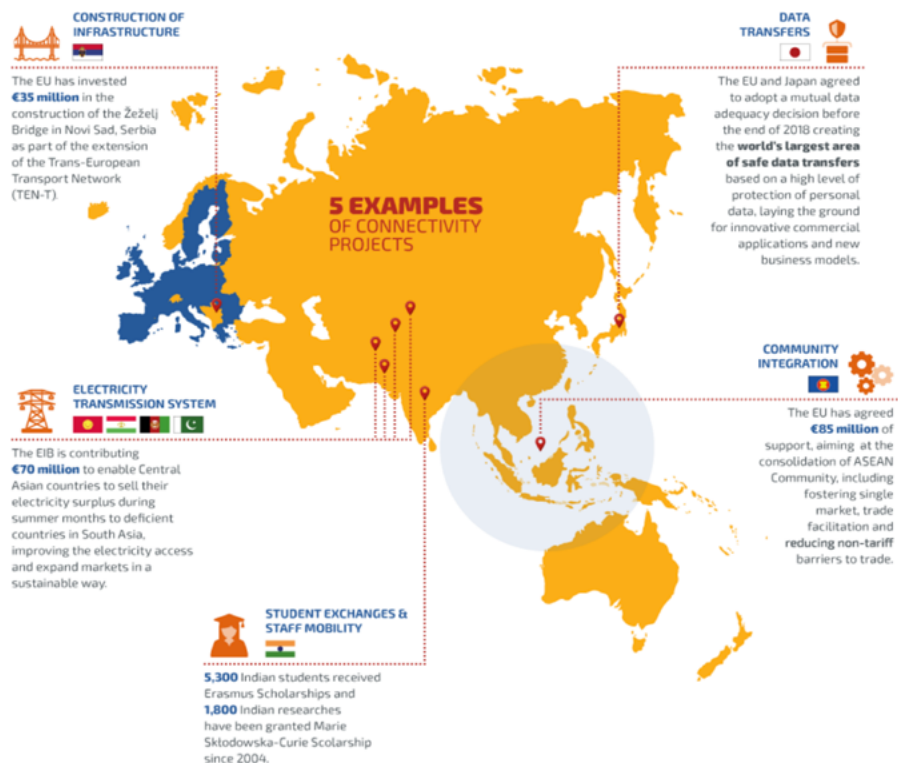
First, Chinese domestic political arrangements hinder the implementation of the BRI. While the Initiative aims to increase the flow of goods and people through facilities connectivity, China's overbearing security presence at and near its borders is restricting commercial activity.³² The BRI aims to promote the exchange of ideas and knowledge through people-to-people bond, but censorship appears to be increasing in China.³³ These developments conflict with the BRI's expressed goal of improving global connectivity.

Second, there is a lack of trust between China and some key BRI countries. For example, India accused China of infringing upon its national sovereignty and security through the China-Pakistan Economic Corridor, the second flagship BRI project.³⁴ Third, while some countries have expressed support for the BRI, actual implementation has yet to take place. For instance, South Korea has openly embraced the BRI, but still has not cooperated with China on any concrete project due to political differences.³⁵ Finally, about 70% of the countries that engage with the BRI either have a 'non-investable' sovereign credit rating or unstable political status. For example, to build the China-Pakistan Economic Corridor, the Pakistani military has to provide a special military unit of 12 000 soldiers to protect the Chinese workers. In terms of debt, the IMF raised concerns about the inability of borrowing countries to repay China's loan.³⁶ There are signs that Chinese financiers are demanding tougher terms to ensure BRI projects are financially feasible. Negotiations with the Thai Government over the China-Laos-Thailand rail project were constrained by disagreements over interest rates, among other things.³⁷

Third, the United States (US) and some EU Member States have expressed caution regarding the Initiative. One source claims that the US and some of the EU Member States view the BRI as a potential strategy to turn Eurasian nations into tributary states, reliant on Chinese wealth, intersected with Chinese-owned infrastructures, and progressively restricted by Chinese rules governing everything from trade to security.³⁸ The EU recently launched a new Connectivity Strategy that seeks to link Europe and Asia in a similar fashion to how the BRI works.³⁹

EU's Connectivity Strategy.
Source: European Commission

WHAT IS THE EU DOING TO CONNECT EUROPE & ASIA?

The BRI and international relations

The BRI as a geo-political project

The BRI provides a framework to draw links between Chinese national security and infrastructure projects. According to a former Chinese ambassador to Pakistan, China needs the China-Pakistan Economic Corridor, one of the flagship BRI projects, to strengthen security on its western border by helping Central Asian countries prosper. It has been argued that China hopes that by helping to alleviate poverty, the project will prevent these countries from becoming hotbeds of Islamist terrorism, thus threatening Chinese security.⁴⁰ Overseas, China has been gaining political influence in some European countries through planned infrastructure projects and profitable shipping courses to chosen ports. Some of these projects materialised. For example, in 2016 Greece sold a majority share in its port of Piraeus to COSCO, a Chinese shipping giant, for EUR 281 million.⁴¹ Hungary also relies on Chinese investment.⁴²

The BRI as a geo-economic Initiative

While there are reasons to view the BRI strictly as a Chinese geo-political project, this perspective underestimates the economic agenda of the BRI.⁴³ However, the two aspects are not conflicting and are difficult to isolate.

From a geo-economic perspective, the BRI could be considered as China's response to counterweight US policies such as the Trans-Pacific Partnership (TPP), which excluded China and several emerging economies as members.⁴⁴ Following the US withdrawal from the TPP in January 2017, President Xi promoted China as the new global champion of free trade.⁴⁵ President Xi emphasised 'upholding the multilateral trading system and promoting transparent rules' in his opening remarks at the BRI Forum in May 2017.⁴⁶ Some of the US regional allies have already gravitated towards China on issues of economic leadership. For example, the Philippines' President has warmly embraced investments from China despite the country's troubled relationship with China over disputed South China Sea territories.⁴⁷

In addition, the BRI has been perceived as a way for China to address its pressing domestic economic challenges. First, in 2014, Chinese policymakers identified the BRI as a means to address the chronic problem of uneven development in China.⁴⁸ They believe that poverty and underdevelopment are at the core of rising militancy at their borders. Thus, they advocate for addressing these issues together with their neighbour countries.⁴⁹ The USD 46 billion China-Pakistan Economic Corridor project is an example where geo-political rationale overlaps with geo-economic reasons.

Second, China expects the BRI to facilitate the export of higher-end Chinese manufactured goods, in particular high-speed railway technology, to emerging markets.⁵⁰ The goal is to gain acceptance of Chinese standards. Analyses of the Jakarta-Bandung High-Speed Railway project suggest that China used the BRI to promote Chinese technical and engineering standards to win the bidding competition with Japan.⁵¹ According to these sources, China won the bid by offering to finance the project itself through the BRI.⁵²

Finally, for some analysts, the BRI is a way for the Chinese Government to address its excess capacity. Statements of Chinese leaders announcing the plan to use the BRI to move all the country's production facilities to BRI countries support this perception. For example, Chinese Premier Li Keqiang⁵³ stated that 'China has a lot of surplus equipment for making steel... We want companies to move this excess production capacity ... to ASEAN [countries].'⁵⁴



World Bank IMF 2017 Annual Meetings. The Belt and Road Initiative Building Bonds Across Asia, Europe and Beyond.

Source: The World Bank

The BRI and FLEGT

The BRI could offer new engagement pathways to strengthen good governance in BRI and VPA countries for various reasons.

First, except for the two VPA countries in Latin America, all VPAs countries in Asia and Africa are connected to the BRI.⁵⁵ At the policy level, the five cooperation priorities of the BRI are in line with the key themes of the EU 2030 Agenda, which focus on people, planet prosperity, peace and partnership. These elements are also reflected in the New European Consensus on Development⁵⁶ that frames EU FLEGT activities in partner countries. The BRI and the VPA process also share some common principles. Specifically, both VPA and BRI emphasise the importance of clarity in legal frameworks, national sovereignty, good governance, inclusive participation and dialogue, deliberative national process, transparency and accountability, market incentives, public-private alliance as an engine for change, and monitoring of progress and impacts.⁵⁷ In terms of good governance and inclusive participation, the BRI guidance documents list social cohesion,

inclusiveness, democracy, the rule of law, gender equality, and cooperation to fight corruption and bribery in all forms.⁵⁸ These commitments, and hopefully their enforcement in BRI countries, could potentially offer new dialogue space(s) on governance and participation. To realise this potential, however, the transparency and accountability in the implementation of BRI projects will have to be increased. This is particular true for projects related to natural resources. Details regarding BRI projects, including their implementation arrangements, procurement policies, financial agreements, social and environmental safeguards, are still to be made public.

Second, activities under the BRI brand in VPA countries bring not only large investments, but also Chinese operators, some of whom work within the forestry sector. At present, China is not only the main buyer of African timber, with more than 75% of Africa's exports⁵⁹; Chinese companies in Africa are also becoming major timber suppliers⁶⁰. As stated in the 2015 Chinese Environmental Protection Law⁶¹, overseas Chinese operators are subject to national laws of the host countries. However, the weak governance in most of the host countries facilitates low respect or compliance with national laws, in particular by Chinese operators⁶² ⁶³. Therefore, the 'people-to-people bond' priority under the BRI and President Xi's commitment to achieving the Sustainable Development Goals in BRI projects could provide opportunities to raise awareness of Chinese operators on African countries' efforts to improve forest governance and legal compliance. Dialogues among key stakeholders in China and Africa could be a means of achieving this increased awareness.⁶⁴ These dialogues should contribute to a better understanding of Chinese operators; and therefore, enable Chinese and African stakeholders to identify solutions for improved forest management in the long-term in Africa.⁶⁵

The importance of open dialogue highlights the significance of activities carried out under the framework of the Bilateral Coordination Mechanism (BCM) between the EU and China on Forest Law Enforcement and Governance.⁶⁶ The BCM has provided a platform for dialogue and information exchange on the aforementioned topics given that its overall objective is to contribute to the reduction of illegal logging and associated trade globally. Some BCM activities already aim to create linkages between forest sector reforms in VPA countries and China's presence in these countries.



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9th meeting of the EU-China Bilateral Coordination Mechanism on Forest Law Enforcement and Governance, in March 2017.

Source: The EU FLEGT Facility

Annex: BRI flagship projects

Project 1: Two-week train from China to the West

This 12 000 km train starts in Yiwu, China, and terminates in London, United Kingdom. From Yiwu, the train traverses to Zhengzhou, then the Industrial Belt (Baoji, Tianshui, Lanzhou and Zhanye), followed by Xinjiang region/ Tibetan Plateau. Then, it enters Kazakhstan (Almaty and Astana), followed by Russia (Yekaterinburg), the Republic of Tatarstan (Kazan Kremlin), then Moscow, then Minsk. In Europe, Germany is involved in five railway projects under the BRI, which will link four German cities with Chinese centres: Leipzig-Shenyang, Duisburg-Chongqing, Hamburg-Zhengzhou, Hamburg-Harbin and Nuernberg-Chengdu.

Project 2: China-Pakistan Economic Corridor

This is the largest BRI project.⁶⁷ After decades of work, the road from China's Xinjiang to Pakistan's Gwadar Port is partly operational. Chinese cargo began to be transported overland to Gwadar Port in late 2017. Eventually, seaports in Gwadar and Karachi will be linked with Northern Pakistan, Western China and Central Asia. China expects to use the Gwadar Port as an alternative shipping route to the Malacca Strait.

Project 3: China-Iran Railway Network

In 2016, President Xi visited Iran and talked about his ambition to help Iran facilitate long-term peace and stability in the Middle East. President Xi believes the region's railway network can help drive regional integration, reduce poverty and thus address Islamist extremism and terrorism. The Iranian president expects the 10 400 km train from China to Tehran, cutting through several countries in Central Asia, to turn Iran into a major Eurasian trade hub.

Project 4: The Central Asian Gas Pipeline

This US 7.3 billion dollars project will build four natural gas pipelines to feed China's growing demands. This project was developed as an extension of an earlier pipeline begun by the Soviets when a natural gas deposit was discovered in Turkmenistan. The original pipelines were laid between 1960 and 1988 connecting Turkmenistan to Russia via Uzbekistan and Kazakhstan. China and Turkmenistan agreed on a framework to provide China with a long-term supply of gas in 2006, after several rounds of negotiations and feasibility studies. The first of these pipelines was completed in 2009, the second followed a year later. The third pipeline became operational in 2014. Construction of a fourth pipeline, Line D, is currently underway. Line D will provide China with an additional 15 billion cubic metres of natural gas on top of the 55 billion it already imports from Turkmenistan.

Project 5: Khorgos Gateway

This project connects Kazakhstan to China by rail. Khorgos is expected to be the world's biggest dry port given that it occupies one of the furthest points on Earth from any ocean. Over the border from Khorgos Gateway is Khorgas (note the different spelling), a Chinese city located in Xinjiang's Ili Kazakh Autonomous Prefecture.



KTZE - Khorgos Gateway

NO. 1

KTZE - Khorgos Gateway

NO. 1

Kazakhstan's rail "dry port" KTZE-Khorgos Gateway on the border with China.

Source: Daniel Zaretsky

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- ⁹ See footnote 1
- ¹⁰ See footnote 2
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- ²⁷ EU Member States that participate in the BRI: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. EU candidate countries that participate in the BRI: Albania, Macedonia, Montenegro, Serbia and Turkey.

- ²⁸ African Belt and Road Initiative: <http://transafricanrailway.com/>
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- ³² See footnote 1
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- ⁵⁵ VPA countries that are participating in the BRI are Cameroon, the Central African Republic, Côte d'Ivoire, the Democratic Republic of the Congo, Gabon, Ghana, Indonesia, Laos, Liberia Malaysia, Thailand, Vietnam and Myanmar.
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- ⁶⁶ Bilateral Coordination Mechanism (BCM), <http://www.euflegt.efi.int/es/about-china>
- ⁶⁷ Note that this project started years before the BRI, but was recently touted as a BRI flagship project.

About the EU FLEGT Facility

The EU FLEGT Facility supports the European Union, its Member States and partner countries in implementing the EU FLEGT Action Plan. The European Forest Institute has hosted the Facility since 2007. The Facility has its headquarters in Barcelona, Spain, with additional offices in Brussels, Belgium; Joensuu, Finland; and Kuala Lumpur, Malaysia.

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