

## Summary

Manama, Bahrain 8-10 May 2018

### **Belt and Road: Chinese Plan – Arab Opportunity to Reshape the 21<sup>st</sup> Century Economy 9 May**

#### **Key points**

- The private sector has vast opportunities to tap into the markets being made and remade by the Belt and Road Initiative, including in infrastructure, data, 3D printing, logistics and commodities.
- The initiative has been successful in small and mid-sized economies, but is struggling in larger countries such as India.
- Connectivity is core to the initiative, including in trade, services, infrastructure, telecommunications and data.
- The initiative is having a profound impact on commodity prices, and thus on the GCC as a main exporter of commodities to China.
- While data is a large and growing force in the activities of the initiative, its use and related privacy issues are less of a concern in the GCC than in the United States and Europe.

#### **Synopsis**

Launched some 10 years ago, China's Belt and Road Initiative got off to a slow start. But over the last two years, it has seen activity pick up significantly. "What you see happening on the ground in developing countries is just staggering," said Ben Simpfendorfer, Founder and Chief Executive Officer, Silk Road Associates, Hong Kong. It is very well coordinated in terms of large strategic projects, and large private-sector investments are tapping into this opportunity. The initiative has been successful in small and mid-sized economies, but less so in larger countries such as India. As the initiative moves into logistics, manufacturing and real estate, it will increasingly benefit the GCC.

The principal selling point of the initiative is connectivity, said Song Dongsheng, President, PowerChina International. The GCC's highly connected infrastructure is bringing many Belt and Road business opportunities to the region.

China will always look for new markets for goods and services. The GCC has the ports, airports and telecommunications infrastructure needed for China to use it as a remote manufacturing platform, especially when the base materials are here, said H.E. Eng. Kamal bin Ahmed Mohammed, Minister of Transportation and Telecommunications of Bahrain. This would bring China closer to its markets in Europe, North Africa and East Africa, and enhance efficiencies. "Belt and Road can act as a driving force in partnerships between China and the region," he said, noting that there are many areas where the GCC can complement China's growth – it can meet China's demand for oil and gas while providing a sustainable market for Chinese products.

The initiative is having "a profound impact on commodity prices", and thus on GCC exports, as the region turns eastward to sell its oil and gas, said Fu Xiao, Head of Global Commodities Strategy, Bank of China International. It is also extending the business opportunities beyond Chinese companies. This illustrates that Belt and Road is "not just China solo but a symphony among countries", which will have a spill-over effect along its route, Fu said, adding that the initiative is consistent with the United Nations' 2030 vision to promote balanced and sustainable global growth.

The benefits of the Belt and Road Initiative extend to other infrastructure as well, including cyberspace, an opportunity that Winston Wenyan Ma, Managing Partner and Chief Investment Officer, China Silkroad Investment Capital (CSIC), termed as "huge". Connectivity and flow have moved from being about trade and services to encompassing data, with the first level being ecommerce. As cyber infrastructure increases, the ecommerce network across the region expands. "The more subtle implication is to see the business models from China's economy also entering regional economies," Ma continued, pointing out that the GCC jumped directly into mobile ecommerce, bypassing the computer, a route many economies had previously taken. This is helping

countries such as Saudi Arabia, Egypt, Turkey and the United Arab Emirates define their own digital future. They have signed a collective agreement to work on the 'digital silk road' together, and thus on the international standardisation of digital infrastructure.

The panellists' viewpoints diverged on how much of a concern data privacy and security are in the GCC, especially as China is reaping most of the data dividends from the Belt and Road Initiative. Ma contended that while the world is hyperconnected, trust in cyber and data security and privacy is low. Simpfendorfer, however, maintained that it is a positive dynamic that data privacy is less of a concern outside of Europe and the United States. He gave the example of some countries installing CCTV cameras to improve security by using facial recognition to find criminals. When the Belt and Road Initiative expands into these countries, it should not be seen as China staging a takeover, but rather that these countries are seeking a more pragmatic balance between data protection and the economic advantages of sharing data.

The infrastructure component of the Belt and Road Initiative will also enable significant changes in manufacturing in the future, said James Yao, Strategic Advisor, FoxConn Industrial Internet. Indeed, it will allow for production efficiencies as the assembly of goods can be done closer to the market rather than in different areas, which requires shipping to multiple destinations. A significant component of this will be 3D printing, which will have a major impact in terms of supply chains and the ability to produce things locally. Yet, Yao said, it will not be the answer to everything. FoxConn produces \$130 billion in products and 3D printing will only be able to meet a small fraction of its demand.

The Belt and Road Initiative serves an economic as well as a political end. In focusing on delivering prosperity for its people, the Chinese government is betting that this will enable the current political dispensation to stay in power. China is a country that thinks in up to 20-year periods, unlike other countries. "Will it be effective in the end, with millions benefitting? Definitely," concluded Yusuf Abdalla Alireza, Chief Executive Officer and Co-Chief Information Officer, ARP Global Capital, United Arab Emirates.

#### **Session panellists**

**H.E. Eng. Kamal bin Ahmed Mohammed**, Minister of Transportation and Telecommunications, Bahrain

**Yusuf Abdalla Alireza**, Chief Executive Officer and Co-Chief Information Officer, ARP Global Capital, United Arab Emirates

**Tan Chin Hwee**, Chief Executive Officer, Asia-Pacific, Trafigura Group, Singapore

**James Yao**, Strategic Advisor, FoxConn Industrial Internet

**Fu Xiao**, Head of Global Commodities Strategy, Bank of China International, China

**Winston Wenyan Ma**, Managing Partner and Chief Investment Officer, China Silkroad Investment Capital (CSIC), China

**Ben Simpfendorfer**, Founder and Chief Executive Officer, Silk Road Associates, Hong Kong

**Song Dongsheng**, President, PowerChina International, China

Moderator: **Nik Gowing**, Professor, Broadcaster and Journalist, United Kingdom

#### **Disclosures**

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