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Belt and Road impact on SEA maritime

Jason Chiang, CFA, Director,
Ocean Shipping Consultants, Singapore

jason.chiang@rhdhv.com
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Agenda



What is BRI?



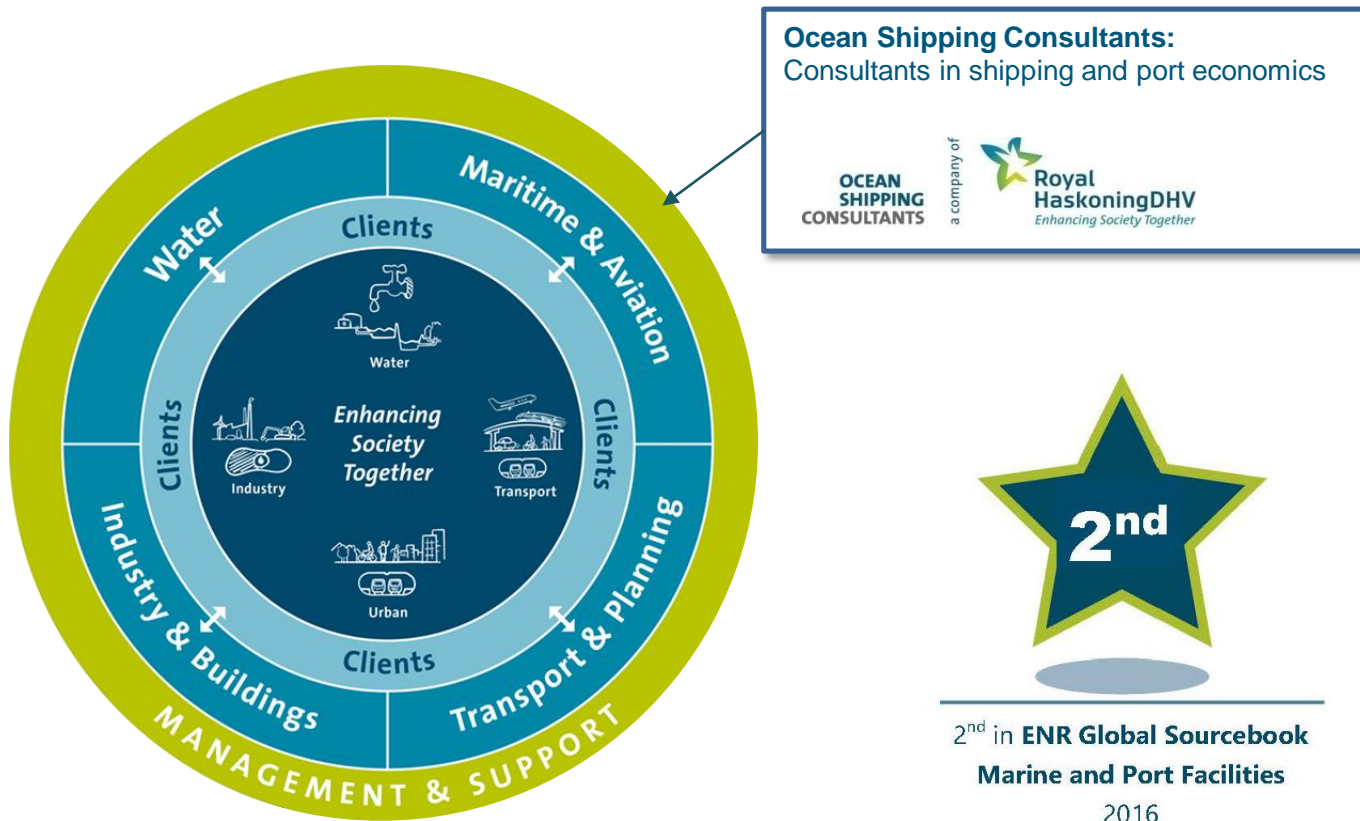
BRI origins



BRI today

Royal Haskoning DHV

Royal HaskoningDHV is an independent, international engineering and project management consultancy with over 130 years of experience.



650 staff
One of the world's largest teams of maritime professionals

The BRI presentation is based on past port project experience and publicly available information

1 Our clients



2 The Project Team has undertaken over 580 commercial projects in the past 10 years¹

Origination	Transaction	Operation
<ul style="list-style-type: none"> Financial Feasibility Analysis Business Case Structuring Social Cost Benefit Analysis Funding Gap Analysis 	<ul style="list-style-type: none"> Bankability Analysis Due Diligence Project Funding Advisory Transaction Support 	<ul style="list-style-type: none"> Divestment Advisory Financial Control Asset Valuation
PPP Advisory		
FINANCIAL MODELLING SERVICES		

3 Project teams based out of regional offices



1. What is BRI?

Section 1. What is BRI?

BRI in 2013: Trade facilitation through overland and sea route

“To smooth the flow of commodities imports and to smooth the outbound flow of goods”



Section 1. What is BRI?

BRI in 2017: Connecting trade through infrastructure investment across the regions.
Includes investments prior to 2013 and reference to regions instead of individual locations.



Seaports



Bridge/roads



Land ports



Airports



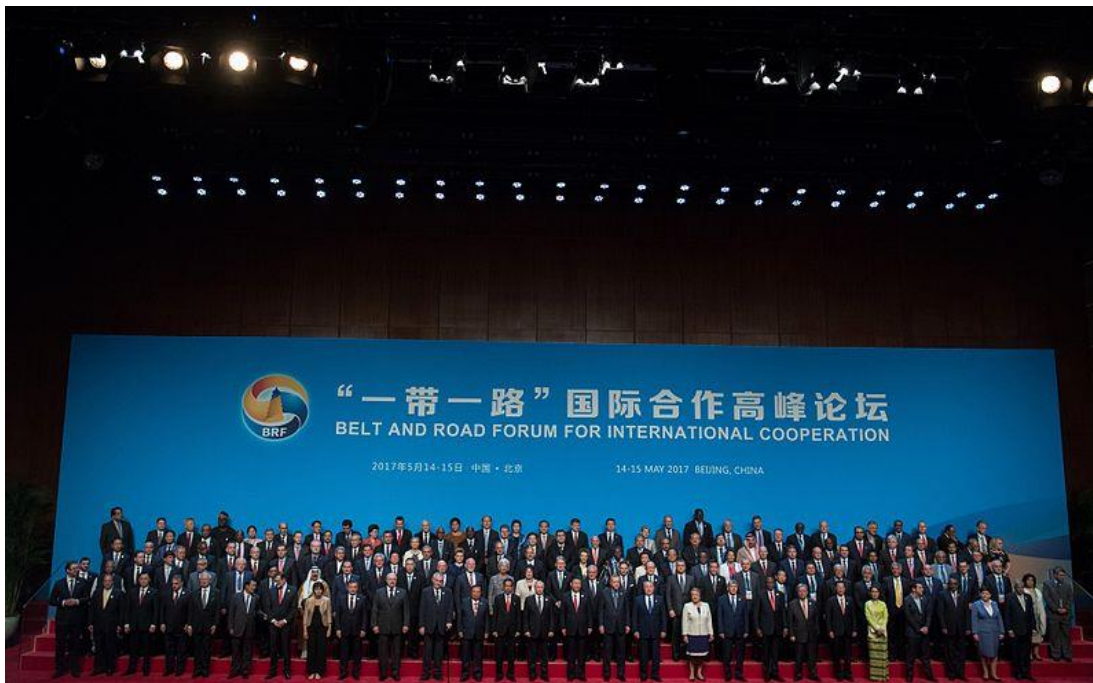
Industrial zones

Source: China investment Research

Section 1. What is BRI?

**2017: Belt and Road Forum for International Cooperation, on May 14–15, 2017 in Beijing.
Next forum planned in 2019.**

Belt and Road Forum for International Cooperation, on May 14–15, 2017 in Beijing



1. Funds

- US\$50 billion invested to date (figure varies)
- US\$78.2 billion committed

2. Focus

- Industrial development
- Financial integration and reform
- Infrastructure construction

3. Framework

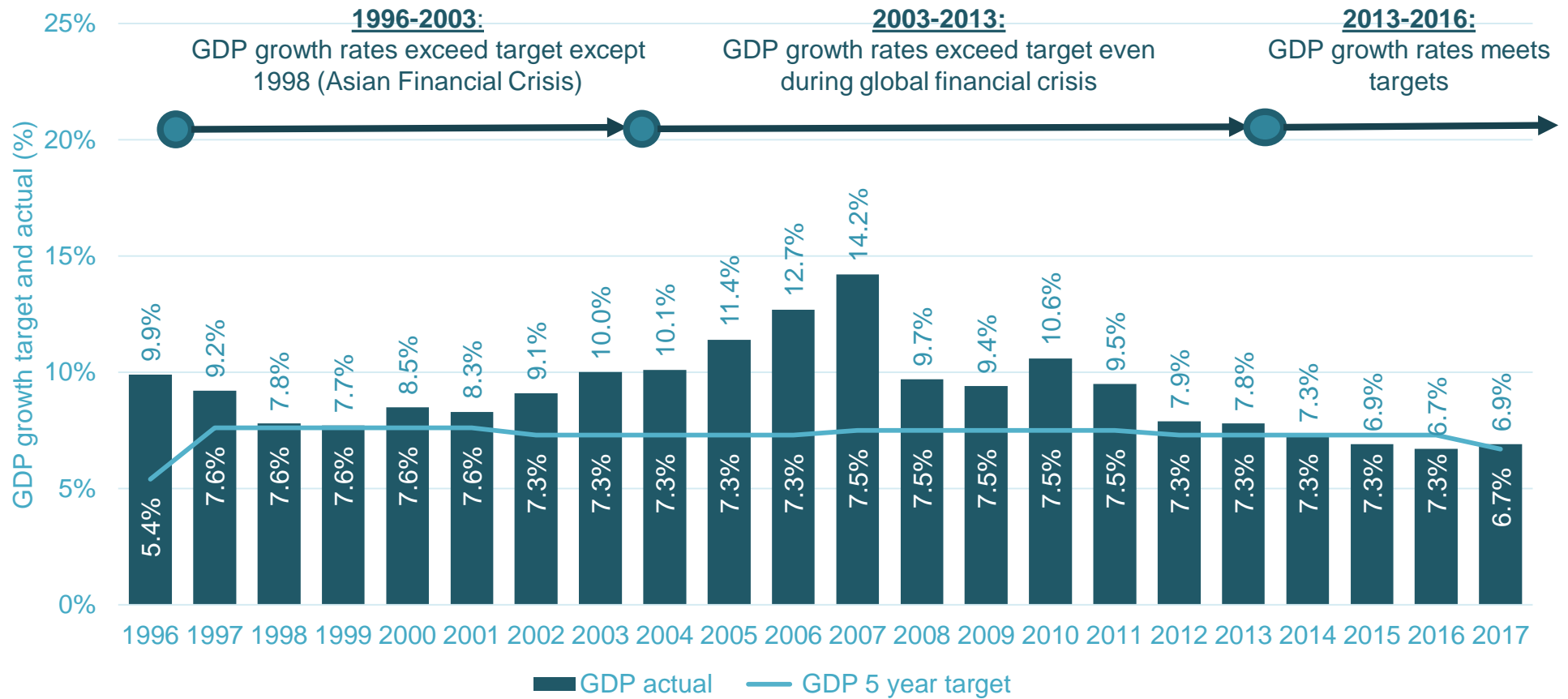
- Regional/global peace and security
- Mutual respect and non-interference
- Resolution of differences through dialogue
- Form new partnerships instead of alliances

Section 2. BRI Origins

Section 2. BRI origins

GDP targets and forecasts: How has China's economy fared?

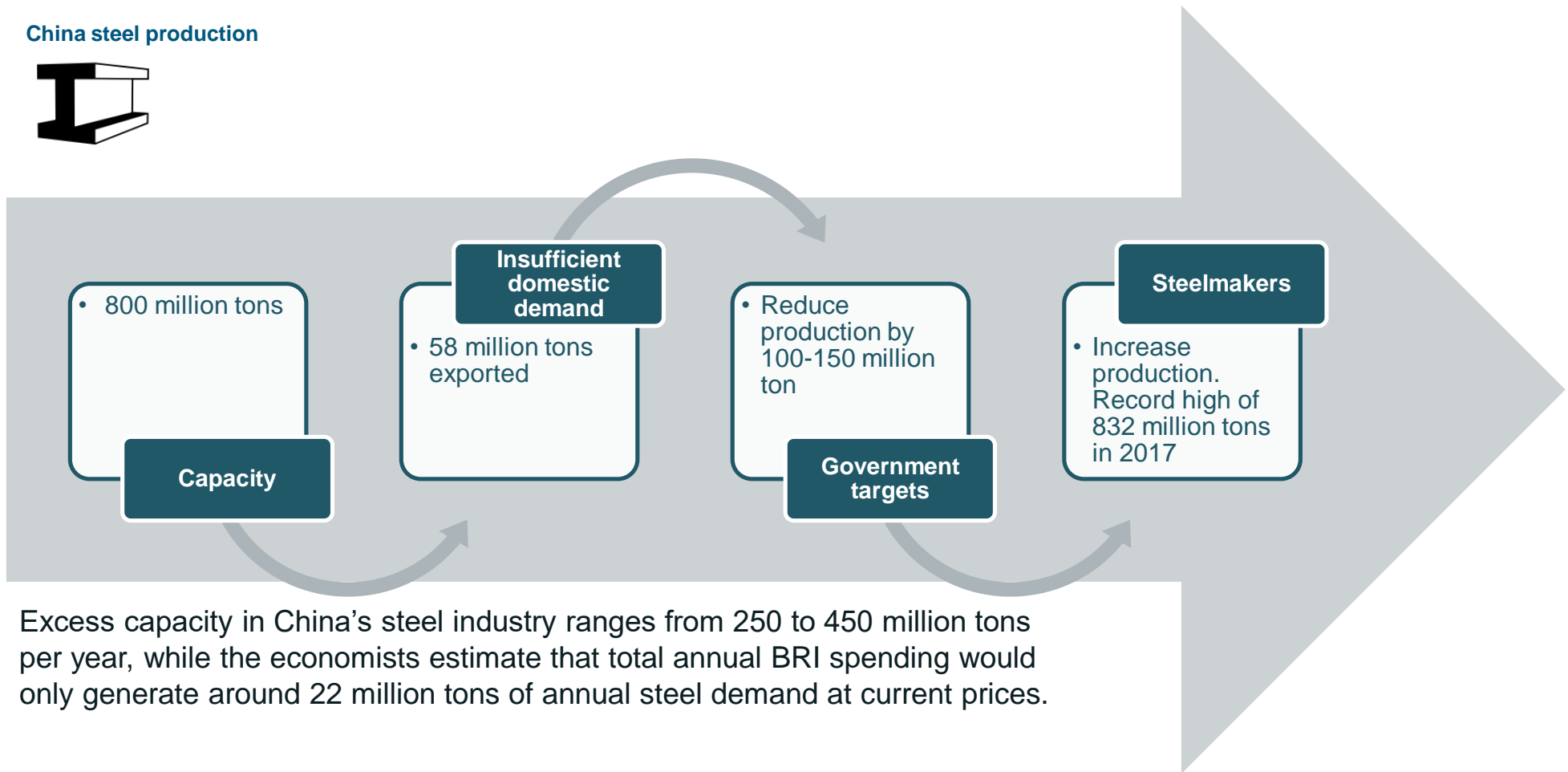
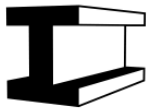
China GDP growth, target and actual, 1996-2016 (%)



Section 2. BRI origins

Period of liquidity resulted in over investment in capacity: Steel production in China during period of liquidity boom.

China steel production



Excess capacity in China's steel industry ranges from 250 to 450 million tons per year, while the economists estimate that total annual BRI spending would only generate around 22 million tons of annual steel demand at current prices.

Section 3. BRI today

Section 3. BRI today

BRI funding: Depends on location and nature of investment



Seaports



Bridge/roads



Land ports



Airports



Industrial zones

1

Equity



Investment by Chinese operators

2

Loans



Debt funds or G2G

3





Contracts



Construction

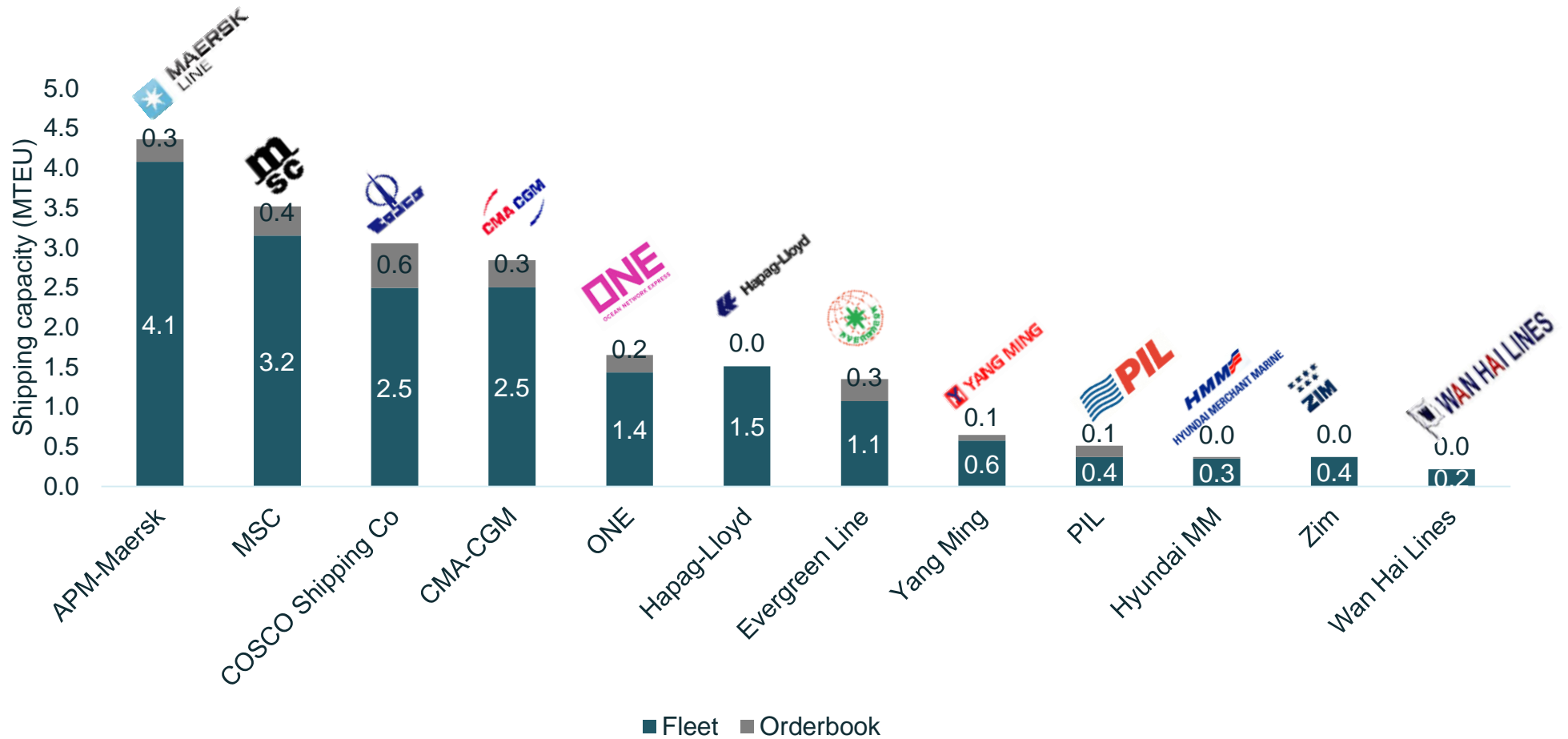
Section 3. BRI today

Comparison with infrastructure funds

Criteria	 Japan ODA	 World Bank	 ADB	 BRI
Funding	<ul style="list-style-type: none"> Funded by Ministry of Foreign Affairs of Japan US\$11.9 billion in 2017 	<ul style="list-style-type: none"> Funded by selling of bonds USA has the largest voting rights (not majority). US\$41.9 billion in 2015 	<ul style="list-style-type: none"> Funded by selling of bonds US\$28.9 billion in 2017 Japan and US are main donor 	<ul style="list-style-type: none"> Chinese government US\$78.2 billion committed.
Country	<ul style="list-style-type: none"> Focused on middle income Asian countries Vietnam, India are top recipients 	<ul style="list-style-type: none"> Developing countries 	<ul style="list-style-type: none"> Developing countries 	<ul style="list-style-type: none"> Countries with a financing gap
Due diligence process	<ul style="list-style-type: none"> Commercial basis Soft loans 	<ul style="list-style-type: none"> Commercial basis. Willingness to take on sovereign risk 	<ul style="list-style-type: none"> Commercial basis Provide guarantees, equity and mezzanine finance (a combination of debt and equity). 	<ul style="list-style-type: none"> Commercial basis Equity, loan, operational expertise, construction
Focus	<ul style="list-style-type: none"> 25% in infrastructure Increasing focus on education, health and population. 	<ul style="list-style-type: none"> Aims to reduce poverty 	<ul style="list-style-type: none"> Education, environmental, finance sector, regional connectivity and infrastructure 	<ul style="list-style-type: none"> Infrastructure

Section 3. BRI today

BRI in container shipping industry: Cosco moves up to 3rd position (for now). What is the long term plan?



Section 3. BRI today

BRI in ports: Many were invested prior to BRI initiative by the private sector



Source: News articles
1: Includes construction, operating rights, minority stakes.

Section 4. BRI opportunities

Section 4. BRI opportunities

Make an investment case, just not a commercial case

- 1 Promote trade
- 2 Sovereign interest
- 3 Security of food/commodities
- 4 Culture
- 5 Commercial

