

Covid Impact on the Belt & Road Initiative (BRI): A Tale of 2 Southeast Asian countries



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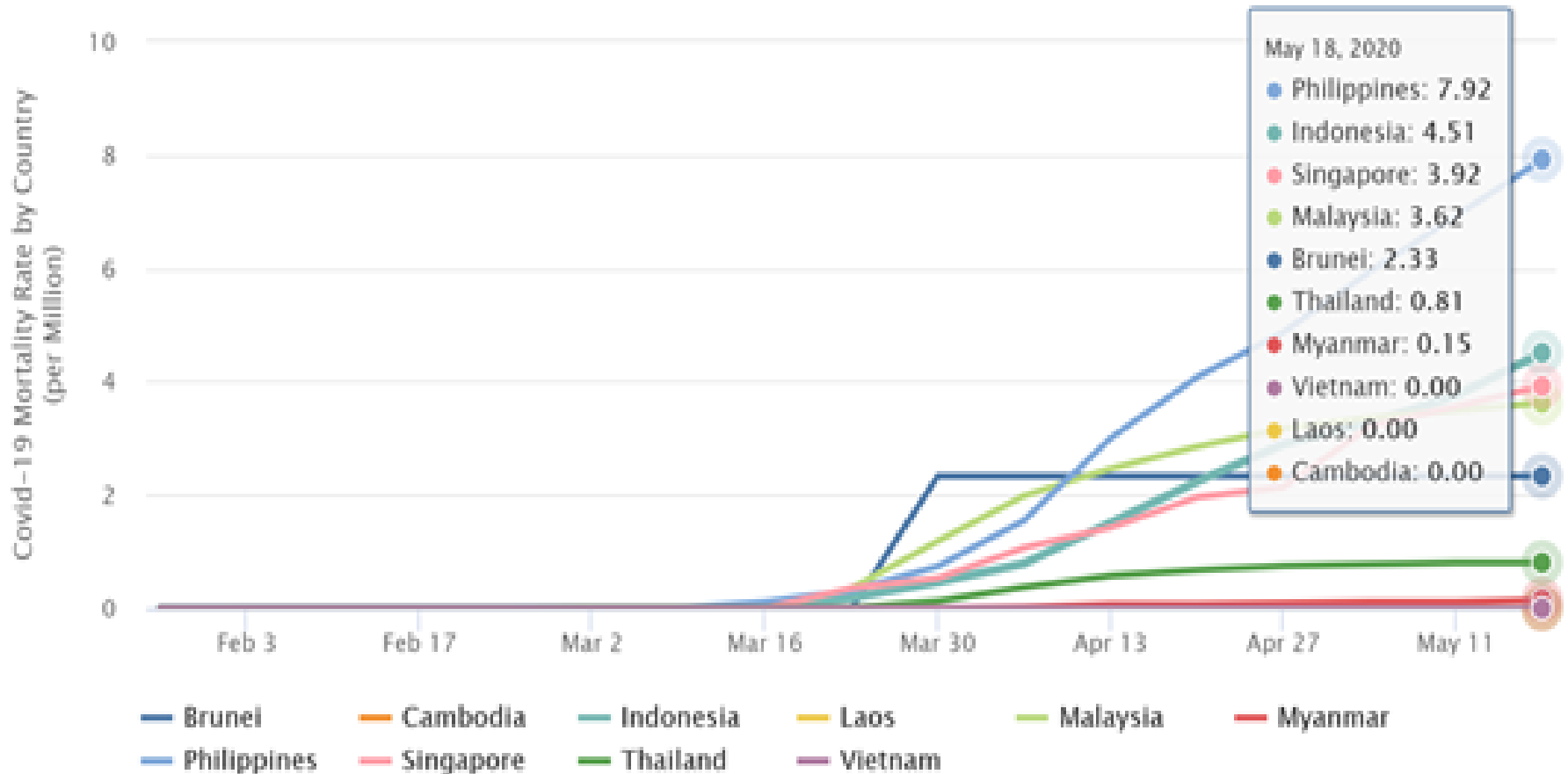
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Latest Covid data...

Covid-19 Mortality Rate by Country in Southeast Asia

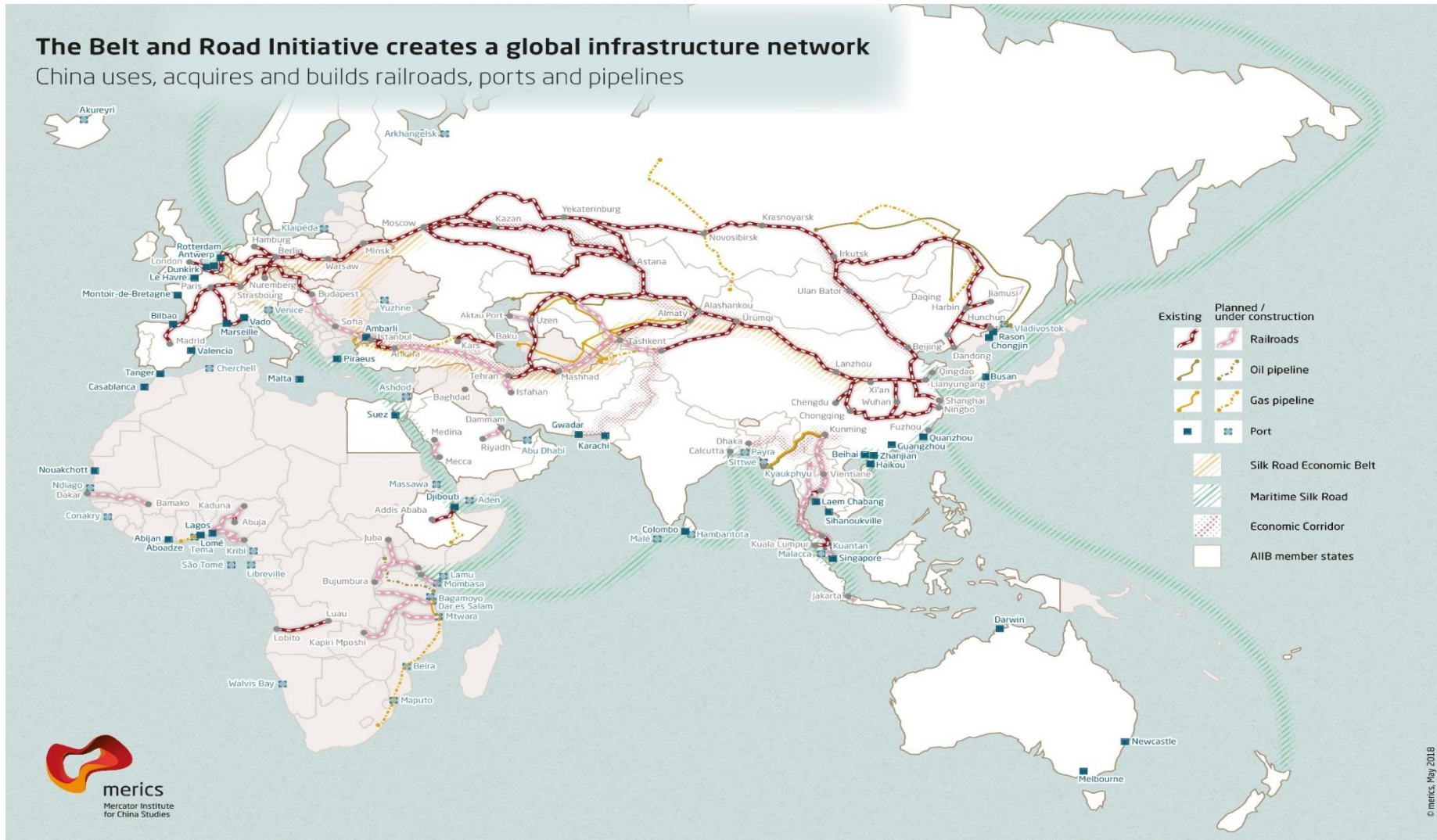


CSIS Southeast Asia Program | Source: Johns Hopkins University

The Belt & Road Initiative (BRI)

The Belt and Road Initiative creates a global infrastructure network

China uses, acquires and builds railroads, ports and pipelines



BRI and Southeast Asia: Strengthening Connectivity in Southeast Asia

- The China-Southeast Asia Economic Corridor is an important component of the BRI and will link Yunnan Province (China) to Singapore.
- BRI projects in ASEAN countries amount to more than US\$739 billion (Oxford Economics & CIMB ASEAN research institute, 2018).

Issues

- BRI is exposing its stakeholders to debt traps.
- Cross-border disputes arising from BRI projects

Malaysia

- Successfully renegotiated East Coast Rail Link (ECRL), reducing from US\$ 23.2 to US\$16.7 million/km

Lao PDR

- Labor force on the 414-kilometre BRI railway project, is mainly provided by Chinese nationals

Country	Amount (US\$)
Indonesia	171 Billion
Vietnam	152 Billion
Cambodia	104 Billion
Malaysia	98.5 Billion
Singapore	70.1 Billion
Lao PDR	48 Billion
Brunei	36 Billion
Myanmar	27.2 Billion
Thailand	24 Billion
Philippines	9.4 Billion

Impact of Covid-19 on BRI?

- BRI still remain a priority for China
- COVID-19 further incentivize China to adopt a more collaborative model towards BRI.
- BRI projects will increasingly focus on profitable supply chain related opportunities in Southeast Asia where the private sector and private capital play a greater role.
- There are currently 2 BRI scenarios happening in the region because of Covid-19:
 1. Almost business as usual (ABAU)
 2. Projects delayed or stopped until further notice (UFN)
- If policymakers attempt to engineer a V-shaped speedy recovery post-COVID-19, international economic stimuli like the BRI can be important to put the world economy back on its feet. (Ji, 2020)

ABAU-China to Laos HSR*

High-speed rail project on Indochina Peninsula

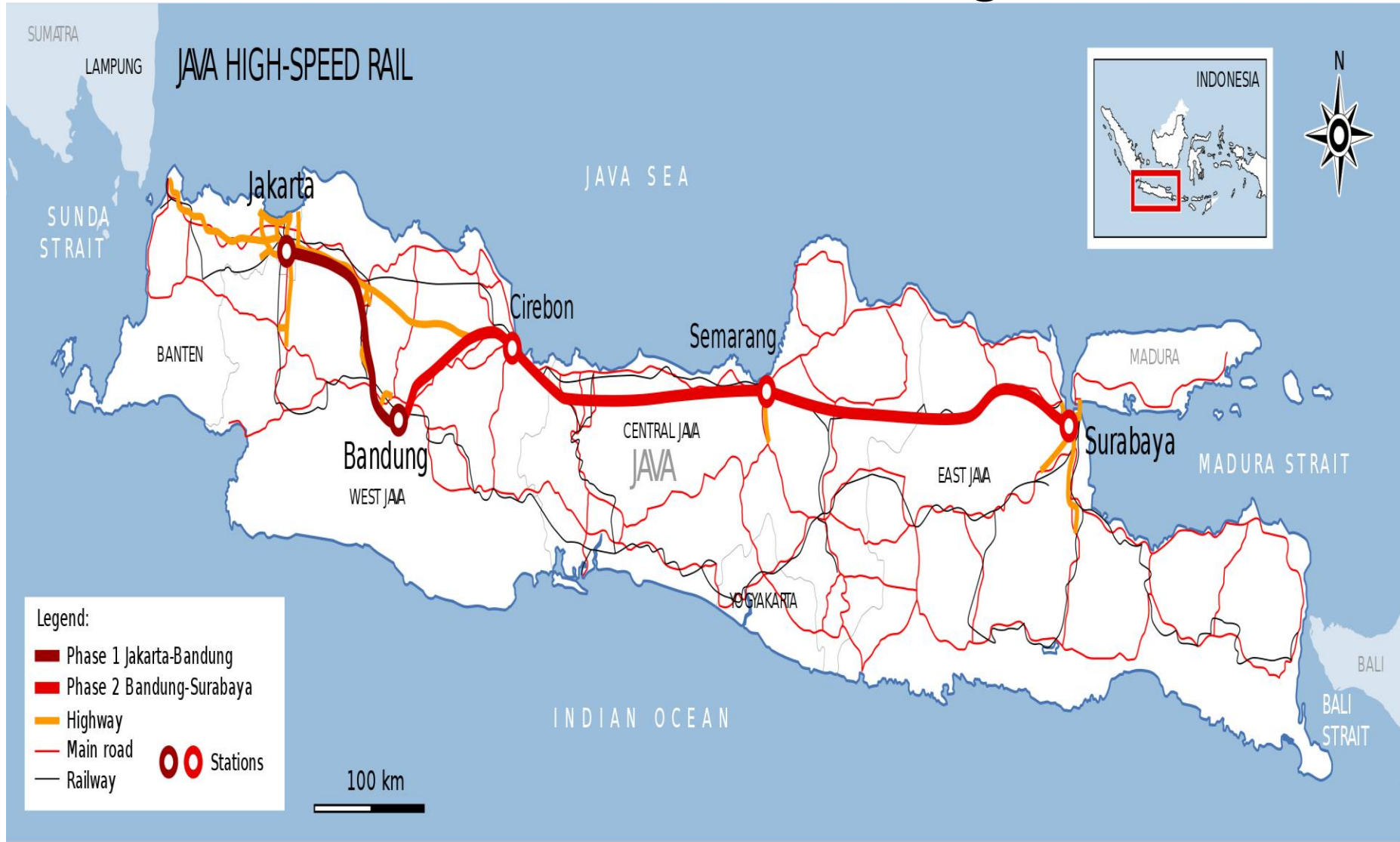


* High Speed Rail

ABAU-China to Laos HSR

- At about 1,000km in length, the link will be the longest rail line in Asia outside of China.
- Despite a number of coronavirus-related delays, the line will go into service by December 2021 as envisaged.
- 23,000 employees were back at work on the Yuxi-Mohan site by early April, a 21% increase on the headcount immediately prior to the Chinese New Year.

UFN-Jakarta to Bandung HSR*



* High Speed Rail

UFN-Jakarta to Bandung HSR

- Originally approved in May 2017 with the signing of a \$4.5 billion loan agreement between China and Indonesia.
- As in many other countries, a number of key Chinese project directors, managers, engineers and consultants for the HSR project, who had returned home for the Chinese New year in January 2020, were unable to resume their roles.
- In a bid to remedy this, a hastily introduced government edict specifically exempted overseas workers engaged in “national strategic projects”, including the Jakarta-Bandung HSR, from the country’s entry ban.

UFN-Jakarta to Bandung HSR

- The problems facing the project were only further exacerbated by the shutdown of manufacturing across the mainland from late January 2020.
- This triggered a sustained shortfall in vitally needed construction materials, including piping and tunneling/signaling equipment.
- Another challenge is in the form of a likely national recession, which will see Indonesia struggle to meet the high cost of the project as per the World Bank prediction of a worst-case GDP scenario for the country with a 3.5% contraction.

Lessons learned...

Two similar projects but two different outcome:

- China-Lao HSR
 - Labor and management from China was able to come back to Lao PDR (even when land border officially closed)
 - All supplies are imported from China and therefore not subject to domestic manufacturing constraints
 - Expected to be completed on-time
- Jakarta-Bandung HSR
 - Labor and management was not able to fly back to Indonesia
 - Shutdown of local manufacturing capability in Indonesia
 - No more supplies available for the construction of the HSR
 - Completion date uncertain