PRESS RELEASE

The West has long had its own “Silk Road”

China is propagating its “Belt & Road Initiative” as a development initiative for the Eurasian continent, thereby pursuing geopolitical ambitions. Yet Europe need not feel small in light of China’s efforts. As a comparison of Western and Chinese financial flows reveals: The West is investing just as much in countries of the so-called “Silk Road” and is the better partner for many countries.

Gütersloh – September 2, 2019. China is using its “New Silk Road” to promote itself to the world. Since 2013, Beijing has made every effort politically to propagate its Belt & Road Initiative as a new development model for emerging markets. Western states are concerned about China’s economic and geopolitical ambitions and are calling for a response to the Chinese strategy.

The Bertelsmann Stiftung study *What the West Is Investing along China’s New Silk Road* shows that the West can take a more confident stance vis-à-vis the Chinese initiative. The reason is the study’s comparison of financial flows, which reveals that, despite what is commonly believed, Western nations are investing at least as much in most Belt & Road countries. Between 2013 and 2017, there was a total inflow of approximately $290 billion from the West to the countries examined in the study, compared to roughly $285 billion from China. An analysis of individual countries even shows that for a sizeable majority (16 out of 25 countries), the financial flows from the West have been more significant than those from China – e.g. for India, Vietnam, Afghanistan, Egypt and Nigeria. China has been the more important partner for only five countries, above all for Pakistan, Kazakhstan and Laos.

One important reason for this is that China’s actual Belt & Road expenditures have lagged significantly behind the amounts originally announced. In contrast, the flow of investments from Western nations to the countries in the study has been ongoing. The West’s position would be even more favorable if the totals included financial flows from before 2013.

“The West is underselling its own engagement. What we can learn from China is how to present ourselves as a good partner for development,” says Bernhard Bartsch, Asia Expert at the Bertelsmann Stiftung.

The West could benefit more from the project

China is also trying to gain support for its Belt & Road Initiative from EU members. This is something political players critical of the EU find useful, since they like to present China as the better partner. Yet the example of Hungary reveals that the numbers contradict the rhetoric: Compared to transfer payments and investments from Western countries, especially the EU, Chinese investments play virtually no role in the Eastern European nation.

In view of the considerable funding provided by Western players, particularly the European Union and Germany, the EU can act more confidently as a partner to emerging markets. The discussion of infrastructure creation and investment should not only take place as a reaction to the Belt & Road Initiative.

The European Union and Germany can present their own institutions, technologies, business models and values as alternatives to China's offerings in the Belt & Road region to a much greater degree than they have in the past. They can also derive greater public and diplomatic benefit from positive examples. The European Union's Connectivity Strategy, launched in 2018 to promote connections between Europe and Asia, offers an initial platform in this regard.

Europe does not need to adopt a fundamentally opposing position to China's Belt & Road initiative. There are numerous areas within the initiative in which China and Europe are pursuing the same or similar goals. Europe should rather strive to set standards in third countries that would then also apply to Chinese financing. This would allow both sides to join forces and engage in joint projects.

At the same time, China's Belt & Road Initiative and the attention it is receiving should motivate the West to get much more involved in emerging markets. Relative to its economic strength, China's engagement is 3.7 times that of the West's.

About the study

The study *What the West Is Investing along China's New Silk Road* was conducted by economists at the University of Duisburg-Essen, who compared the financing received by 25 emerging markets in Central Asia and Africa from China and Western nations. The "Western nations" were defined as 28 members of the OECD's Development Assistance Committee (DAC). The recipient countries included Afghanistan, Myanmar, Azerbaijan, Kazakhstan, Kyrgyzstan, Armenia, Tajikistan, Uzbekistan, Turkmenistan, India, Pakistan, Sri Lanka, Bhutan, Indonesia, Lao People's Democratic Republic, Vietnam, Albania, Belarus, Moldova, Serbia, Egypt, Morocco, Kenya, Nigeria and Tanzania.

The study looked at corporate investments and development assistance. It is based on the most recent publicly available data, covering the period from 2013 (official begin of the Silk Road initiative) to 2017. Estimated maximum values were used for China due to the limited comparability of figures from China and Western countries.

Our expert: **Bernhard Bartsch, Telephone: +49 52 41 81 81 569**
E-Mail: Bernhard.Bartsch@bertelsmann-stiftung.de
