

**USF Lecture**  
**Belt and Road Infrastructure**  
**MBA 6799**

June 26, 2017

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# The World Land-Bridge (New Silk Road)

## Peace Through Development

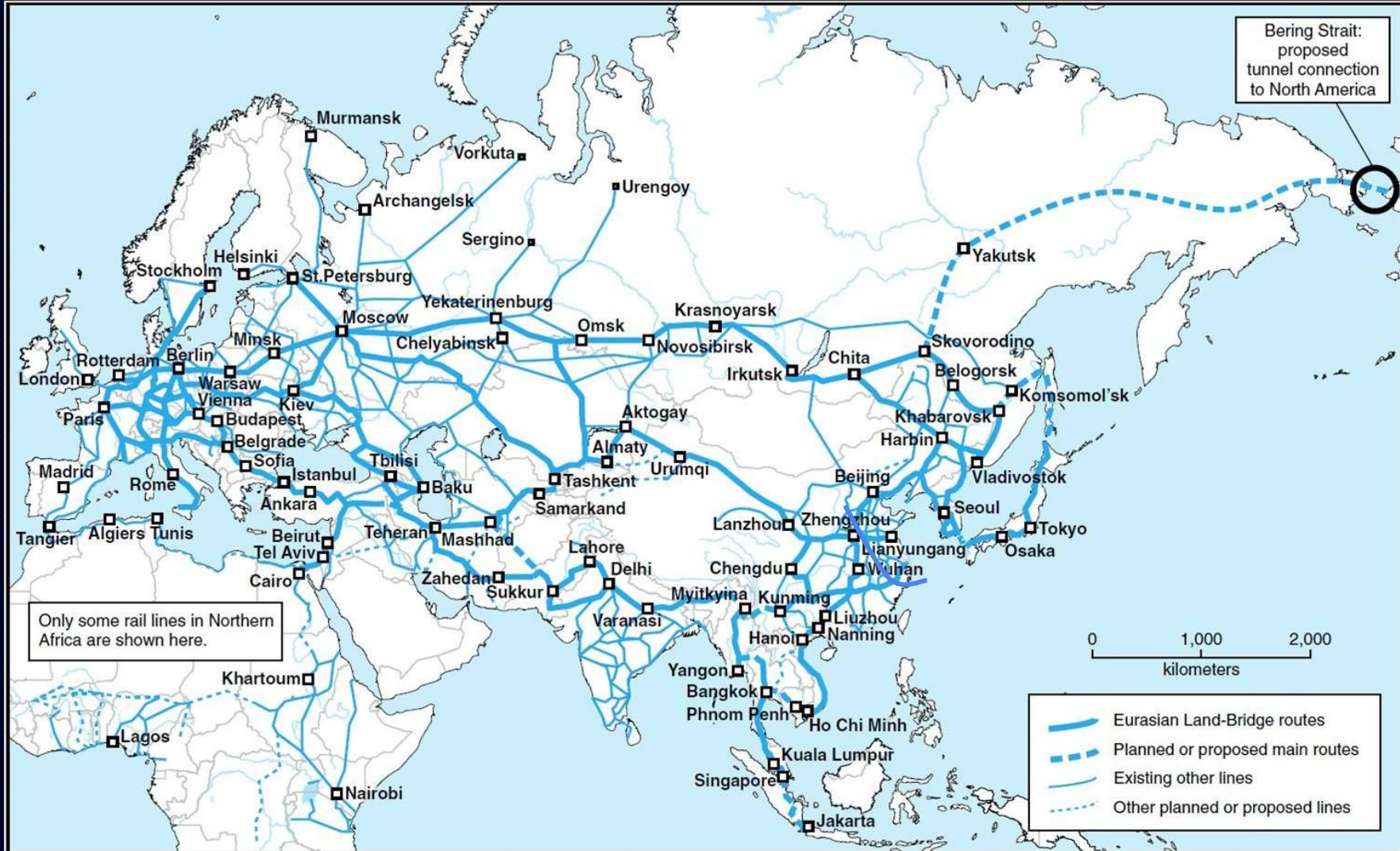
# The Science of Infrastructure

**China's New Silk Road and a New Paradigm of  
Economic and Scientific Advancement**

# China's Motives for OBOR

- Parity between coastal and inland cities
- Develop western China to deal with terrorism, drugs, and dangers of war
- Provide market for massive construction potential after rapid National development





# Belt, Road &... ...Circle!

## China's New Shipping Frontier

How the new Northern Sea route compares to the traditional Suez Canal route

### NORTHERN SEA ROUTE

Travel time

**35 days**

Dangers

**Icebergs**

Travel window

**July to November**

Container-carrying vessels

**One this year**

### SUEZ CANAL ROUTE

Travel time

**48 days**

Dangers

**Access to Suez Canal under question with upheaval in Egypt**

Travel window

**Year-round**

Container-carrying vessels

**17,000 last year**

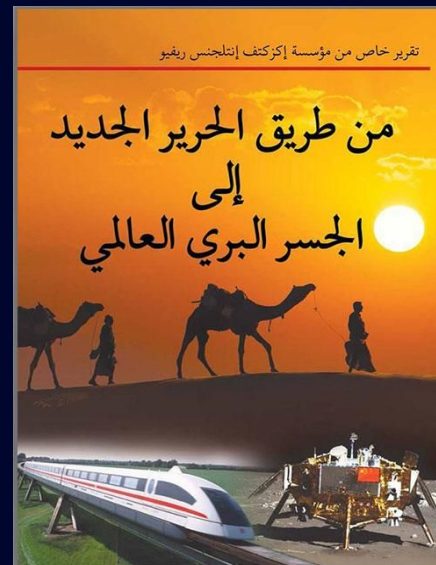
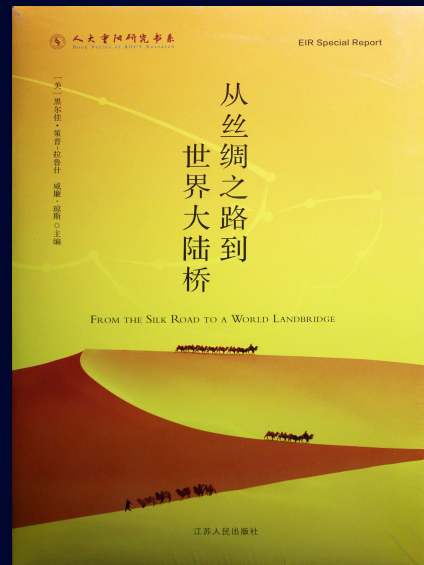
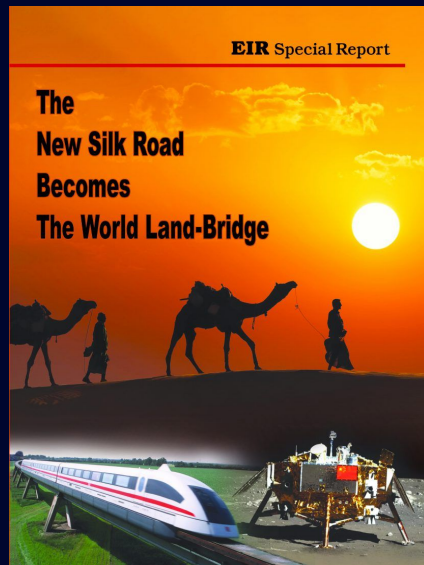
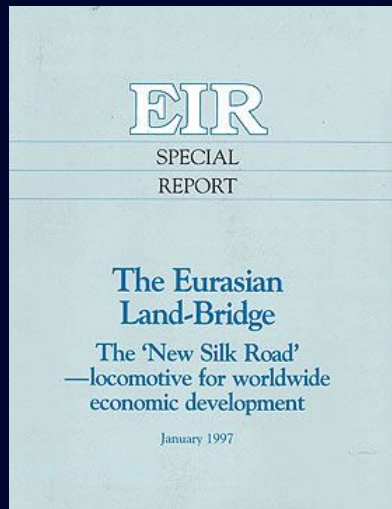


# The Role of the Schiller Institute

- Created by Lyndon and Helga LaRouche
- A Vision for the Future at the end of the Cold War
- A program of global development
- To end the era of geopolitics between east and west for a policy of “Win-Win”



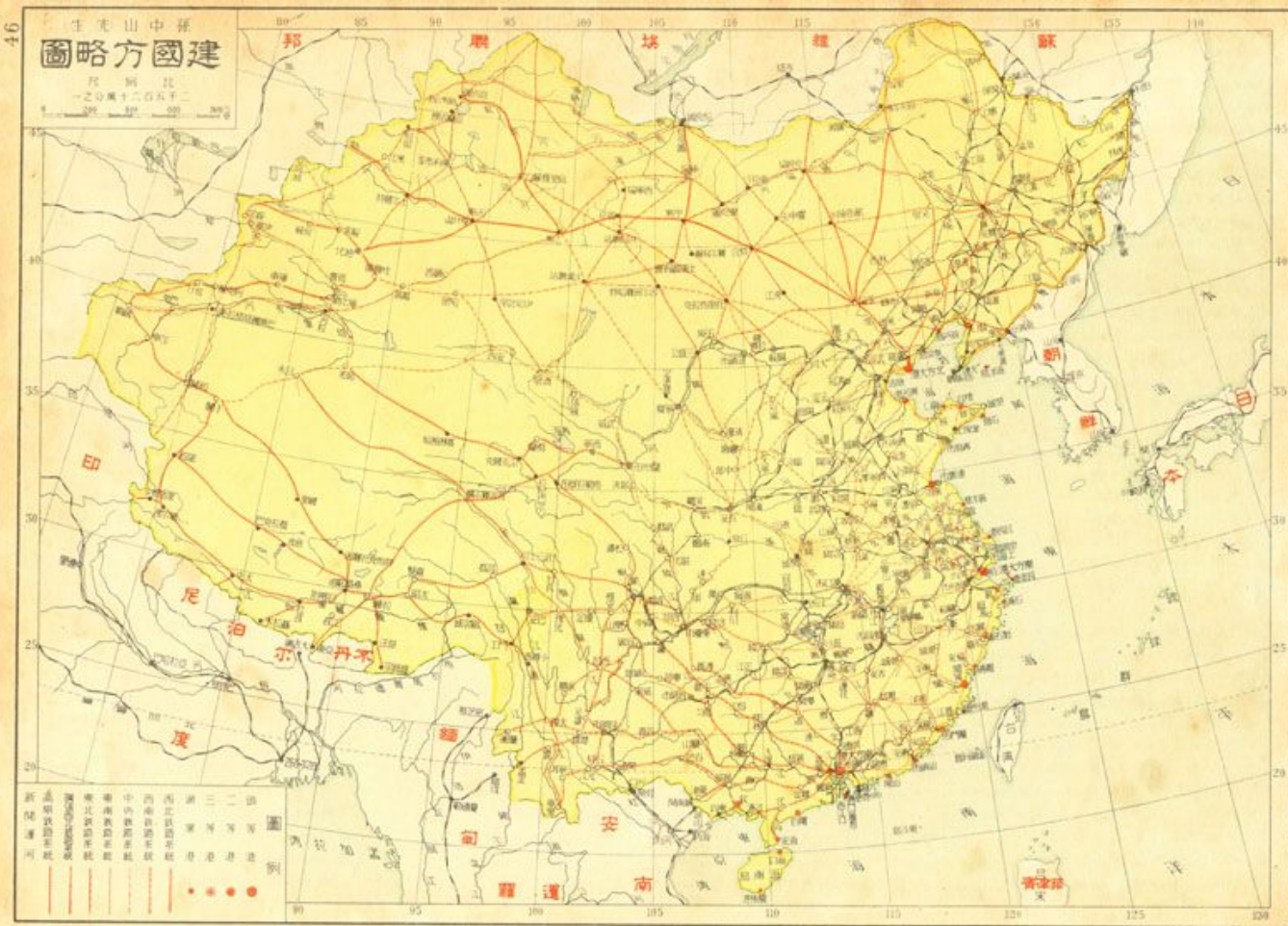




# European Productive Triangle

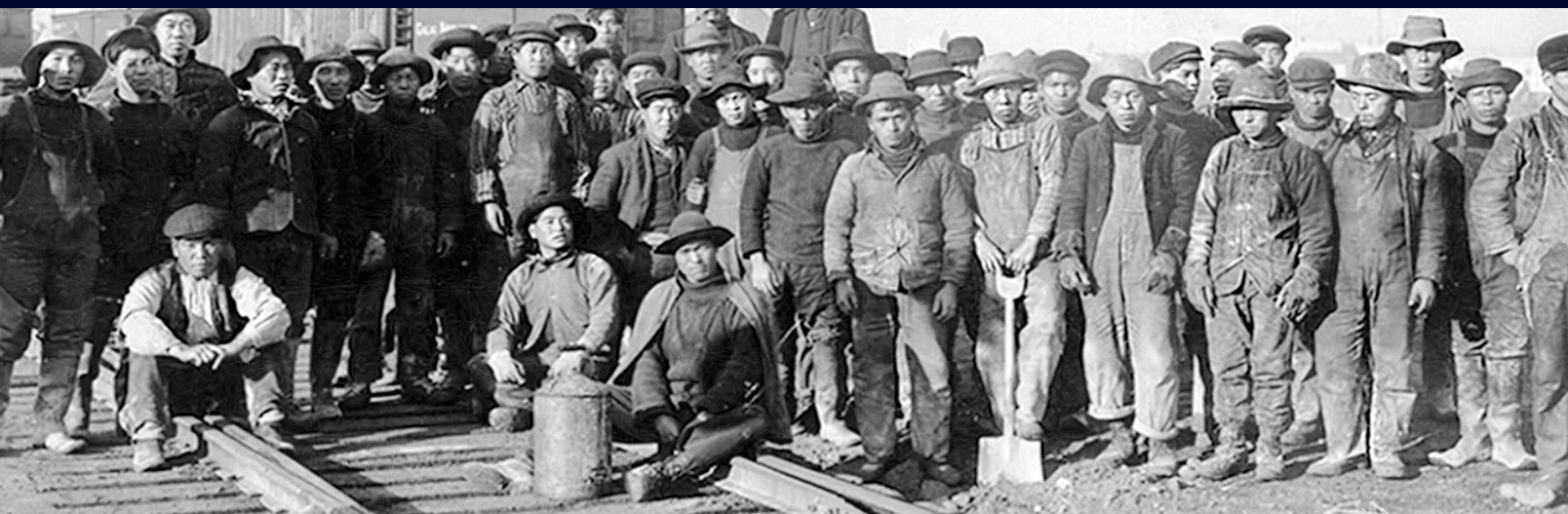
## Proposed High Speed Rail Grid















# “一带一路”国际合作高峰论坛

## BELT AND ROAD FORUM FOR INTERNATIONAL COOPERATION

2017年5月14-15日 中国·北京

14-15 MAY 2017 BEIJING, CHINA



热烈欢迎

黑尔佳·策普-拉鲁什女士一行

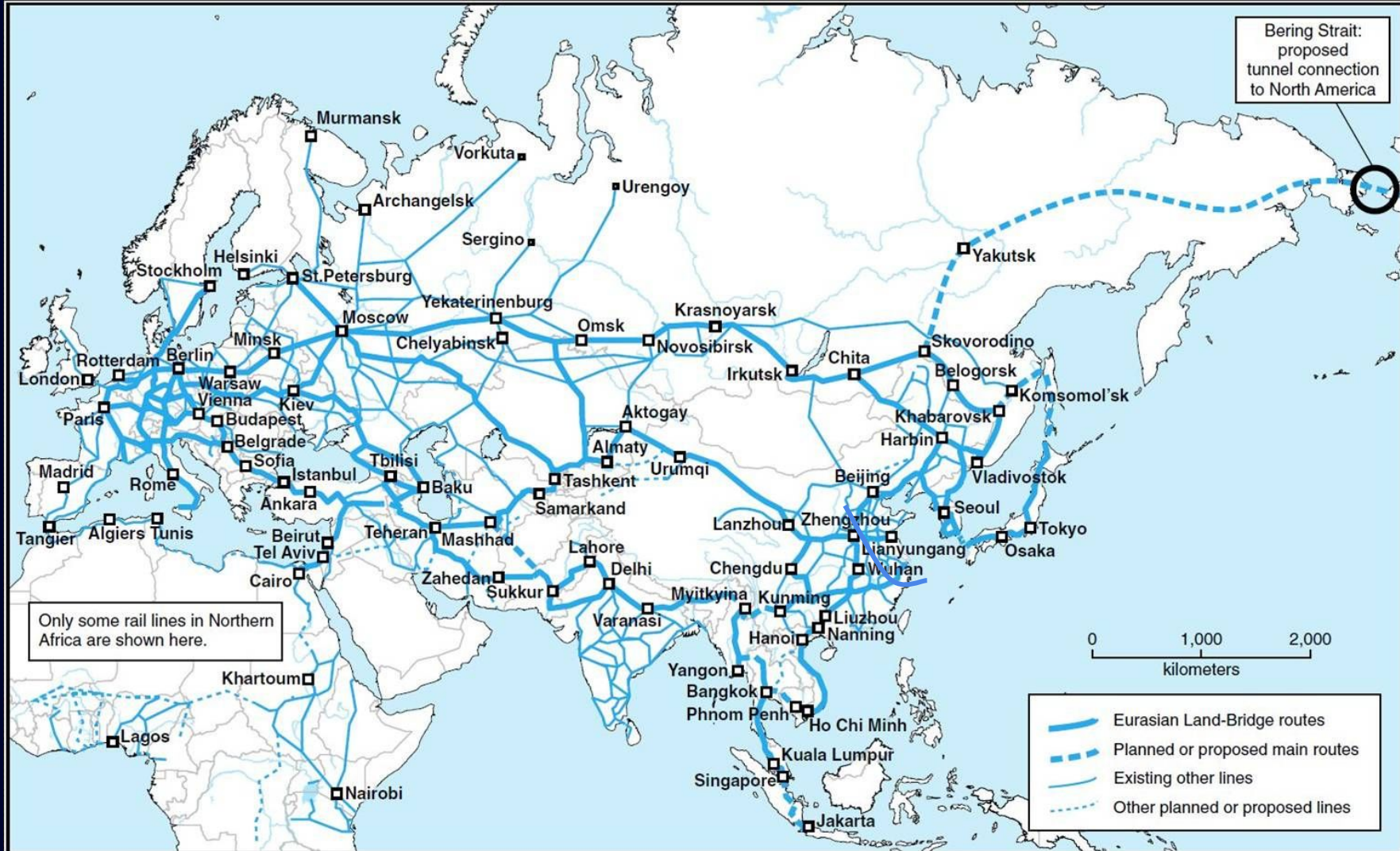
A Warm Welcome to

Madam Helga Zepp-LaRouche and Her Delegation

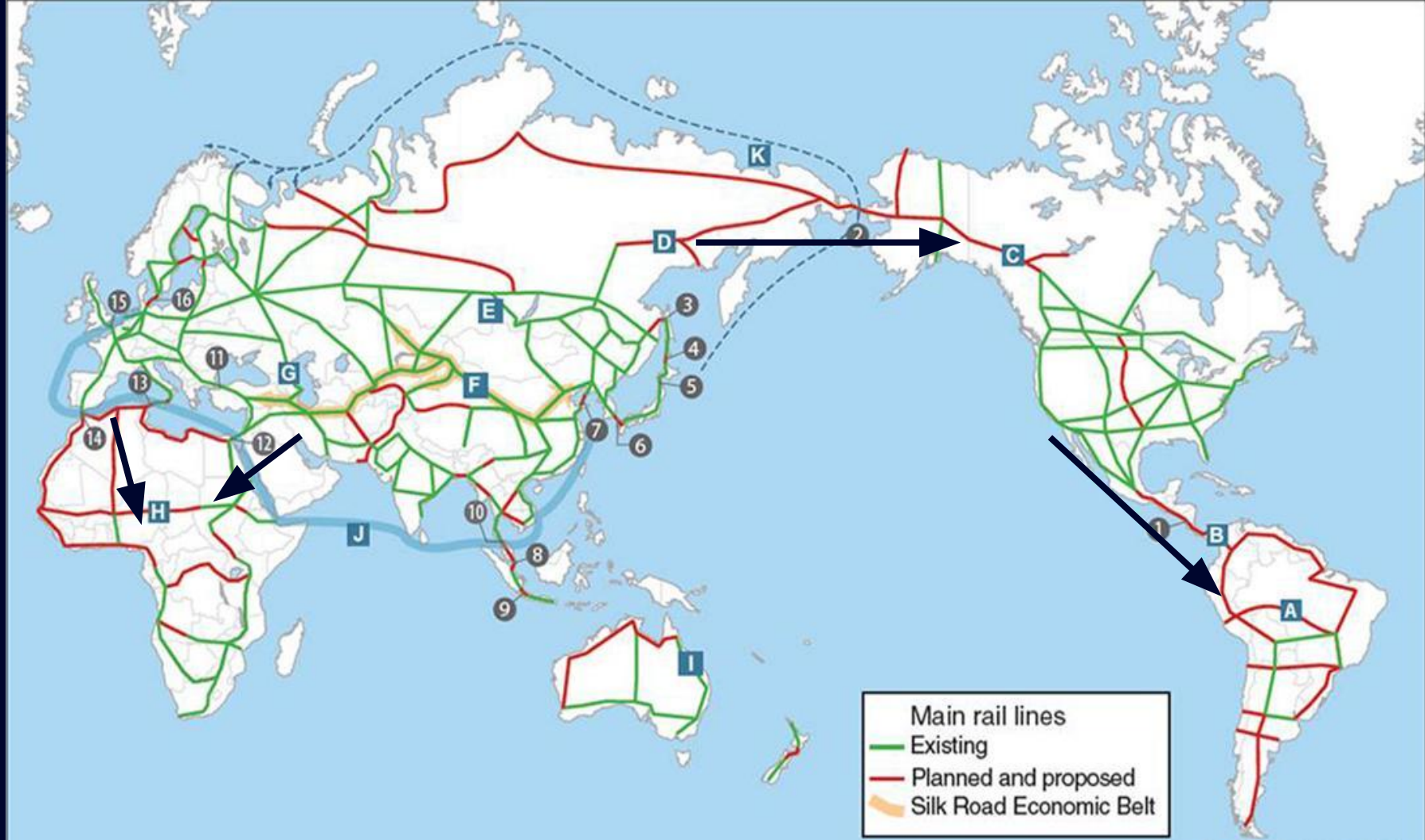




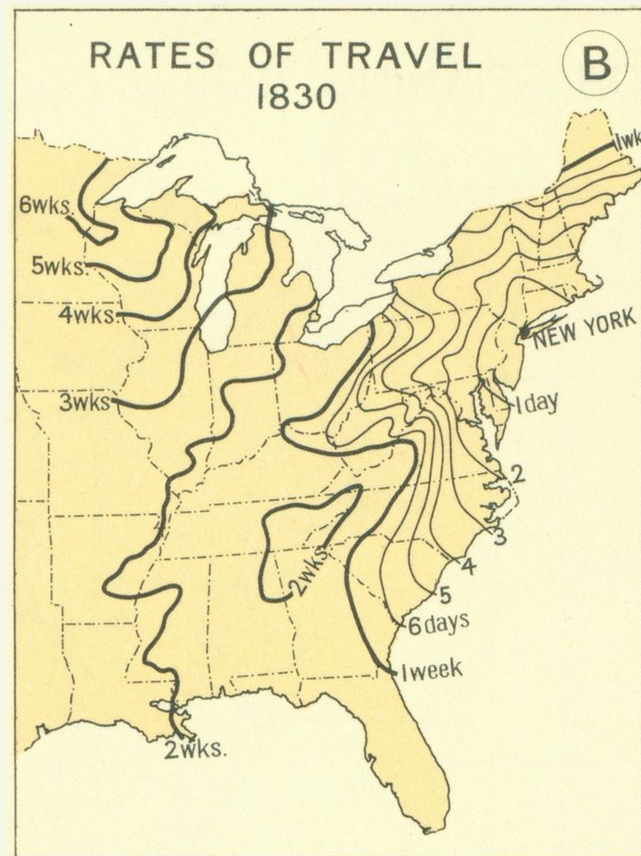
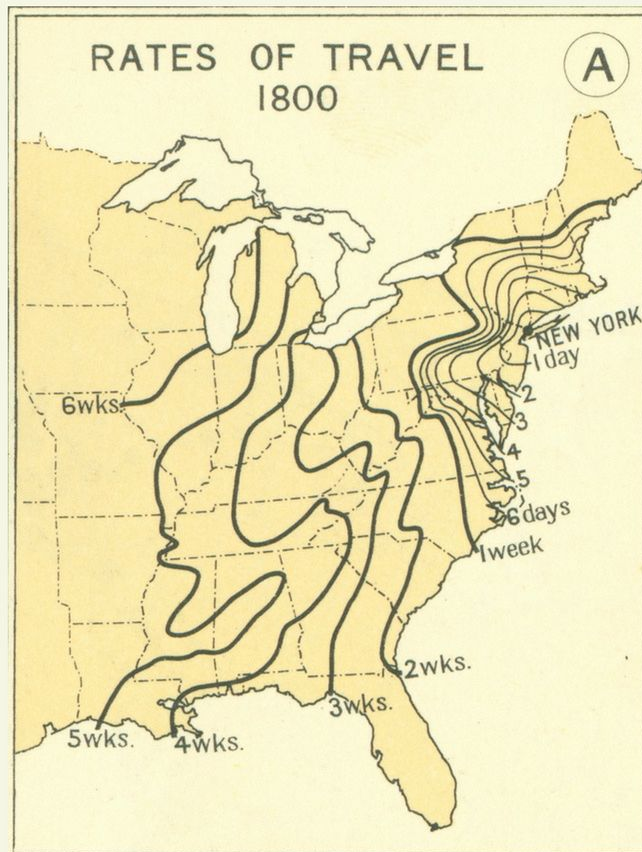








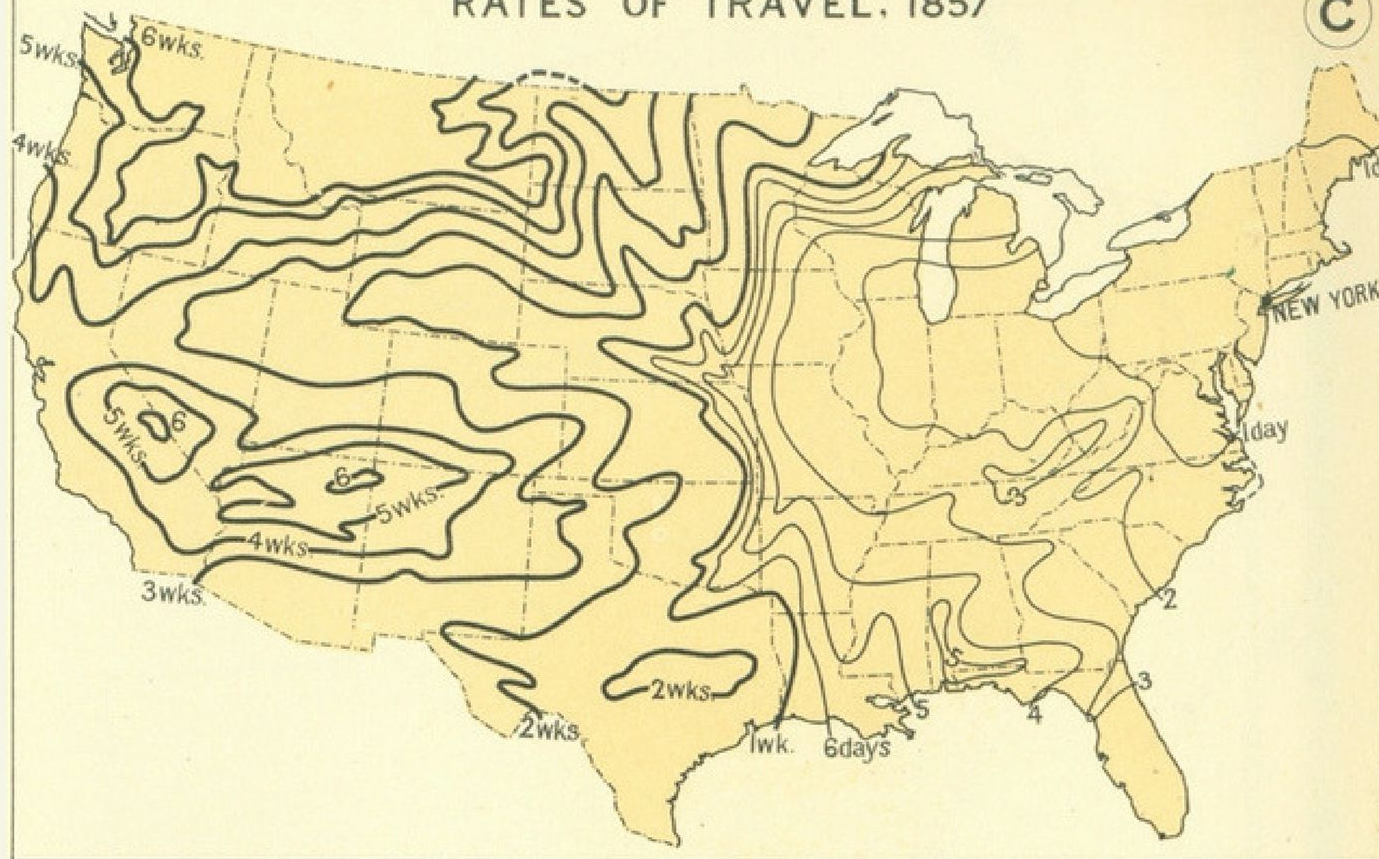
# The Fundamentals of Development Projects





# RATES OF TRAVEL, 1857

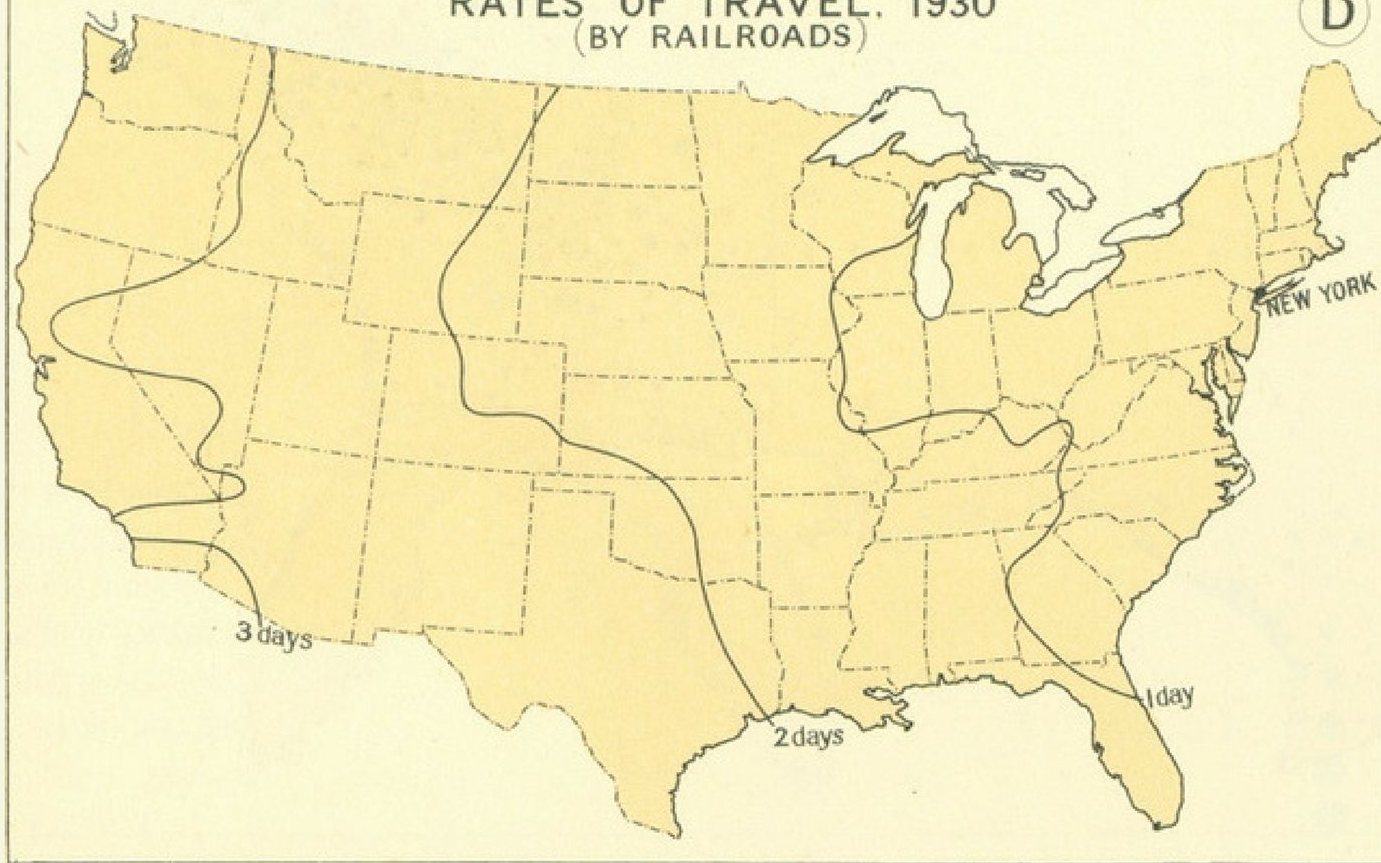
C





# RATES OF TRAVEL, 1930 (BY RAILROADS)

D



# MAGLEV

The Shanghai-Hangzhou  
MAGLEV project will create  
the fastest inter-city train in  
the world at 450kmh.

Japan has one at 500 kmh,  
with a 600kmh test speed.

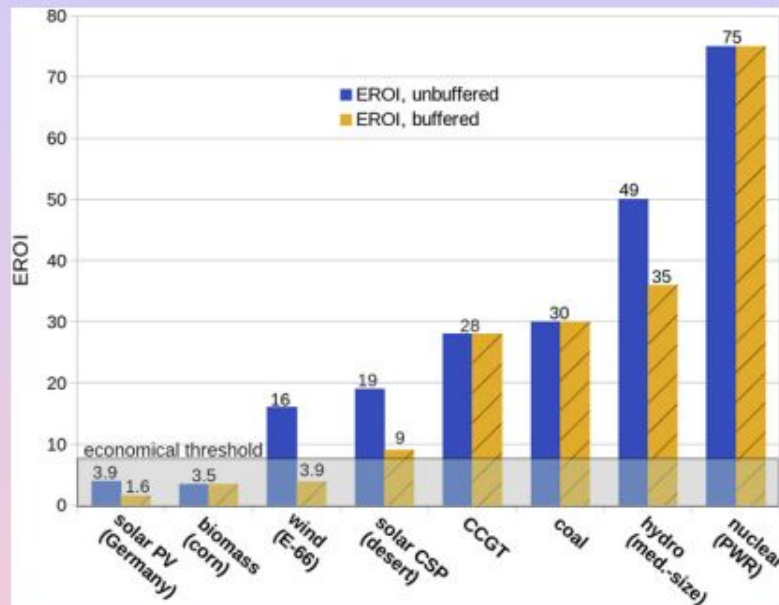
China is building 65mph  
MAGLEV for  
subway and light rail.



# Estimate of Energy Consumption for just the Rail Lines

- Beijing to Moscow is 5790 km at its shortest distance. Moscow to Paris is 2830 km. Beijing to Paris is 8620 km.
- With 1000 tons, traveling at 250kmh per 1000 km, energy consumption for one train is approximately 900 MW.
- From Beijing to Paris is then nearly 7 GW per train.
- This is happening 4 times/day through Kazakhstan to Europe now. That's 28 GW.
- It will increase to 30 times a day by 2025. That's 210 GW of power supply daily for the electric high speed rail!!!!

# Energy Cost



**Fig. 3.** EROIs of all energy techniques with economic “threshold”. *Biomass:* Maize, 55 t/ha per year harvested (wet). *Wind:* Location is Northern Schleswig Holstein (2000 full-load hours). *Coal:* Transportation not included. *Nuclear:* Enrichment 83% centrifuge, 17% diffusion. *PV:* Roof installation. *Solar CSP:* Grid connection to Europe not included.

Source:

Energy intensities, EROIs (energy returned on invested), and energy payback times of electricity generating  
D. Weibach, G. Ruprecht, A. Huke, K. Czerski, S. Gottlieb, A. Hussein  
Energy 52(2013)210-221.

## How Much Fuel of Different Types Provides the Same Amount of Energy as a Tank of Gas?

FUEL SOURCE	AMOUNT OF FUEL
Combustion of Wood	300 Pounds
Combustion of Coal	200 Pounds
Combustion of Gas	16 Gallons (Gas Tank)
Typical Nuclear Fuel	1 Paperclip*
Deuterium-Tritium Fusion	1 Grain of Rice*
Matter-Antimatter Reaction	1 Flea Egg*

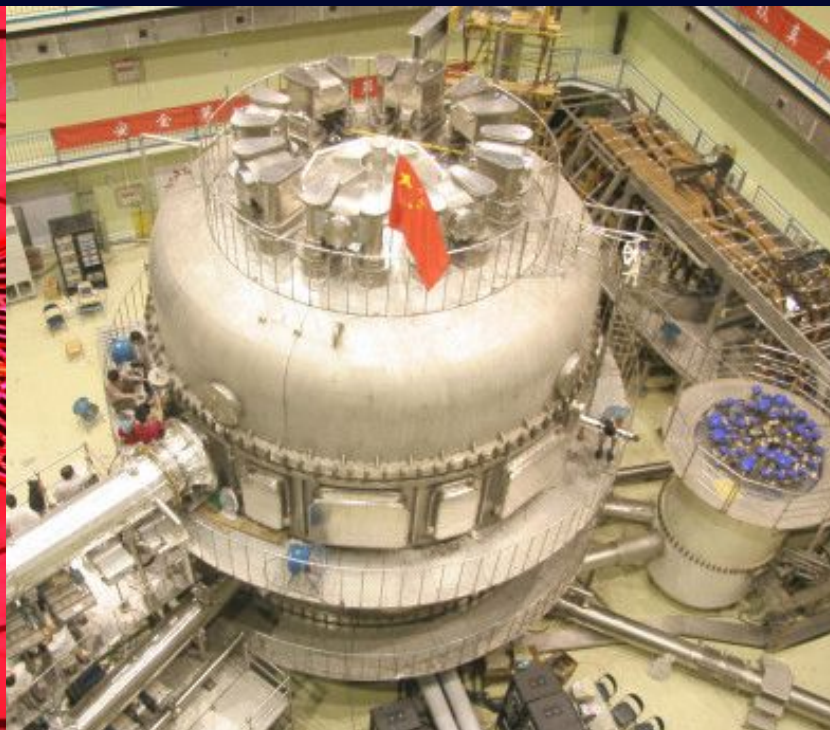
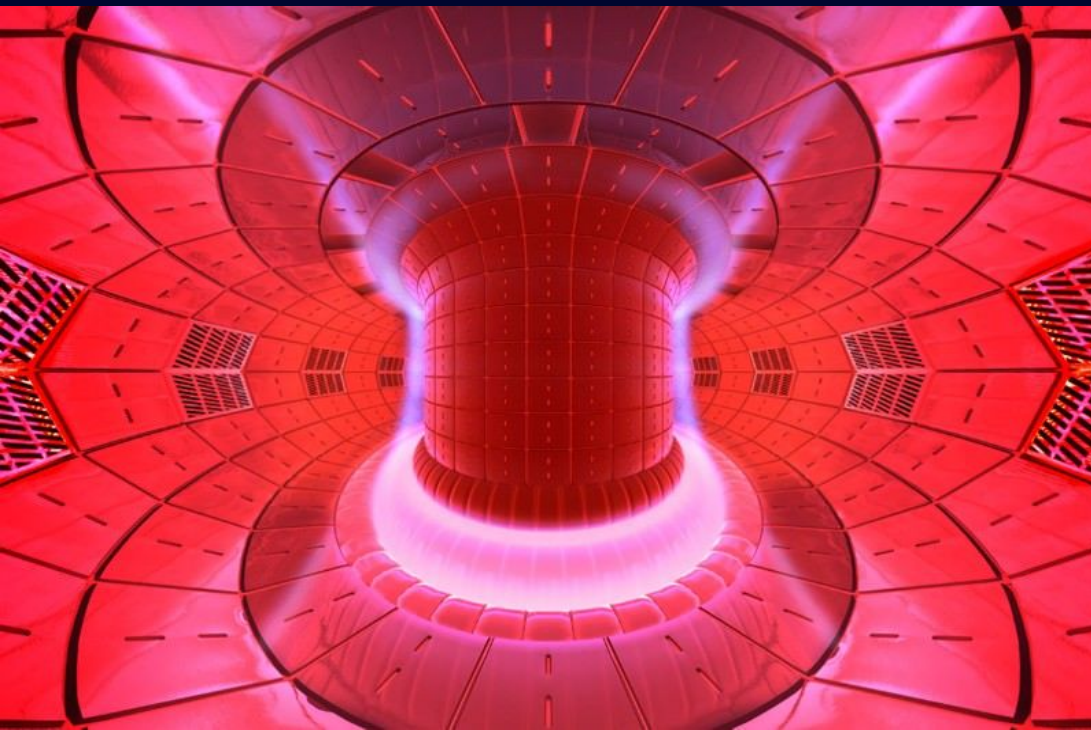
*\* Equivalent amount of weight (To provide the same amount of energy as an average tank of gasoline, more or less weight of various different fuel types is required, because of their differing energy densities. The value for typical nuclear fuel would be significantly higher with the use of reprocessing and breeder reactors.)*



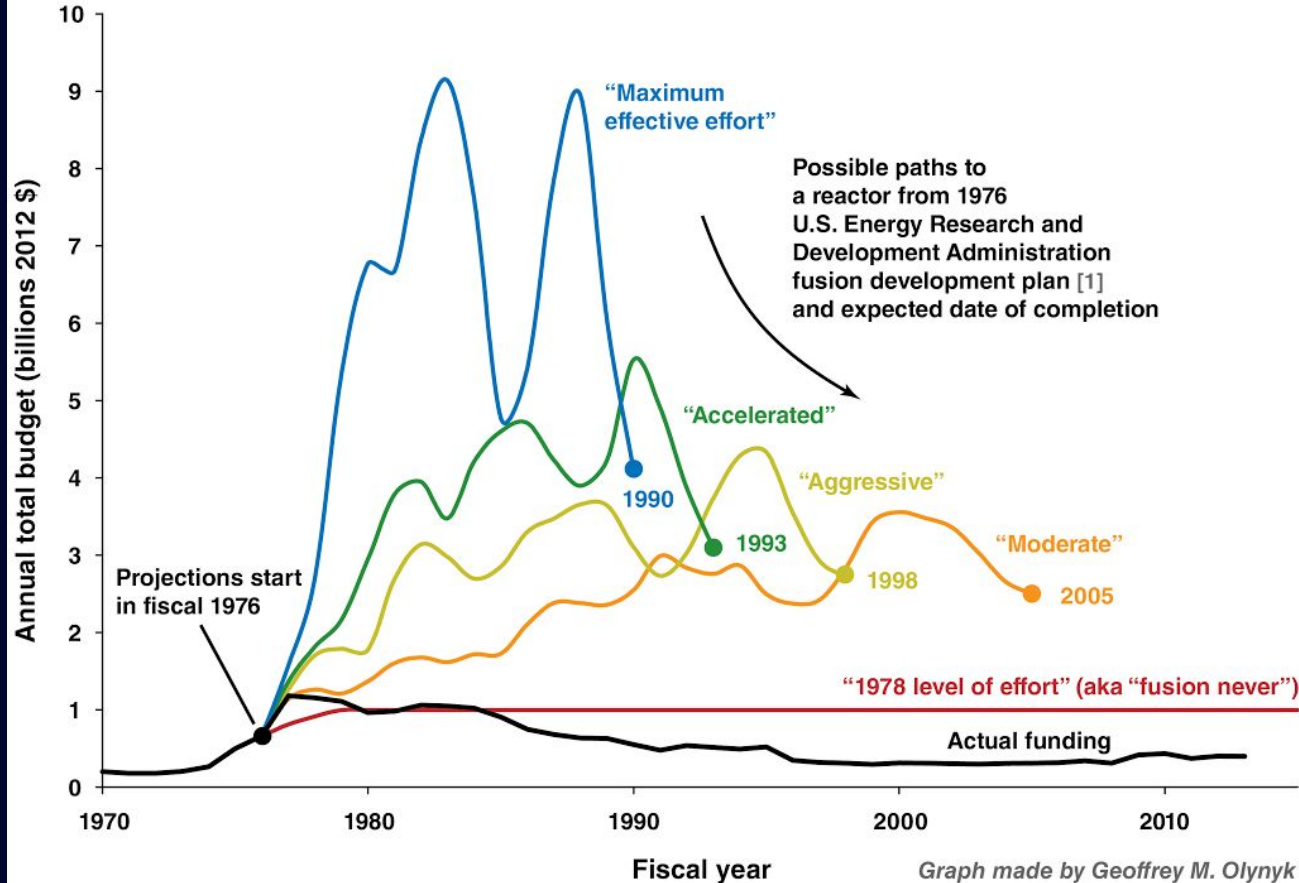
## The Energy Density of Fuels

FUEL SOURCE	ENERGY DENSITY (J/g)
Combustion of Wood	$1.8 \times 10^4$
Combustion of Coal (Bituminous)	$2.7 \times 10^4$
Combustion of Petroleum (Diesel)	$4.6 \times 10^4$
Combustion of $\text{H}_2/\text{O}_2$	$1.3 \times 10^4$ (full mass considered)
Combustion of $\text{H}_2/\text{O}_2$	$1.2 \times 10^5$ (only $\text{H}_2$ mass considered)
Typical Nuclear Fuel	$3.7 \times 10^9$
Direct Fission Energy of U-235	$8.2 \times 10^{10}$
Deuterium-Tritium Fusion	$3.2 \times 10^{11}$
Annihilation of Antimatter	$9.0 \times 10^{13}$

# FUSION RESEARCH



# Fusion is more than possible.



[1] U.S. Energy Research and Development Administration, 1976. “Fusion power by magnetic confinement: Program plan” ERDA report ERDA-76/110. Also published as S.O. Dean (1998), *J. Fus. Energy* 17(4), 263–287, doi:10.1023/A:1021815909065



- China plans first mission to the far side of the moon (Chang'e 4)
- They plan to bring back lunar samples of Helium III (Chang'e 5)
- There are multiple plans for lunar bases (ESA)
- Radio Astronomy revolution available on the far side



**Life Expectancy at Birth**

**2012**  
Global Average Life Expectancy: 70 years

**1950**  
Global Average Life Expectancy: 48 years

**1800**  
Global Average Life Expectancy: 32 years

**Cumulative Share of the World Population**

0 1/4 1/2 3/4 1

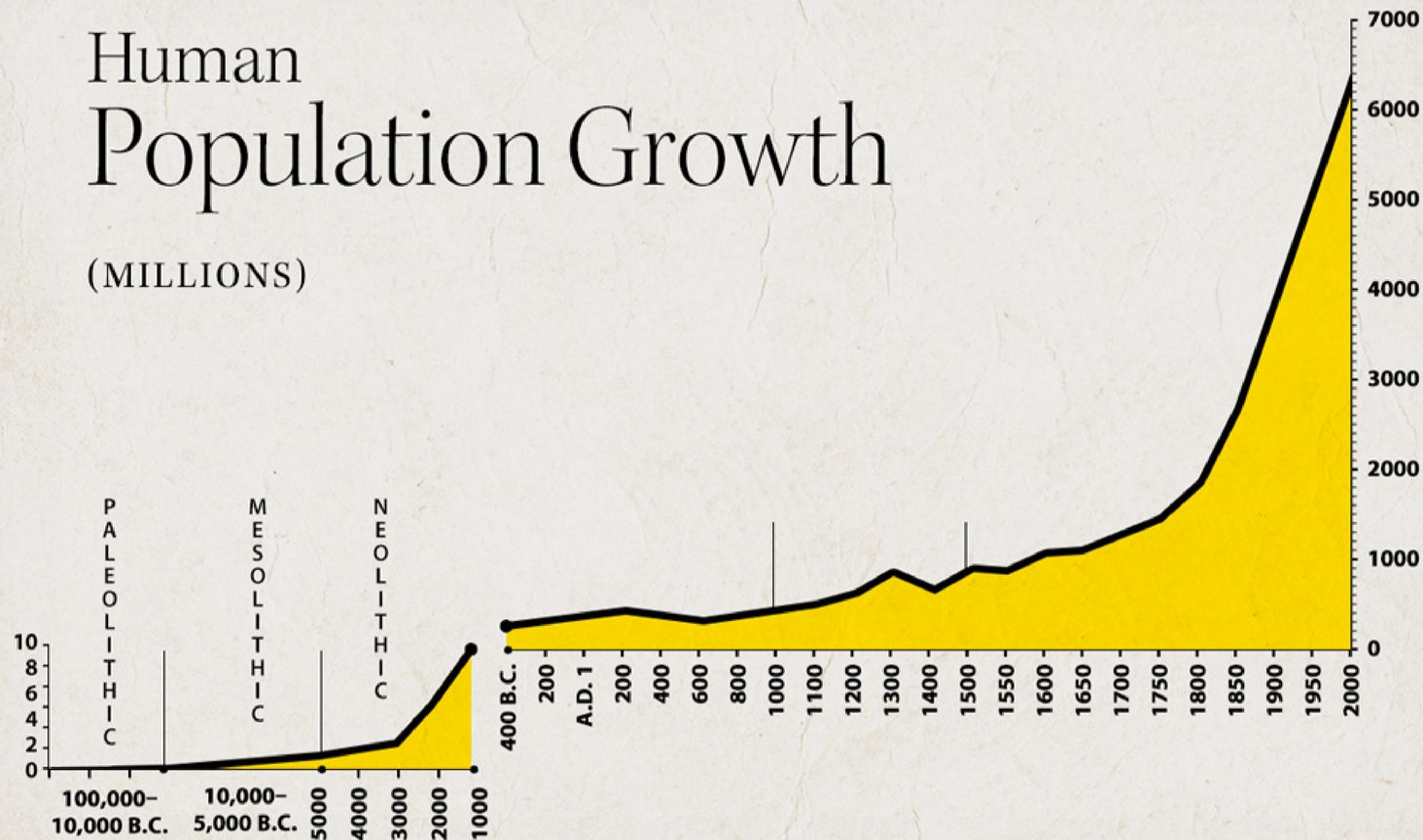
90 80 70 60 50 40 30 20 10

India, Pakistan, Russia, Indonesia, Brazil, China, Mexico, South Korea, Costa Rica, USA, Australia, Japan, Spain, Germany, Norway, Canada, Germany, USSR, Cuba, Japan, South Korea, Brazil, China, India, Somalia, Mozambique, Sierra Leone, Nigeria, South Korea, Spain, Russia, China, France, Belgium, Netherlands, Germany, USA

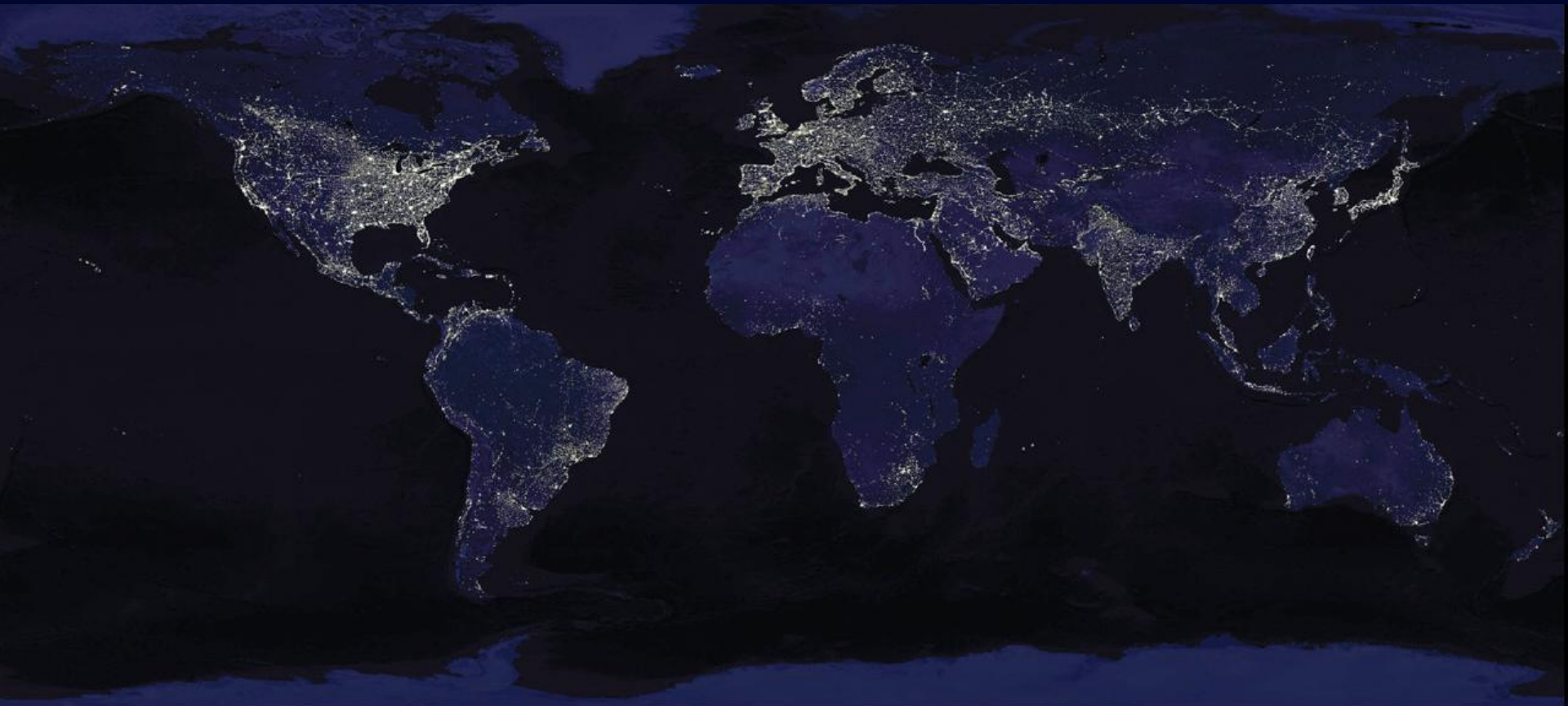
Licensed under [CC-BY-SA](#) by the author Max Roser.

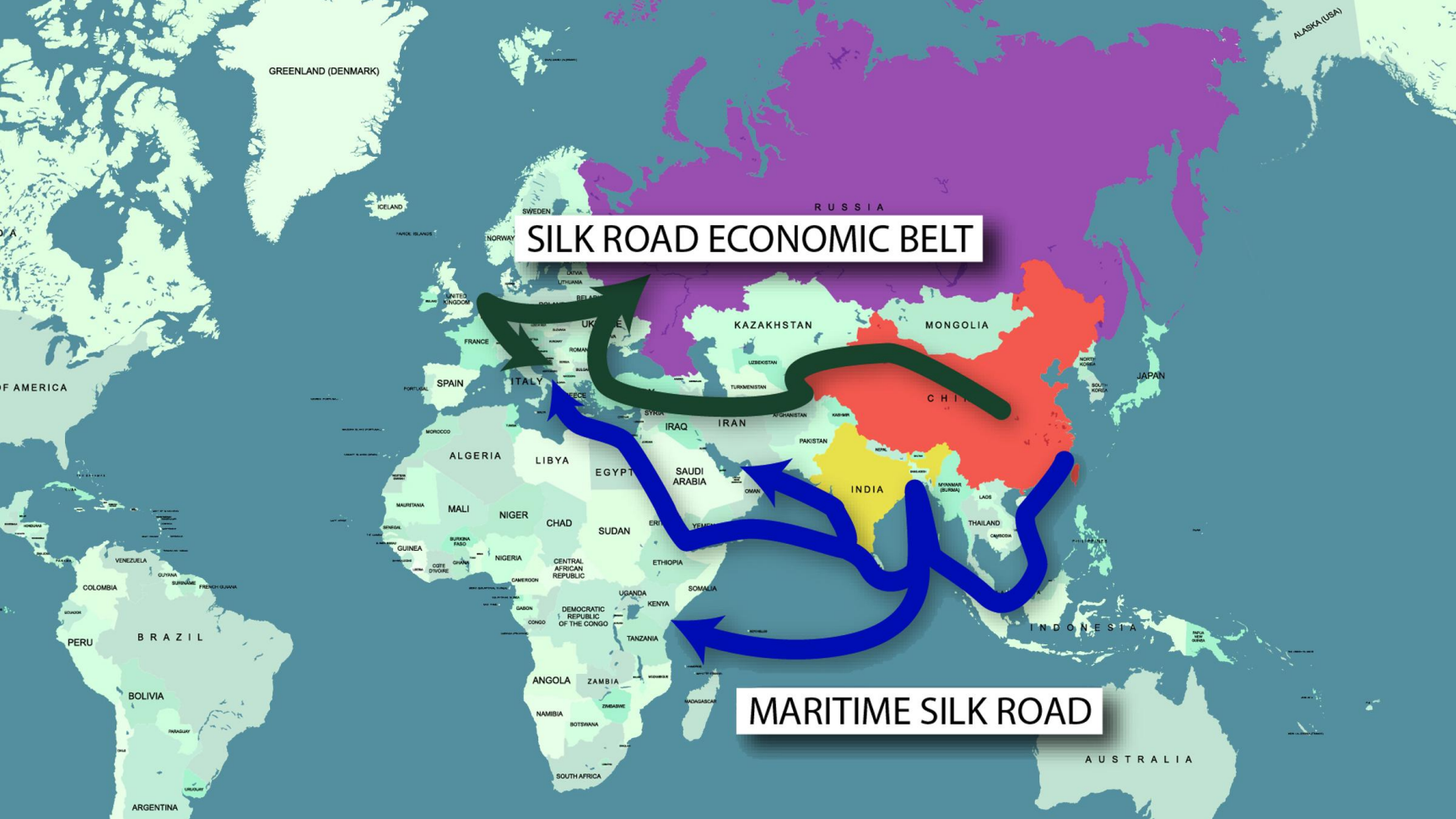
# Human Population Growth

(MILLIONS)









SILK ROAD ECONOMIC BELT

MARITIME SILK ROAD

# Platforms versus “Infrastructure”

Trunks vs. Branches



# Platforms

Platforms are projects, conceived as an integrated whole, that facilitate new regional, national or international systems of development and growth.

Platforms require national credit and public lending. No one project, in and of itself, will be profitable, but as a whole, the platform will in the long term increase national productivity, and thereby “national profit” significantly.

# “Infrastructure”

“Infrastructure” projects, such as a subway system or power plant, can be different. In many cases, they can be profitable in and of themselves, and available for BOTs, BOOTs, PPP’s for financing.

“Infrastructure” projects, however, depend on the national or regional platform. Without platform development, then the other projects are rarely built, as in NYC!

After infrastructure investments, you then see investments in real estate, manufacturing, consumer products, agriculture, tourism, housing, entertainment, etc.

**These are the branches, leaves, and fruit of the initial trunk investments!!**



# China National Banking System

## 4 Commercial State-owned Banks

1. Bank of China
2. Industrial and Commerce BoC
3. China Construction Bank
4. Agricultural Bank of China

These take deposits, and make loans at provincial and local levels.

## 3 Investment State-owned Banks

1. China Development Bank
2. Ex-Im Bank of China
3. Agricultural Development BoC

These three took over state spending and lending in 1994, and take no deposits.

They play the largest role, by some estimates, nearly 90% of investments in the main initial corridors of the OBOR.

# General Questions of Financing

Public lending, as for platforms, is between 1-2% traditionally.

Private lending for infrastructure, real estate, etc. is often between 8-12% today in developing countries.

Given a \$10 Billion loan:

@ 1.6% borrowing, \$18.86 billion is repaid over 40 years. (public financing as from Ex-Im Bank of China)

@ 12% over 10 years, \$31.05 billion is repaid in ten years. (private financing)

# Role of International Finance and Exchange Rates

**Stability:** Loans to national governments for infrastructure require stability of exchange rate, otherwise long term loans are rarely made.

**Yuan:** China has a floating value bandwidth for the exchange of the Yuan, as well state monetary interventions, to maintain exchange levels of the Yuan.

**Post-War:** The Bretton Woods System, prior to August 15, 1971, maintained what was known as a pegged rate currency system, based on the US Dollar and gold reserves for trade. This supported more international development loans from US banks.

**BRI Integrations:** ERs remain an important part of ongoing OBOR integration discussions, including with EAEU, ASEAN, BRICS, and potentially GCC, EU, TFTA, and the Americas over time.

# CASE STUDY: CPEC

## China-Pakistan Economic Corridor

- Strategic Aspects
- Challenges
- Financing
- Projects upon Projects



# Economic Corridor

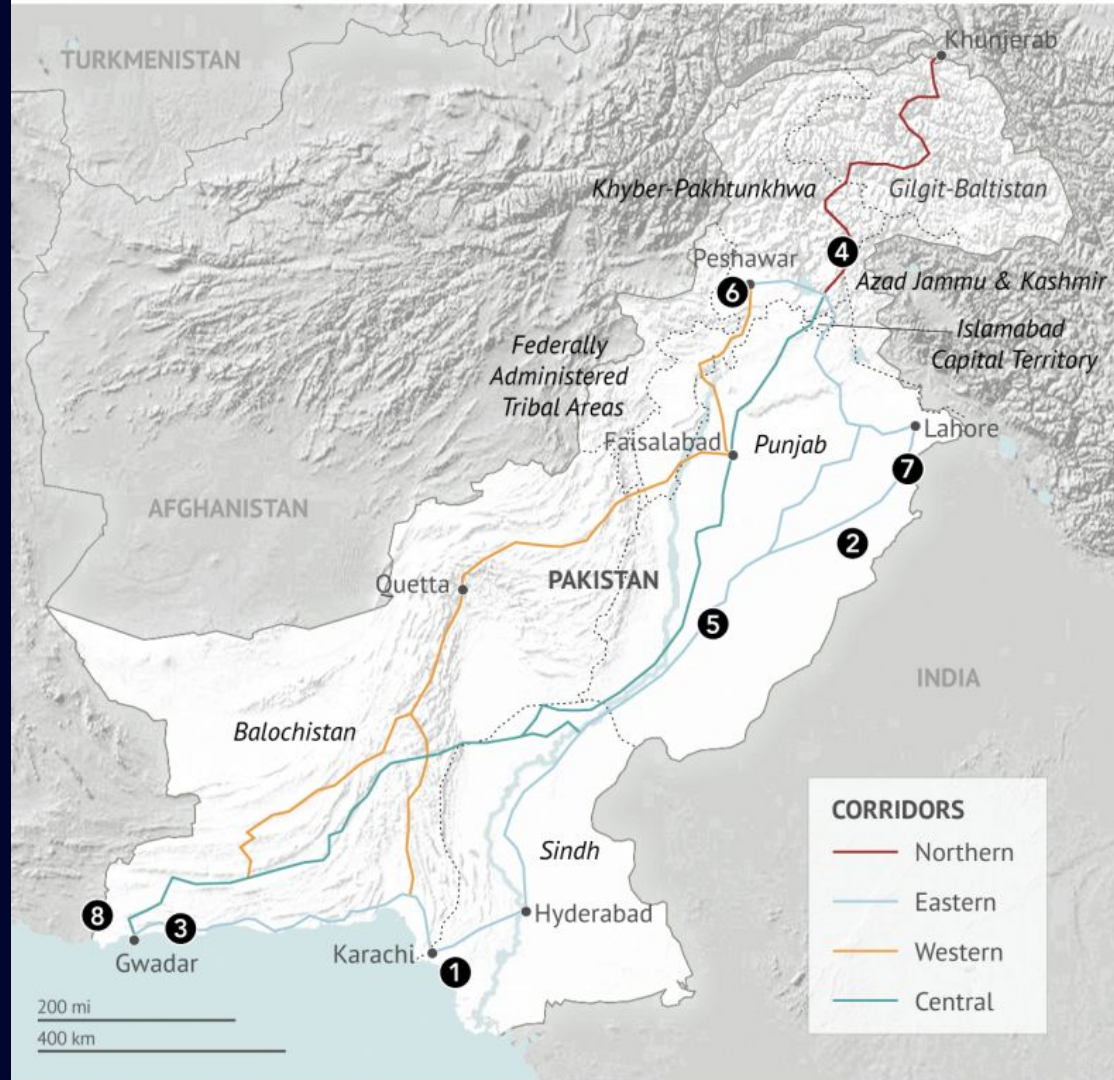
## Roads, Rails, Ports, Energy, Special Economic Zones

-Khunjrab – Gwadar Highway (2400 Km)

-Karachi-Lahore Motorway (1060 Km)



# The 4 Corridors of CPEC



# Strategic Aspects of CPEC for China

## Short Term:

Access to Gulf Oil supplies, of which China consumes ~50%

Avoid South China Sea geopolitical tensions

Develop central and south Asia as new Market

## Long term:

Expand development potential in western China, Xinjiang Province

Improve relations with India by decreasing terrorism, “Win-Win”

Deal with geopolitical tensions in Central Asia, including Terrorism and Drugs, and threat of War

# Challenges to CPEC - e.g. Balochistan Terror



<http://www.tamilnet.com/pic.html?path=/img/publish/2012/02/>

## PAKISTAN: 13 CHINA 'SILK ROAD' WORKERS KILLED AS U.S. WARNS PROJECT OFFERS 'TARGETS' FOR TERRORISTS

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8

EMAIL

g+ SHARE

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TWEET



Asim Hafeez/Bloomberg via Getty Images



**Regionalism** - e.g. Punjab had greatest influence over Gwadar Port not Balochistan

**Terrorism and Potential War** - e.g. Balochistan is at the center of terrorist activity, including

**Sanctions and Geopolitical tensions** - e.g. Iran faces pressure from West, India has objections to POK development

**Corruption and Political Instability** - e.g. P.M. Sharif's base is in Punjab, pressure from the west.

Breaking point in 2012 with US intervention into Syria. Pakistan broke from the tradition of backing U.S. interventions in the area, and looked east to China and to the SCO. Starting in 2017, Pakistan is a full member of the SCO, and the SCO just reopened the SCO-Afghan dialogue.

**Solve these issues, and there will be NO PROBLEMS paying back the DEBT!**

# Financing

1. Total committed is \$50 billion, estimated to be \$75 billion in full by 2030.

(This is just the main projects: Rail, Road, Energy, Ports, etc.)

2. \$35 billion on energy alone, \$15 billion on other projects, as a baseline.

3. Energy has both debt and equity, 60:40 ratio, with 80%+ from China St. Banks and the rest from private energy companies.

4. Debt at ~5% and Equity at ~17% return.

5. Infrastructure by concessional loans between 1-2% from Chinese State Banks. (Rates were cut from original 3% by request.)

6. Loans to either Power companies or Pakistan Government only.

7. Increased National debt service to be ~\$910 million/yr. with total payments at ~\$3.5 billion/yr. \*

(~\$3.5 bil. is 7% of ForEx earnings for 2016)

\*Estimate by former Pakistan Bank Gov. Husain

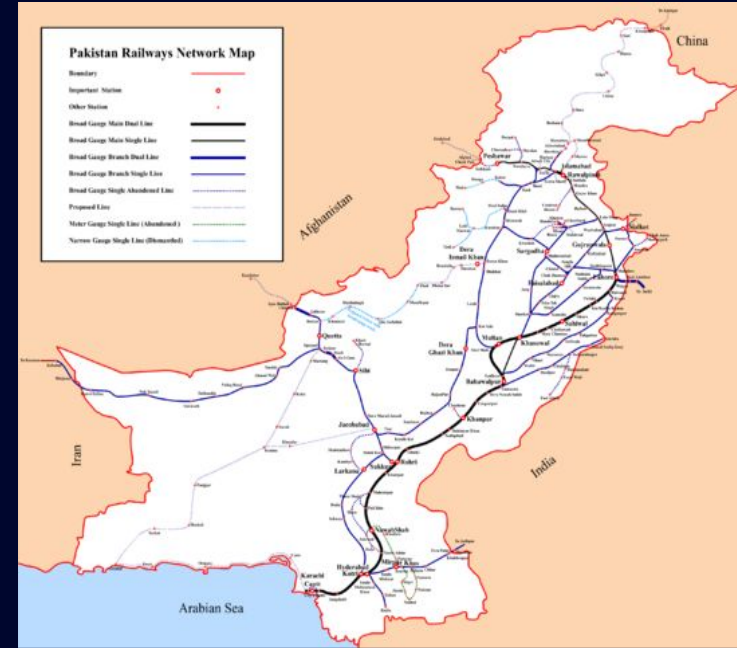
# Steps Pakistan Can Take to Address Additional Costs

1. Increase Exports based on new investments, stability, and trade agreements.
2. Create more FDI in manufacturing and industry via industrial zones.
3. Accelerate training of skilled labor for higher productivity and more FDI.
4. Invest in science and space areas to advance these high-gain sectors.

(China and Pakistan agreed on joint space exploration and astronaut training in 2015. India is also investing, and China will have a major space station open to all nations in the coming years.)

# Some of the Main Projects

- Gwadar Port Complex - Belt and Road Combo
- Huge Energy Development - potentially double!
- Completion of rail link over Khunjerab Pass \*
- Upgrade Karakoram Highway to China \*
- Potential Oil Pipeline from Gwadar to Urumqi \*
- \$1.5 billion Information, Commerce and Tech Park in Islamabad
- China-Pakistan Space collaboration



(\*) Indicates a main corridor project



# Gwadar Port Complex

China Overseas Port Holding Company has a 43 year lease on the port and free trade zone. They're spending \$4.5 billion on roads, power, hotels, and basic infrastructure.

Upgrading port for largest ships and floating LNG facility with 500 mil cubic feet capacity, could be part of Iranian pipeline. Secures LNG from Gulf for western China.

2,282 acre Free Trade Zone or Special Economic Zone, with manufacturing, logistics, warehouses, and display centers. Major tax break.

\$230 million new airport, as a grant from China.

Pak-China Technical and Vocational Institute for local residents.



# Massive Energy Upgrade for Pakistan

Potentially 21 projects for 16.4 GW - doubling Pakistan capacity

By March, 2018, through the “Early Harvest” program, 14 Chinese projects will generate 10.4 GW for the National grid.

Pakistan’s 2015 shortfall was 4.5 GW, with frequent blackouts.

2002 Pakistan law requires that all energy plants are built on BOOT plan.

1. \$10 billion for two Karachi Nuclear Power Plants. 1.1 GW total

*2. Karot Hydropower plant on Jhelum river in Punjab for \$2 billion from China’s Silk Road Fund, plus loans from ExIm and CDB on BOOT for 30 years for Karot Power company. 720 MW*

3. World’s Largest solar plant in Punjab Province constructed by Chinese firm Zonergy. 1 GW

4. Coal plant in Port Qasim for \$2 billion by PowerChina Resources Ltd. 1.3 GW

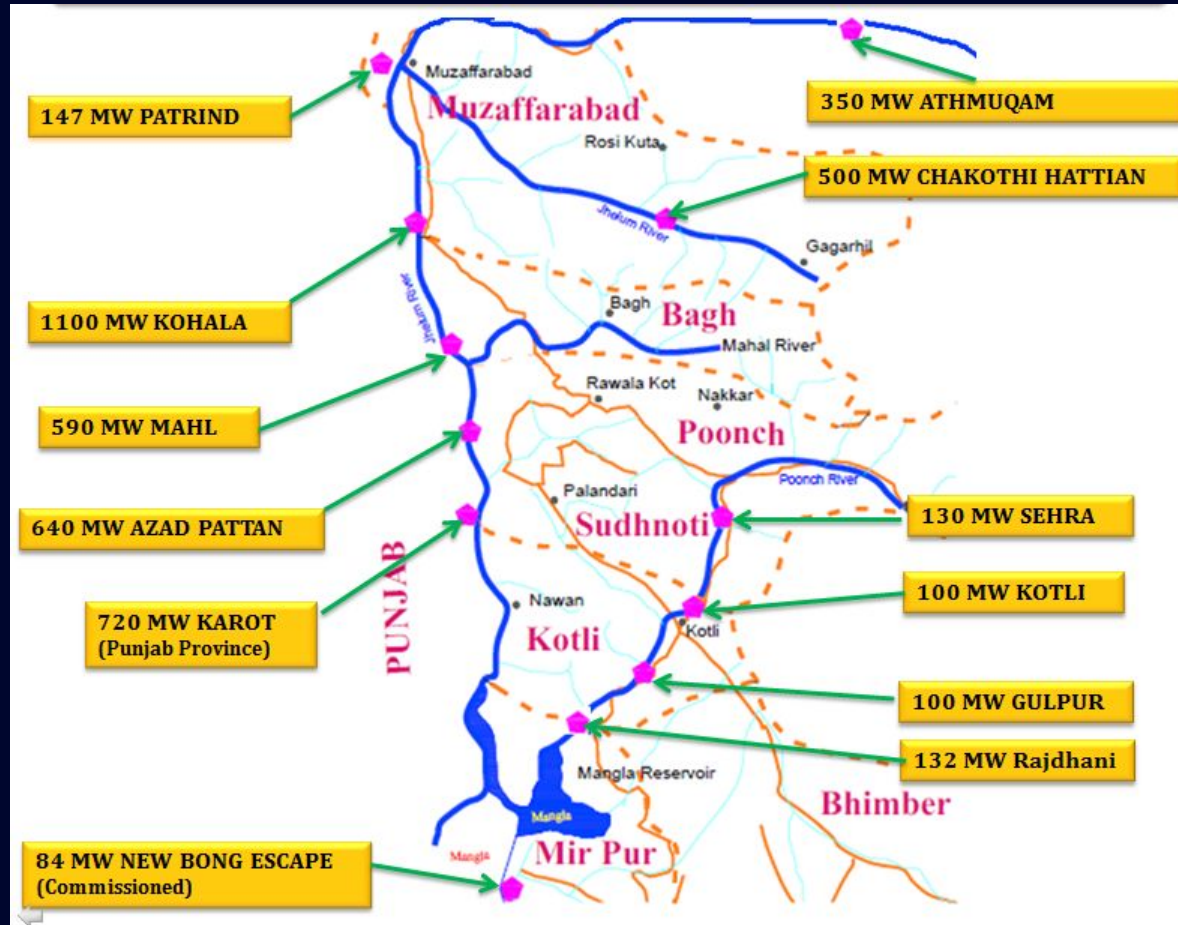


# Karot Hydropower Plant





# It's like a Punjab Valley Authority - 12 Dams, 4.6 GW



# The Corridor: Khunjerab Pass



## Highest Paved Border Crossing in the world at 15,397ft





## The Karakoram Highway!





# The Corridor: Rail and Road Challenges of Khunjerab Pass

China's only land route to Pakistan, so it must remain open.

The highway is being upgraded for \$2.18 billion by CDB and Ex-Im.

There is snow, ice, and horrible weather for the long winter, so the pass is closed from November 30 to May 1.

Any railway, which is planned for sometime over the next 5 years, could only be built by China, based on their experience in Tibet. It would have to be accessible during even the winter.

Earthquakes - In 2010, Lake Attabad, a 100 meter deep lake, was created by an earthquake, and took out 27 miles of the road. Ferries had to be used for years. A series of two bridges and 5 km of tunnels were constructed for \$275 million in 2015. Similar events take down dams and power lines periodically as well.

# The Corridor: Gwadar Pipeline to Kashgar, China

- Gwadar to Kashgar 3,000km pipeline would carry 1 million bpd to western China.
- China imports 6 million bpd by ship via 10,000km. This means 17% of daily requirements would be available by less than half the distance from the Persian Gulf to China.
- 5 year construction, to start this year, built by Frontier Works Organization, a military engineering command of the Pakistan Army who built Karakoram Hwy in 1966.
- Funded by Chinese State Banks, cost is still unknown. Gwadar to Nawabashah is already \$1.4billion. Estimates would then be in the \$50+ billion range, and will coincide with the new rail route and upgraded Karakoram highway.
- Could also connect to Iran's oil pipeline for \$1.6 billion. This has been postponed for geopolitical reasons.

# The Corridor: The India Factor

- Khunjerab pass is located in what India considers Pakistan Occupied Kashmir.
- China has said they are willing to identify it as such as a concession to India.
- Legacy of the British Empire, the division of India, and religious conflicts. (This also includes Shiites in the mountainous region of Pakistan.)
- POK has the Headwaters of the Indus River, so vital to Pakistan security
- India and China also contest over Aksai Chin Plateau just to the east.
- **Resolving the India, Pakistan, China disputes, a legacy of post-war geopolitics, is only possible through long-term development!**





China-India disputes in the east will also be a factor in India's role in the BRI along the BCIM corridor from Kunming to Kolkata.



# ASEAN - BCIM Southern Route to Europe via the Persian Gulf



## **Other Major Corridors**

Each of the following corridors will have many complexities, as did CPEC, and will require the utmost perseverance from all nations and companies, both construction and finance involved, to be successful.



# China's South-North Water Diversion Project

44.8 billion cubic metres of water to the North  
River

Tunnels under the Yellow  
River







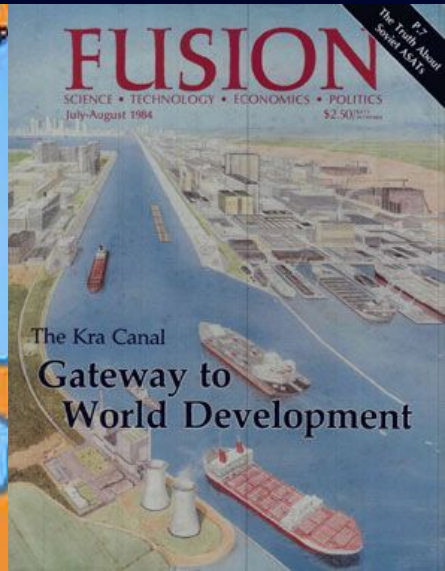
- Will be extended to SE Asia
- Managing the Mekong River
- India North-South diversion now in progress

# NAWAPA



# The Kra Canal - Changing the South China Sea

- Under discussion for over 100 years
- Japan was ready to build it in the 1980s.
- 40% of world shipping.
- Will save 1,200 km.
- Safer and more secure.
- PNE's can be used.



The Three Gorges Dam is the world's largest power station in terms of installed capacity (22,500 MW).





# Congo Basin - Massive Hydropower and Lake Chad

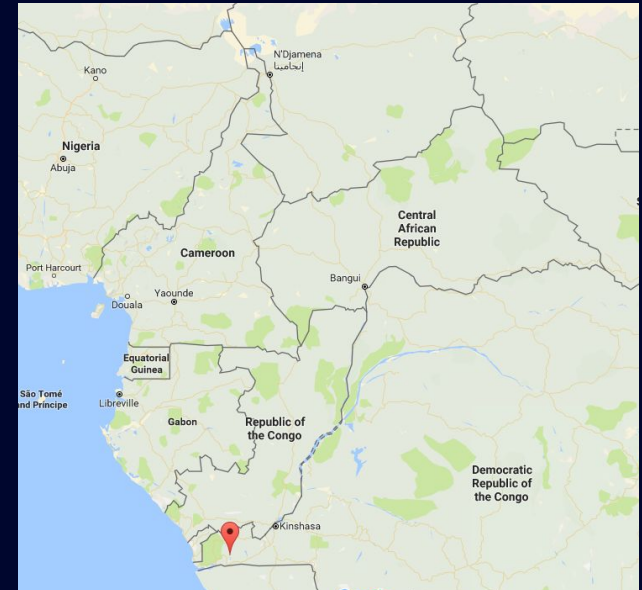
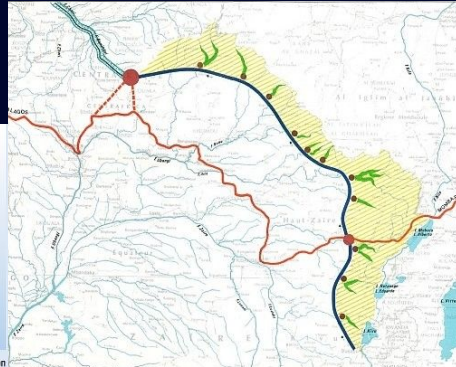
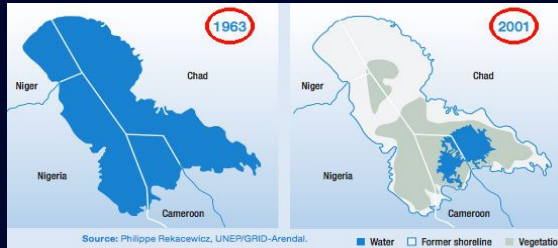
DRC's Inga III: Spanish and Chinese Consortium are the joint bidders for Inga 3 for 4.8 GW for \$12 billion.

Grand Inga Plan: 40 GW in 7 phases. South Africa would purchase 2.5 GW.

*(DRC's current power is 2 GW!! South Africa's is 50 GW for comparison.)*



Lake Chad Project:



# Africa Railroad - It's Happening!!!

Existing Railroads in Africa



Proposed Railroads for Africa

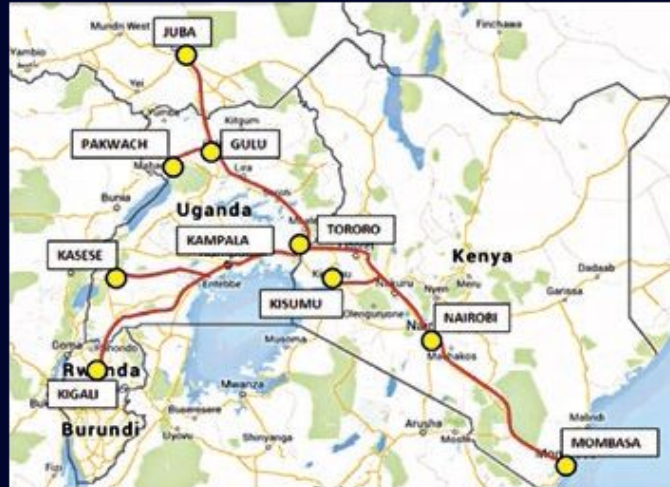


# Kenya's SGR Rail Project

THESE VIDEOS ARE A MUST WATCH TO UNDERSTAND THE PROJECT:

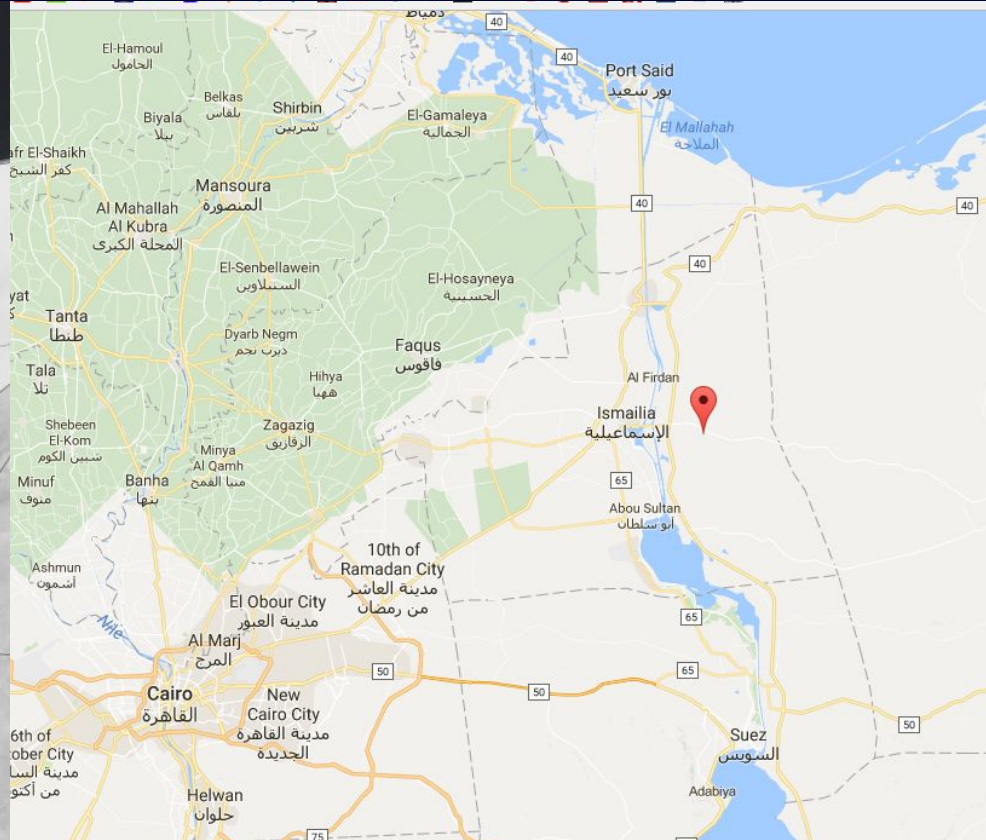
Bridges: <https://www.youtube.com/watch?v=p9ZOeYHWFCI>

Stations: [https://www.youtube.com/watch?v=O9\\_m20MCuGw](https://www.youtube.com/watch?v=O9_m20MCuGw)





# Suez Canal and Special Economic Zone





# Persian Canal

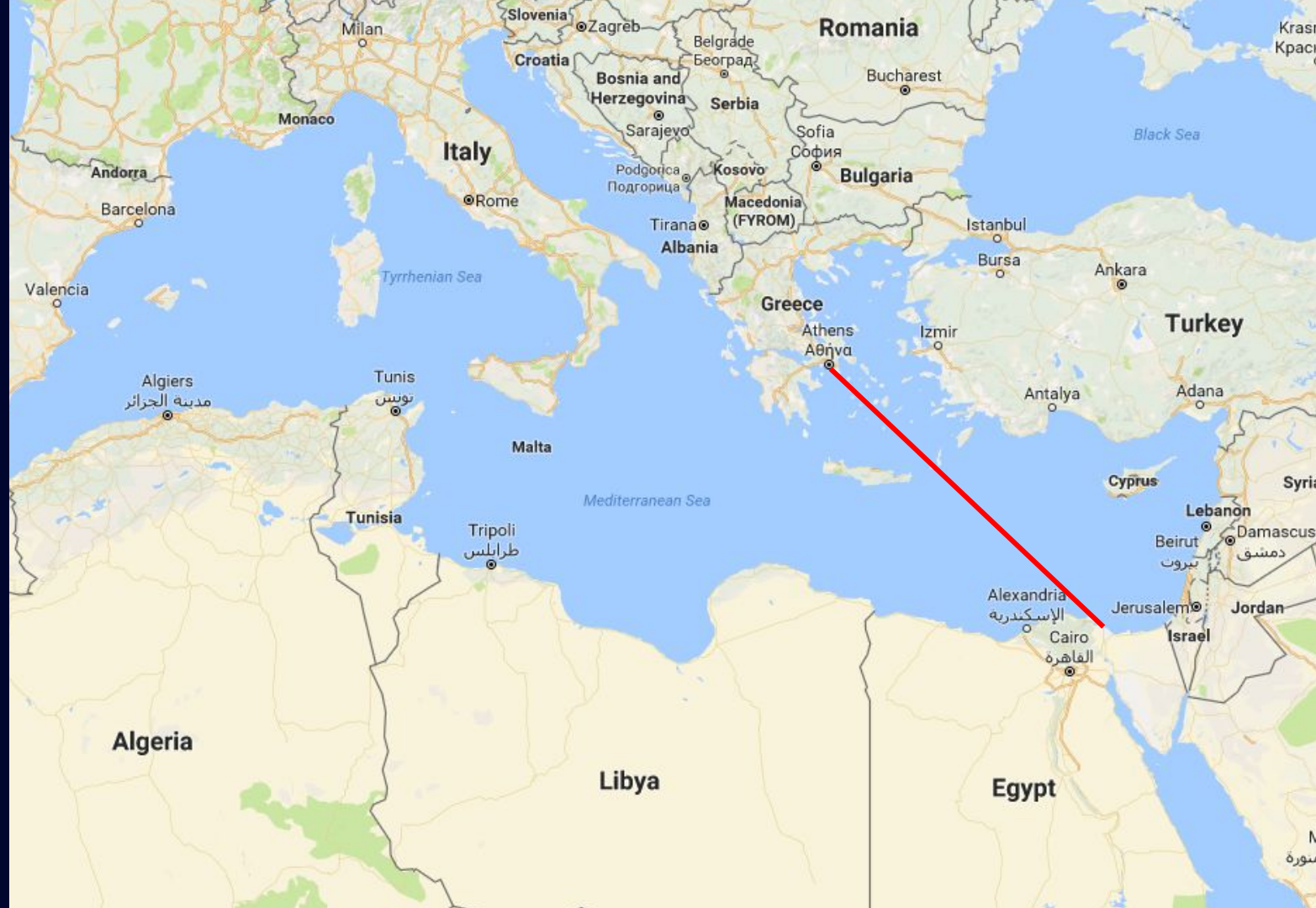


# The Phoenix Project - How to solve the Middle East Crisis



# Piraeus and Eastern Europe

- In 2016 COSCO spent \$532 Million total to Buy 67% share of Port, already profitable
- Gives Silk Road trade major access to Eastern Europe via new rail routes to Budapest
  - Increased trade has already led to a 35% increase in traffic by 2018
  - To be one of Top 30 Ports in the World from rank 93 in 2010
- Becoming key gateway for top Consumer Companies including Samsung and HP
- Huge Gain for Greece as a logistics center for Silk Road traffic via the Suez Canal
  - Replaces dependence on Rotterdam and northern ports saving time





## Belgrade-Budapest HSR

Cost: \$2.89 Billion for 370km.

Loans from ExIm Bank of China.

Major EU contention, but likely a hopeless protest.

Critical for Greece, Piraeus and the entire Balkan area.

Top priority for Hungary at the center of Europe.

Logistics hubs in Lodz and Minsk, plus an airport in Lodz and a huge tech park in Minsk.

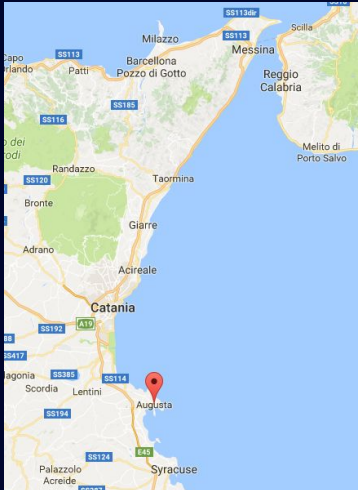
Connection for Istanbul HSR route coming from India and Pakistan into Europe in the coming decade.

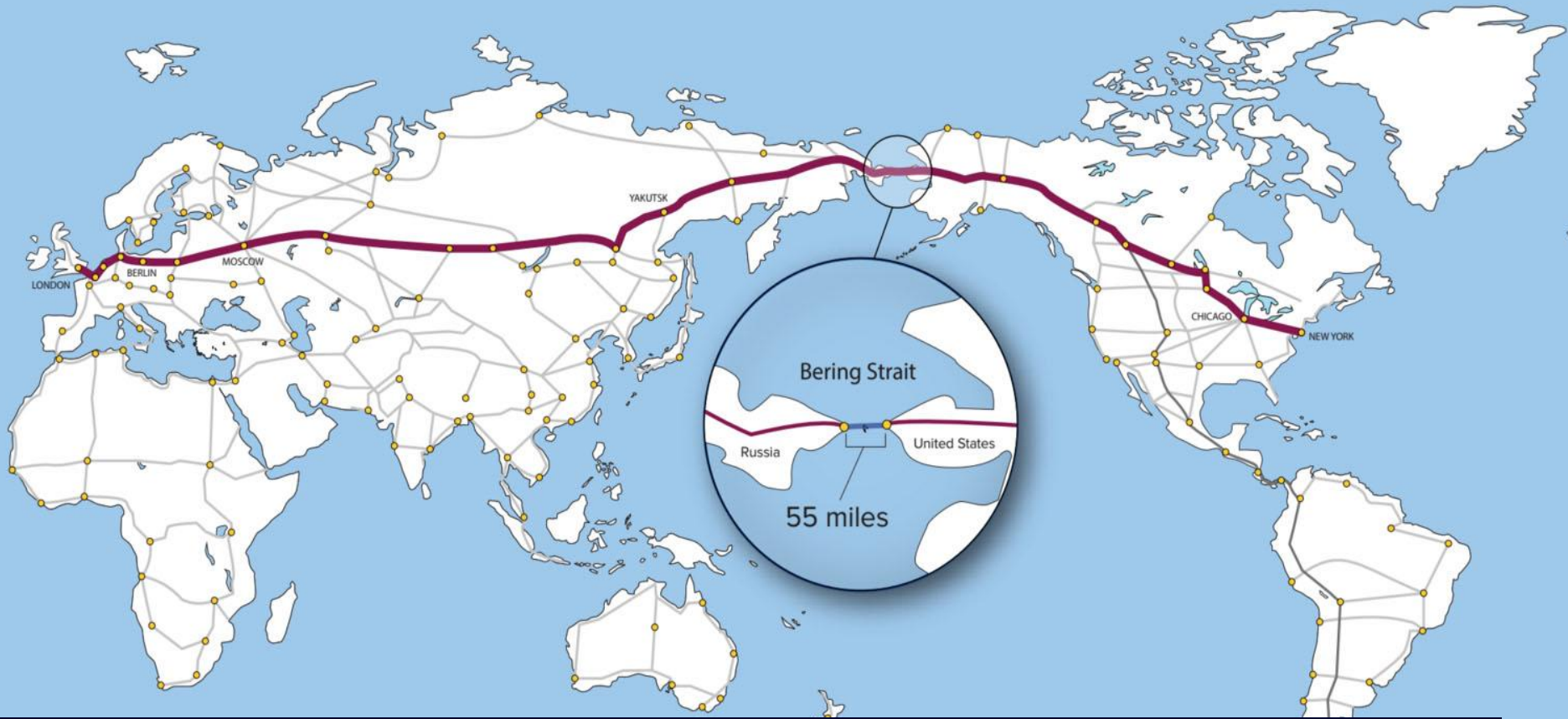


# The Messina Bridge and Tunisia Tunnel

2010 China offered to help build the bridge from Messina, Sicily to San Giovanni, plus expand the highways and deepen the port south in Augusta, to be a main port in the center of the Mediterranean Sea.

The EU and technocratic government in Italy killed the investment package in 2012.





# Bering Strait Tunnel



# The World Landbridge

