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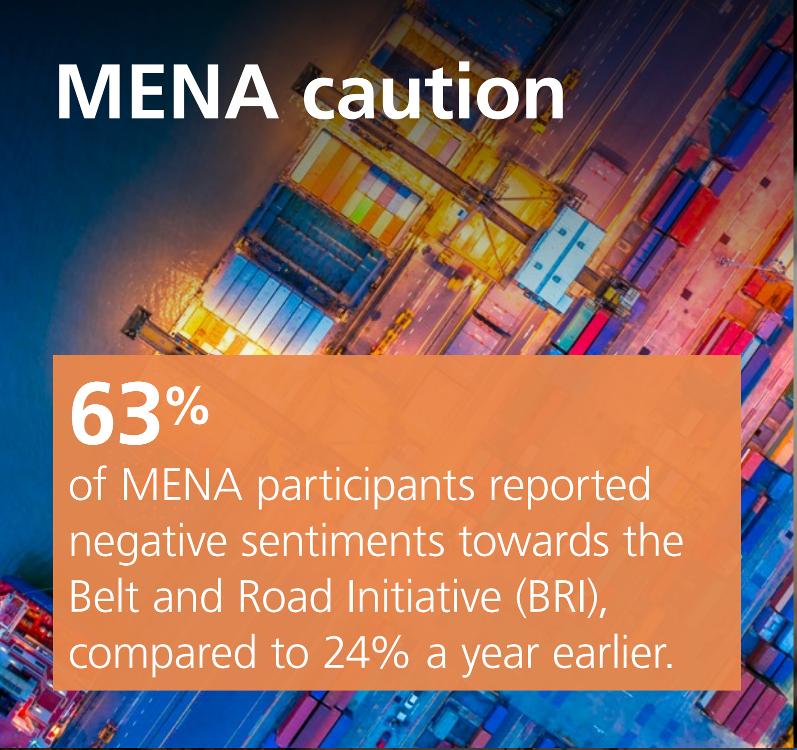
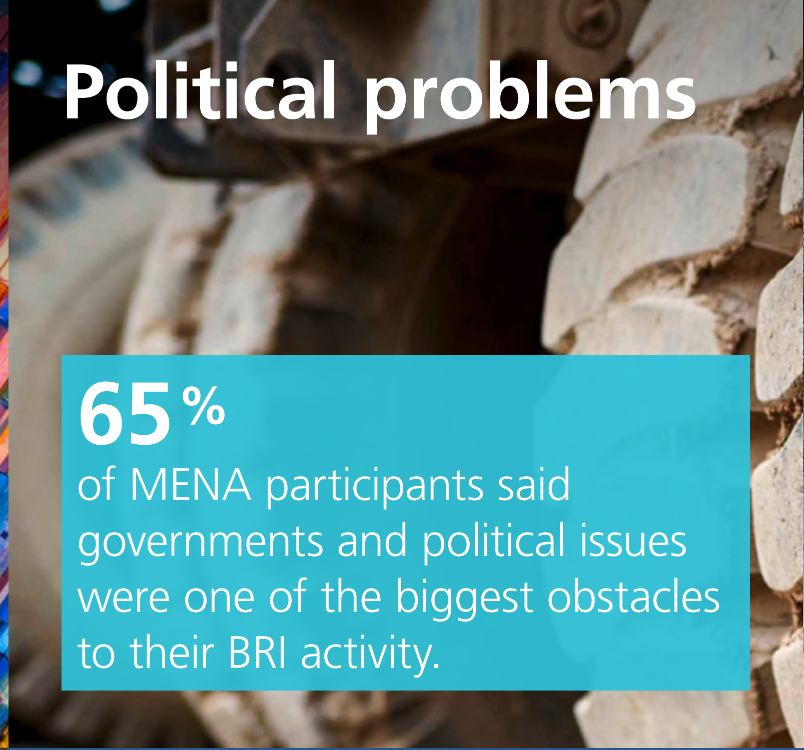
Belt and Road Initiative
The view from **the Middle East and North Africa**

2021



MENA caution

63%
of MENA participants reported negative sentiments towards the Belt and Road Initiative (BRI), compared to 24% a year earlier.



Political problems

65%
of MENA participants said governments and political issues were one of the biggest obstacles to their BRI activity.

BRI 2.0

Despite international caution, BRI 2.0 offers many possibilities. 51% of MENA respondents believe it will make BRI more open to non-Chinese participants.

Twin track?

Only **42%**
of MENA participants aimed to maintain or increase their involvement in BRI, compared with 90% from China.

Legal risk

A top risk for **59%**
of MENA participants and 71% of Chinese participants, legal and regulatory risk is a major concern in BRI projects.

Green focus

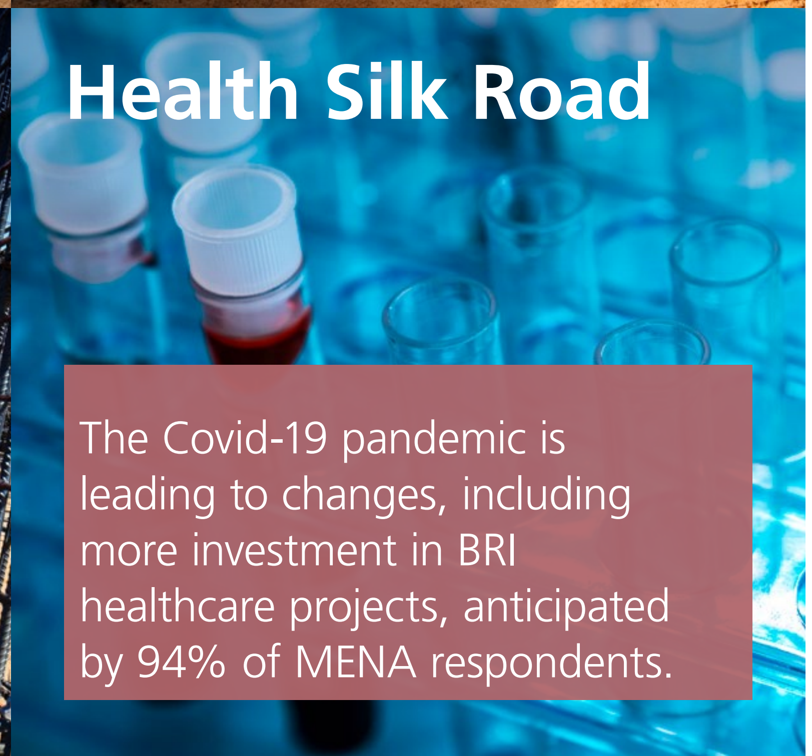
BRI 2.0 will help to promote the environmental priorities of many BRI participants, as well as new partnerships and more sustainable projects.

BRI challenges

71%
of MENA participants generally felt BRI involvement had been more challenging than they had expected.

Working together

77%
of Chinese participants would consider BRI joint ventures and partnerships. But only 49% of MENA participants felt the same.



Health Silk Road

The Covid-19 pandemic is leading to changes, including more investment in BRI healthcare projects, anticipated by 94% of MENA respondents.

Contents

Methodology

In the first half of 2020 Acuris, on behalf of CMS, surveyed 500 senior executives to gauge their views on various aspects of the Belt and Road Initiative (BRI). Of the 500 respondents, 75 were either based in MENA (the Middle East and North Africa) or predominantly working on BRI projects in the region, and are referred to in this report as 'MENA respondents' or 'MENA participants'. Another 100 respondents were from Chinese entities. All respondents were either currently active or planning to participate in BRI projects. In order to ensure confidentiality, the identities of all respondents will remain anonymous.

Terminology

The term 'MENA' is used in this report to refer to nations which are wholly or partly on the Arabian Peninsula; Iran; Israel, and the nations with which it has borders; and African nations with a Mediterranean coastline. While it does not include Turkey, in order to reflect Turkey's importance for BRI and its links to MENA, we have included an article about the Turkish Belt and Road on pages 40–43.

> In September 2013, Chinese President Xi Jinping proposed a Silk Road Economic Belt and in October, a 21st-Century Maritime Silk Road, together now referred to as the Belt and Road Initiative. The initiative attracted considerable attention from the international community and won a positive response from the countries involved. It integrates the historical symbolism of the ancient Silk Road with the new requirements of today. The initiative is a Chinese program whose goal is to maintain an open world economic system, and achieve diversified, independent, balanced, and sustainable development, and also a Chinese proposal intended to advance regional cooperation, strengthen communications between civilizations, and safeguard world peace and stability.
>
> *The Leading Group on the Construction of the Belt and Road, May 2017*

Belt and Road Initiative
The view from the Middle East and North Africa

China's Belt and Road Initiative may be the most ambitious development strategy ever.

Since it was launched in 2013, BRI has grown into a multifaceted global initiative. As well as creating infrastructure, it has sought to support priorities such as policy coordination, connectivity, unimpeded trade, financial integration, and connecting people.

There is no official database of BRI projects (and no international consensus on exactly what constitutes a BRI project), but most observers believe that over 3,000 have already been started.

By the end of 2020, China had signed 202 BRI agreements with a total of 138 nations and 31 international organisations. MENA nations have been keen to participate, and the region has already seen significant BRI-driven infrastructure development.

China continues to develop trading relationships across the region, and Chinese companies continue to win MENA contracts. But as the global pandemic rages, and trade and globalisation are buffeted by tariff wars and geopolitical tensions, the longer term future for BRI is unclear.

Building on a major new survey of BRI participants, we are publishing a series of reports – of which this is the fourth – to assess the challenges for BRI and the steps that BRI participants can take to achieve both success for themselves and a positive future for BRI.

At the time of writing, China's economy is weathering the pandemic better than most others. It achieved a record trade surplus in December 2020, with GDP growth of 2.3% for the year. To some extent this augurs well for the future of BRI and Chinese investment in BRI nations. But, as our report shows, a greater impact may come from China's pivot towards greener and more sustainable principles for BRI, and an increasing emphasis on the Digital and Health Silk Roads.

We should like to thank all those who participated in our survey, and in particular our interviewees in this report: Mohammed Atif and Graham Griffiths. We are also delighted to have been able to cooperate with David Gu of leading Chinese law firm TianTong.

We hope you find this report interesting and would be delighted to discuss any of its contents further with you.

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MENA: A crossroads for BRI

Key points

- We found diverging attitudes to BRI, with international enthusiasm – including MENA enthusiasm – weakening more than Chinese support.
- MENA participants have found the BRI process harder than those from China, and report lower levels of satisfaction with the outcome.
- Partnerships and joint ventures can be highly effective in BRI projects but many have caused problems for participants, from both MENA and China.
- Despite these issues, nearly one-third of MENA respondents expect to increase their involvement in BRI.

MENA is a key region for China, which has extensive and well-established connections with various MENA nations.

China is the world's biggest importer of crude oil, and in 2019 44% of those imports came from the Gulf, with Saudi Arabia alone supplying 16.8% of China's total imported crude. While a shift towards renewables may have a long-term impact on this (see below), in the short and medium terms the region will remain crucial to fulfilling China's energy needs.

It also forms an important part of China's trade route jigsaw, with the Gulf in particular a strategic crossroads.

These considerations made it inevitable that MENA would be a significant part of BRI. It has already been the location for a number of major and strategically important BRI projects. However, not all nations in the region have embraced BRI equally. And some – particularly those in various degrees of turmoil, such as Syria, Libya and Yemen – present significant challenges to any potential Chinese involvement.

Wider geopolitical issues also weigh on BRI in MENA. Chinese engagement with Iran, for example, has been a sensitive issue for the Trump administration, and at the time of writing it is not clear how the accession of the Biden administration will affect this. The global pandemic, too, has dampened enthusiasm for some developments – while, as we note below, opening the door for others.

There is ample potential for infrastructure development in MENA. According to the World Bank, the region needs to spend 8.2% of GDP to meet its infrastructure goals by 2030, compared with the 3% spent annually over the previous decade.

BRI has the potential to help close that investment gap. But what are its prospects going forward? And how enthusiastic will potential participants be about it?

Enthusiasm for BRI

Which of the following best describes your organisation's intentions regarding involvement in BRI-related projects?

	China	MENA	Rest of World
Decrease significantly	5%	31%	29%
Decrease moderately	5%	27%	20%
Remain the same	22%	11%	14%
Increase moderately	37%	24%	25%
Increase significantly	31%	7%	12%

In overall terms, what was the sentiment of your organisation regarding BRI 12 months ago?

	China	MENA	Rest of World
Very negative	0%	5%	3%
Negative	5%	19%	14%
Neutral	27%	44%	49%
Positive	65%	32%	32%
Very positive	3%	0%	2%

What is it now?

	China	MENA	Rest of World
Very negative	10%	43%	37%
Negative	14%	20%	14%
Neutral	32%	17%	24%
Positive	43%	20%	24%
Very positive	1%	0%	1%

How would you rate the process of participating in BRI-related projects, based on your experience?

	China	MENA	Rest of World
Easier than expected	8%	4%	2%
As expected	52%	25%	29%
More challenging than expected	40%	71%	69%

Generally, what has been your level of satisfaction in terms of the process and outcome of your involvement in BRI projects?

	China	MENA	Rest of World
Very unsatisfied	11%	27%	24%
Moderately unsatisfied	2%	33%	22%
Neutral	12%	7%	16%
Moderately satisfied	52%	24%	28%
Very satisfied	23%	9%	10%

Have you participated in a partnership/JV as part of your involvement in BRI projects?

	China	MENA	Rest of World
No	31%	56%	49%
Yes	69%	44%	51%

Would you consider such partnerships in the future?

	China	MENA	Rest of World
No	23%	51%	52%
Yes	77%	49%	48%

How would you rate the overall experience of working with Chinese partners/JVs?

	China	MENA	Rest of World
N/A	0%	4%	1%
Very negative	6%	12%	16%
Moderately negative	1%	12%	17%
Neutral	29%	36%	37%
Moderately positive	59%	36%	28%
Very positive	5%	0%	1%

How would you rate the overall experience of working with cross-border, non-Chinese partners/JVs?

	China	MENA	Rest of World
N/A	9%	16%	1%
Very negative	4%	3%	2%
Moderately negative	23%	3%	11%
Neutral	30%	38%	46%
Moderately positive	30%	38%	36%
Very positive	4%	2%	4%

Have you encountered any differences in working with Chinese partners/entities on BRI projects compared to non-BRI projects?

	MENA	Rest of World
N/A	4%	3%
No	35%	39%
Unsure	3%	0%
Yes	58%	58%

If yes, was it generally easier or more difficult to work with a Chinese partner/entity on a BRI project compared to a non-BRI project?

	MENA	Rest of World
Neutral	18%	13%
Moderately more difficult	34%	37%
Much more difficult	48%	50%

Attitudes to BRI

Our research suggests that only a minority of investors and businesses in MENA have a growing appetite for BRI projects.

About one-third of MENA participants (31%) told us they will be increasing their involvement in BRI-related projects, with more than half (58%) planning to scale back participation.

This is markedly different from China, where only 10% of participants intend to become less involved, while more than two-thirds (68%) anticipate greater involvement going forward. It also shows a somewhat more negative view than the average from other regions, where just under half (49%) of participants say they will reduce their involvement in BRI, with 37% planning more.

Such caution reflects a broader deterioration in sentiment towards BRI. According to our MENA respondents, over 12 months the percentage of their organisations with a negative view of BRI rose from 24% to 63% (compared with only 24% in China).

This shift in attitude is partly due to geopolitical tensions, and possibly to the Covid-19 pandemic. But it also reflects the experience of participants in some previous BRI projects. For instance, 71% of MENA participants say they generally felt their BRI involvement was more challenging than they had expected, compared with 40% of Chinese respondents.

The majority of MENA respondents (60%) were also unsatisfied with the process and outcome of their involvement in BRI projects. Says a senior executive from a regional transport infrastructure operator: "The process has not yielded the results that we expected. Even when it came to construction of the [asset], it was fraught with disputes and unexpected interference from authorities and allied governments."

As noted below, political risk is a significant concern for BRI projects in the region. Some participants are also quick to suspect political intervention from China, even when pressure may actually be coming from other parties or factors. And some Chinese participants may let their non-Chinese partners assume that problems are the result of official intervention, rather than management difficulties. But this type of perceived risk causes many businesses anxiety, and Chinese entities that can help their non-Chinese partners attain reasonable expectations in this area are likely to find that their long-term cooperation is much more satisfactory.

Our research indicates that investors and contractors can generally reach better outcomes through clearer communication and by planning project milestones and goals well ahead of time. "We've had some problems coordinating with officials and initially we were not able to comprehend the main expectations and timelines for completion. We are used to a more thorough planning pattern," says the CFO of a UAE real estate developer.

MENA participants said

31%

had plans to increase their involvement in BRI-related projects.

Working together

Joint ventures and other partnerships are well suited to BRI projects. Pooling resources and knowledge can help to mitigate risk, share skills, encourage local acceptance and move projects forward more rapidly. But some MENA participants still find them unappealing.

MENA respondents who have had partnerships or JVs with Chinese entities tend to be positive about them, with more regarding them as positive (38%) than negative (26%). The managing director of a transport infrastructure contractor in a Gulf state sums up the attraction of such arrangements. "We have partnered with organisations in the financial and industrial sectors and this has led to speedier resolution of challenges and improved potential for returns. We plan to continue with such partnerships as they help us to mitigate global business risks."

However, a majority of MENA respondents (58%) have noted differences in working with Chinese entities on BRI projects compared with non-BRI projects. A massive 82% of those respondents found it more difficult than cooperation on non-BRI projects, with 48% of them finding it much more difficult.

A frequent complaint is that Chinese partners have tried to move too quickly on BRI projects or been over-ambitious, leading to inadequate planning, discussion or resourcing. "Chinese entities we've dealt with are usually more cautious, but with BRI projects they did not display these traits. Rather they were over-emphatic about carrying on with projects despite potential legal and social threats," says one senior executive from a multilateral development bank.

According to a director from a Saudi infrastructure investment business: "Chinese firms usually have a clear picture about opportunities and constraints, but they have not been able to apply their usual concepts and scope to maximise the value of BRI projects."

However, our Chinese respondents likewise mention areas where foreign partners could have made improvements, like the director of a Chinese fund who lamented a "lack of trust", and the Hong Kong infrastructure operator who observed that "cultural issues became evident as soon as the initial talks began, and did raise some serious concerns on compatibility."

Some Chinese respondents also mention a mismatch between the capabilities of their own well-resourced entities and those of their project partners. "Because of this there have been pushbacks," said one Chinese executive, "making the prospects more complicated than we had initially expected."

MENA participants said

49%

of MENA respondents would consider partnerships or joint ventures as part of their involvement in BRI projects.

Chinese involvement in MENA projects

In 2018 China announced what it termed an "industrial park-port interconnection, two-wheel and two-wing approach," comprising strategic cooperation with various MENA states in a range of economic and technological areas.

The 'interconnection' part of the concept involves integrating the construction and operation of China's major industrial parks in Egypt, Oman, Saudi Arabia and the UAE with the development of neighbouring ports, and longer term plans for regional transportation networks, including railways.

The two 'wheels' are traditional energy (i.e. oil and gas) and low carbon energy. The two 'wings' are science and technology (including AI, 5G and space technology) and finance (including the mobilisation of funds from various sources for BRI projects).

The concept is geared to mesh with both China's need for hydrocarbons and its aim to grow export markets, and the desire of many MENA nations to industrialise and diversify their economies.

Does this concept help us understand Chinese involvement in MENA? It accommodates many of China's principal interests in the region. But – as with BRI more widely – boundaries are vaguely drawn, and many projects do not fit neatly into the model.

Here we look at some of the projects China has been involved in across the region, as well as some proposed projects and more general prospects.

Algeria

China and Algeria have had strong ties for decades. High-profile projects with Chinese involvement in Algeria have included the new Algiers Opera House (built as a 'gift' from China), the recently completed Djamaâ el Djazaïr mosque (the third largest in the world), and much of the East-West (A1) Highway, which runs the breadth of the nation, from the Moroccan border to the Tunisian border.

Other projects involving Chinese parties include the new commercial port of El Hamdania, and the new terminal at Algiers airport. In 2020 China State Construction Engineering Corporation was awarded both a USD 500m contract to design and build a 700-bed hospital, and the contract for a distribution centre to serve a hospital it had built previously.

"BRI projects in key areas will enjoy more favourable terms. The Chinese government is trying to accelerate the rate of rebuild to create more sustainability in economic conditions."

Banker, China

Bahrain

Bahrain has also had a positive relationship with China for many years, but the USD 691m contract awarded at the end of 2019 to China Machinery Engineering Corporation for a government-subsidised housing development is its first major BRI project. Bahrain is transforming itself into a hub for innovation that will be attractive to Chinese start-ups and tech companies, and some commentators expect to see more Chinese participation in projects linked to Bahrain's 'Economic Vision 2030'.

Egypt

The most prominent Chinese project in Egypt is the central business district of the country's new administrative capital, the final tranche of funding for which the Egyptian government reportedly agreed recently with Chinese banks. Led by China State Construction Engineering Corporation, the project includes the 385-metre Iconic Tower, which will be Africa's tallest skyscraper.

Other projects that have received publicity in recent months include:

- the signature by a subsidiary of PowerChina of an EPC contract for the 2,389MW Luxor Power Plant;
- the agreement between the Suez Canal Authority and an Egyptian-Chinese JV of a plan for the development of industrial projects in Ain Sokhna;
- the award to an Egyptian-Chinese consortium of the contract for a USD 9bn 543km high-speed rail link connecting Ain Sokhna and Alamein; and
- the signature by a Chinese consortium of the contract for the second and third (largely Chinese-funded) phases of the light rail project linking 10th of Ramadan City to the new administrative capital.

Egypt has been one of the strongest regional destinations for BRI investment. In particular, the China-Egypt TEDA Suez Economic and Trade Cooperation Zone is a major BRI project on the Red Sea. The Suez Canal is, of course, a key trade route. As long ago as 2005, Cosco negotiated the purchase of a stake in the Suez Canal Container Terminal at Port Said which, serving the Economic Zone, is now part of the 'industrial park-port interconnection'.

Like Bahrain, Egypt has a 'Vision 2030', launched in 2016. It has ambitious targets, and 77 different programmes and projects, ranging from the new administrative capital to the development of cloud computing and the construction of bunkers for cereals. Fulfilling the vision will require high levels of FDI for the next decade, as well as extensive international cooperation.

Iran

Iran and China have reportedly drafted a 25-year economic and security partnership that will facilitate Chinese investment into Iran in return for a regular – and discounted – supply of Iranian oil. The details have not been made public, but this appears to be similar to China's earlier agreement with Iraq (see below). The agreement is said to have been approved by Iran's cabinet, and may have been approved in China. The secrecy around it may partly reflect the sensitivities inherent in doing business with Iran at a time of US sanctions.

If reporting of the deal by the New York Times and other sources is correct, China's investments would be across the Iranian economy, taking in infrastructure projects such as airports, high-speed railways and subways, as well as financial modernisation, 5G technology, energy projects, security cooperation etc. China would also develop free trade zones in Maku and Abadan, and on the island of Qeshm. A tentative value for the mooted projects is USD 400bn.

Iraq

In 2019 Iraq and China concluded an agreement that gave Iraq access to BRI projects in return for oil. The proceeds from the sale of 100,000 barrels of crude oil per day are used by the Chinese government to fund infrastructure projects executed by Chinese companies. Iraq's priority sectors for projects predominately relate to transportation, although the country does have other BRI projects underway, such as the Baghdad South Combined Cycle Power Plant, for which Sinohydro recently signed a USD 837m EPC contract.

> "China is unlikely to reduce its emphasis on BRI. They have been driving forward countries to continue with projects, offering more support if needed."
>
> **Banker, Egypt**

The Israeli Belt and Road

China is Israel's second biggest trade partner, and the two nations have enjoyed strong links for many years. BRI has seen growing numbers of Chinese companies enter the Israeli market. Similarly, an increasing number of Israeli companies are making connections with Chinese partners.

Chinese companies have worked on a number of significant infrastructure projects in Israel, including the Carmel Tunnels in Haifa and tunnels on the Akko-Karmiel railway, as well as the light rail system currently under construction in Tel Aviv. But the most prominent Israeli Belt and Road projects to date have involved Mediterranean ports: the concession to develop and expand the deep-sea private Haifa Port that was awarded to Shanghai International Port Group, and the construction of new container terminals in the port of Ashdod by China Harbor Engineering.

China has made numerous other investments in Israel, including many in the tech sector. The emphasis on investment rather than acquisition is changing but evidences a broader willingness to partner, rather than to own. There have also been various initiatives to broaden and deepen Chinese-Israeli relations, especially in areas such as R&D, technological innovation and academic cooperation.

Israel's human capital, developed economy and stable business environment make it an attractive long-term proposition for BRI projects. And as well as occupying a strategic location, with both Mediterranean and Red Sea coastlines, Israel has a hi-tech orientation that can help China meet its technological needs.

Israel is also interested in the opportunities BRI presents for participation in projects involving other areas where it has proven expertise, such as agritech and water tech.

Investing in Israel

Israel is economically stable. In recent years, the economy has offered a rare combination of the growth of an emerging market with the risk profile of an advanced economy. The recent 'Abraham Accords' with the UAE, Bahrain, Sudan and Morocco can only make Israel even more attractive to Chinese investors.

The Israeli legal system reflects the nation's history, combining elements of Ottoman law with British Mandate regulation and the statute books of a modern democracy. The judiciary is strong and independent, and offers a predictable arena for dispute resolution, although court processes are slow.

Foreign investment is not generally restricted, other than for investors connected with hostile nations and investments in certain controlled entities, although in 2019 an advisory committee was established to examine the national security aspects of prospective foreign investments. There are no exchange control or currency impediments to investment and Israel's double tax treaty coverage is good and growing.

Jordan

Chinese entities have participated in the financing and building of the Attarat oil shale power plant – the largest in Jordan and reportedly the second largest of its type in the world. It will supply up to 15% of the nation's energy needs, making it an extremely important project in a country with few energy resources.

Kuwait

Kuwait was one of the first nations to sign up to BRI – an accession followed in 2018 by the establishment of a strategic partnership, intended to help Kuwait diversify its economy and find opportunities for investment. Like several nations in the region it has an ambitious development plan: in this case, Kuwait Vision 2035.

Predating the Vision, but now a flagship for it, the USD 86bn Silk City (Madinat al-Hareer) is a huge project in the northern desert area of Subbiya. In 2019 Kuwait and China signed an MoU to that was intended to launch the first phase of its construction. However, at least one of the smaller projects that make up Silk City– the Mubarak Al Kabeer Port project – has since been put on hold because of budgetary issues arising from the pandemic and the fall in oil prices during 2020.

Chinese businesses have also worked on projects such as the Al Mutlaa Residential City which, when complete, will house 400,000 people. Another major project currently underway is the USD 13bn Al Zour refinery project, which is being constructed by a consortium including Sinopec.

It is not yet clear whether the death in December 2020 of Sheikh Nasser Sabah Al Ahmed Al Sabah, the principal architect of Kuwait Vision 2035, will affect the country's infrastructure development strategy.

Lebanon

Hezbollah has claimed that China is prepared to back various BRI projects in Lebanon, including a railway, power plants, a national energy grid and the modernisation of its ports. However, whether the political situation in the country will see any of these partnerships realised is unclear. The country's immediate priority is reconstruction in Beirut after the massive explosion in the city's port area on 4 August 2020, but this has also been delayed by political gridlock. Whether Chinese entities are likely to be involved is again unclear. Reports suggest that the first wholly Chinese-backed project in the country is the far less controversial USD 62m national higher conservatory in Dbayeh, whose construction began at the end of 2020.

Libya

China was at one time involved in numerous infrastructure projects in Libya. It continues to access Libyan oil, but in most other respect its development activities in the country have been very limited since the civil war began in 2011. There is a widespread assumption that it anticipates extensive involvement in post-conflict reconstruction.

"The Health Silk Road will be viewed with renewed interest, and projects will take shape in the next couple of years."

Israeli contractor

Morocco

The biggest project with Chinese involvement in Morocco is the Mohammed VI Tangier Tech City, a smart city due for completion in 2027. As well as using some Chinese finance and contractors, the smart city has attracted Chinese companies seeking space in the region. Nearly 200 – in sectors ranging from food through automotive to renewable energy – have announced plans to open operations there. Just a few miles from Spain, the city will be well positioned for trade with the EU. The most prominent project to have been completed with Chinese involvement is the first stage of the Noor solar power complex which, when fully complete, is expected to be the world's largest.

Oman

The key BRI project in Oman has been the huge USD 10.7bn development of the port of Duqm, with the creation of a related industrial city. Part of the Duqm Special Economic Zone (which is reportedly planned to be the largest special economic zone in the region), the 'Sino-Oman Industrial City' will eventually have an oil refinery and methanol plant, as well as automotive factories and plants manufacturing oil, gas and solar energy equipment.

Oman has seen other BRI projects too, notably the USD 400m contract for China Chemical Hualu Engineering Company to build the nation's first bitumen refinery, as well as projects including road construction and broadband rollout. Chinese investments have included the purchase by China's State Grid of a 49% stake in Oman Electricity.

Qatar

Qatar was one of the first nations to sign a BRI MoU with China, as well as being a founding member of the China-led Asian Infrastructure Investment Bank. It is also China's second largest source of LNG. (In 2020, China State Shipbuilding Corp won a USD 2.8bn contract to supply LNG tankers to Qatar Petroleum.) China has previously said it hopes to integrate BRI with Qatar's 2030 National Vision.

A variety of Chinese businesses have invested in Qatar, and Chinese and Qatari entities have cooperated in various projects in other BRI countries, typically allowing Qatari funds to invest there. The two nations have cooperated in areas ranging from security to tourism.

China Harbor Engineering worked on Hamad Port, and China Railway Construction Corporation on the Lusail Football Stadium for the FIFA World Cup in 2022. Various Chinese companies have worked on Qatar's Mega Reservoirs project, reportedly the largest such scheme anywhere in the world.

Saudi Arabia

The status of Saudi Arabia as an 'energy superpower' – as well as its strategic location between the Red Sea and the Gulf – make it an important nation in BRI. Like some of the region's other resource-rich nations, it can finance many of its projects domestically. The kingdom's Public Investment Fund alone invested about USD 15.5bn in the country during 2019, and has pledged to increase that to at least USD 40bn annually over the next five years. But to complete all the 'gigaprojects' in its Vision 2030 economic plan, as well as the economic diversification that is central to the plan, Saudi Arabia still requires significant foreign investment, as well as international JVs and partnerships, and risk and knowledge sharing.

Chinese companies have been involved in a number of significant Saudi projects – some predating BRI, such as the Mecca light railway, constructed and still run by China Railway Construction Corporation. There have also been important joint ventures, such as the oil refinery in Yanbu established by Sinopec and Saudi Aramco (which has since been named as a source of feedstock for another Sino-Saudi JV in Yanbu, a USD 5.6bn petrochemical plant due in 2024).

In March 2017 USD 65bn of trade and investment deals were signed when King Salman visited Beijing. In February 2019, on another trip to Beijing, Crown Prince Mohammed bin Salman signed USD 28bn more. Such deals range from MoUs promising cooperation in a particular field to agreements on projects such as the development by Chinese conglomerate Norinco and energy giant Saudi Aramco of a major refining and petrochemical complex in north-east China. These deals

"Cooperation from countries that have previously been sceptical about BRI would be appreciated. They should look at this initiative as a joint undertaking, since China has agreed to majority funding and is looking to improve intercontinental relations."

Banker, Morocco

followed the signing of a comprehensive strategic partnership between the two nations during President Xi Jinping's 2016 state visit to Saudi Arabia.

Chinese entities have also invested in Saudi ones, and vice versa: e.g. in 2019 China's Silk Road Fund bought a 49% stake in the renewable energy arm of major Saudi energy company Acwa Power (which had already worked with the fund on various projects in the region).

Some Chinese projects blend energy and tech expertise, such as State Grid Corporation of China's USD 1.1bn contract for the installation of 10m smart meters. Chinese tech businesses such as Huawei have signed various agreements with Saudi companies and authorities to develop assorted digital initiatives. China and Saudi Arabia are also participating in joint nuclear projects, having signed several MoUs in August 2017.

As noted above, one of China's four main regional industrial parks is in Saudi Arabia, at Jazan Industrial City in the south-west of the country.

Syria

China is widely expected to participate in postwar reconstruction in Syria. At the end of 2019, Bashar Al-Assad said the country had already proposed several projects to Beijing. But while China has provided some aid, it appears not yet to have committed to any major infrastructure work.

Tunisia

Some BRI projects are underway in Tunisia – the largest realised to date is probably the university hospital in Sfax. Sinohydro is building a dam in El Kef province, scheduled for completion next year. Various other schemes have been agreed, including the development of the port of Zarzis, a railway between Gabès and Médenine, and a plant for the Chinese state-owned SAIC Motor Corporation. Tunisia has also signed an MoU with Chinese entities to develop solar energy and import Chinese solar power equipment.

United Arab Emirates

China said in October 2020 that it will work with the United Arab Emirates to deepen their existing comprehensive

> "Renewable energy markets are being evaluated to support solar power and wind power projects that will prioritise environment and safety."
>
> **Corporate finance director, Saudi Arabia**

strategic partnership. The status of Dubai as a financial and legal hub makes it a key part of BRI in MENA. China's largest banks have their regional headquarters in the Dubai International Financial Centre (DIFC), as do other major Chinese businesses. (In 2020 DIFC signed an MoU with China's Jiaozi Fintech Dreamworks to collaborate on fintech.) According to the UAE's ambassador to China, there are now more than 6,000 Chinese companies investing or conducting business in the UAE, and the UAE has participated in more than 650 projects in China.

Chinese businesses have worked on residential projects in Dubai, notably with China State Construction Engineering Corporation's building of Motor City. Dubai has also attracted Chinese entities to infrastructure projects, particularly in energy. These have ranged from the Mohammed Bin Rashid Al Maktoum Solar Park, whose fourth phase is the largest single-site concentrated solar power plant in the world, to the JV between Harbin Electric International and Acwa Power that is building build the Hassyan Clean Coal project, the region's first clean coal plant.

While much of China's activity in the UAE has been in Dubai, Abu Dhabi has also seen major projects, such as the world's largest single-project solar scheme, the 2GW Al Dhafra PV2 project, currently being built by a consortium of Chinese firm Jinko Power and EDF Renewables.

Abu Dhabi's Khalifa Port is important for BRI connectivity: in 2016 China's Cosco Shipping Ports was given a 35-year concession to develop and operate its container terminal. Near the Khalifa Industrial Zone, which has seen heavy Chinese investment, Khalifa is one of the ports identified as key for the 'industrial park-port interconnection'.

Other major projects are still in the pipeline: China's East Hope Group reportedly has plans for USD 10bn of investment in the Gulf, most of which would go to aluminium and non-ferrous metal processing facilities in the Khalifa Industrial Zone.

Yemen

Before the civil war in Yemen, China had provided various aid and loans to the country. The conflict derailed Chinese plans for infrastructure developments (including the upgrading of ports) and energy projects. China has said it will participate in future reconstruction efforts.

"More enthusiastic participation by developed economies would really boost the stability and swiftness of completion."

Contractor, UAE

Interview: Mohammed Atif, DNV GL

Mohammed Atif, Regional Manager, Middle East & Africa at DNV GL, talks about the prospects for BRI in MENA, the growth of megacities and the importance of ESG in infrastructure projects.

What's your involvement in BRI projects?
We are energy advisors. We provide third-party assurance and advise on technical and economic due diligence. In terms of BRI, we fulfil a number of functions – for example, providing due diligence for investors.

What are the main differences between BRI projects and other projects that you advise on?
In general, BRI projects are larger and more comprehensive. They tend to be fully packaged out. When we've come across some of these projects, it's very rare that we'll do small scopes or small inputs.

What MENA countries have the most opportunities for BRI?
If you had asked me this question one or two years ago, it would have been easier to answer. Things are very dynamic now, with local and global shifts. There is also a lot of political decision-making behind BRI projects. We see shifts, and these shifts result in different country focuses.

For example, in the last few years, Sub-Saharan Africa was very popular, but now we're seeing a shift to MENA. GCC countries are attracting attention, particularly through joint ventures and partnership-type approaches. North Africa – in particular, Egypt – is also attracting quite some attention. It's emerging into a very big market.

What will attract more international businesses to participate in these BRI projects?
Consumption and demand growth will attract these businesses. If there's a scarcity in demand, opportunities shrink and there's more conservatism. In terms of involvement from a BRI perspective, consumption growth determines the scale and success of different parties collaborating. That's what allows more collaborations to take place. For Africa and the Middle East, at least in the medium term, the return of growth in consumption is very important. Greater international investment will rely on a recovery in consumption.

What sectors do you see as being highest growth?
It is obviously country and region specific. From an African perspective, you definitely have a trend of population growth to feed the megacities of the future. Many of the world's future megacities will sprout up in North Africa in particular. With that concentration of population, urban infrastructure requirements are going to be paramount

Buildings, roads and highways, flyways – these types of things will be in demand. In some regions such as the Middle East, there will be more demand for cleaner, more sophisticated public transport such as high-speed magnetic trains. I am bullish on public transport, which is part of decarbonisation and a more sustainable future. Mobility will continue to attract investment.

There will also be massive growth in renewables. Investment in wind and solar is going to be prevalent. And we'll still see significant growth for interconnectors – the higher voltage lines, the HVDC and the undersea cables to interconnect countries. Countries see that as a way of maximising the efficiency of the stock of resources or power generation they already have and a way of sharing reserve.

How do projects maintain end-to-end sustainability?
There are many aspects to ESG. You need to ask questions. From a corporate level, are your offices net zero? Do you have a good gender balance in your workforce? Are your governance systems ISO-certified?

When we say ESG a lot of people will think of these aspects but, in the new world, it goes much further. And that means more questions. You may have a net-zero building but how did you get there? How were you treating your labour force? What raw materials did you use and where were they sourced?

We're now looking at the whole chain and this is where Big Tech comes in. One of the big factors that is going to enable and empower ESG globally is going to be the use of blockchain technology – which will allow that open, public ledger, which is not controlled by any central organisation, so it is completely transparent. This means investors can understand where your materials are sourced from, how they are verified and what the verification process is. All of that combined – the digital technology, the complete value chain, what we're doing and how we're doing things – is going to put ESG at the centre of projects.

The impact of Covid-19 on BRI projects

Covid-19 has had a massive impact on the global economy. Inevitably, the pace and scope of BRI projects have also been affected, although China has been keen to emphasise that many BRI activities are continuing.

According to official Chinese data, in the first 11 months of 2020:

— China's non-financial outbound direct investment (ODI) was down 3.1% year-on-year. About USD 16bn of it was into countries participating in BRI, a figure up 24.9% year-on-year, accounting for 16.8% of total ODI.

— While the number of major foreign engineering projects increased, the total contract value of newly signed projects (in all nations, not only those in BRI) was down 3.7% year-on-year.

New BRI projects are clearly still happening. But there have been project delays and cancellations – particularly in the earlier stages of the pandemic – with supply chains and travel disrupted and, in some cases, workers unable to continue on site. In June 2020, the Ministry of Foreign Affairs said that about 20% of BRI projects had been seriously affected by the coronavirus pandemic, with another 30–40% somewhat affected.

However, while it has impeded BRI, the pandemic also has the potential to reinvigorate it. Globally, governments have arranged massive stimulus packages to support their economies.

Chinese respondents believe some of this funding will reach BRI projects. More than two-thirds (69%) expect a greater availability of 'cheap money' for such investments. But this view is shared by only 30% of MENA respondents, with 53% disagreeing. Most MENA respondents (69%) also think there will be less funding available for BRI projects as banks and investors seek to protect and rebuild their balance sheets – a view held by only 26% of Chinese respondents.

It is certainly likely that commercial lenders will now tend to seek more robust protections and be more selective in the projects they finance. And even before the pandemic, Chinese lenders were becoming more rigorous in their criteria for financing projects. But over three-quarters (78%) of Chinese respondents expect at least some BRI projects to enjoy more favourable terms, as the Chinese authorities seek to create demand for the output of Chinese companies.

A similarly large majority (81%) of Chinese respondents also believe that some nations will now be more open to new BRI projects, in the hope that these will provide a boost to their economies. (MENA respondents also tend towards this view.) In practice it may depend on the project in question. Some, such as renewable energy projects or digital initiatives, could provide a relatively immediate boost. Many benefits from larger and more traditional infrastructure projects will take much longer to come through.

Over two-thirds (69%) of MENA respondents believe that some BRI projects will have to be restructured or abandoned, and that some governments will use the economic situation as a reason to withdraw from unsuccessful or controversial BRI projects. However, any increased aversion to BRI among host nations is not expected to be shared by the Chinese government: a majority of MENA respondents expect China to maintain its emphasis on BRI.

One thing on which almost everyone agrees is that the pandemic will lead to renewed emphasis on the Health Silk Road (see page 48), with 94% of MENA respondents expecting this to be the case.

Opinions on the impact of Covid-19 on BRI

In the light of the coronavirus pandemic and its likely economic and political impacts, do you agree or disagree with the following statements?

A greater availability of 'cheap money', through measures to stimulate the international economy, will support more international investment in BRI projects.

	China	MENA	Rest of World
Strongly disagree	3%	24%	16%
Moderately disagree	11%	29%	26%
Neutral	17%	17%	28%
Moderately agree	50%	28%	26%
Strongly agree	19%	2%	4%

China is likely to reduce its emphasis on BRI in favour of supporting more domestic projects.

	China	MENA	Rest of World
Strongly disagree	41%	33%	31%
Moderately disagree	18%	29%	24%
Neutral	22%	33%	31%
Moderately agree	9%	5%	12%
Strongly agree	10%	0%	2%

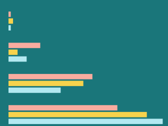
Some nations will be more open to new BRI projects, in the hope that they will provide an economic boost.

	China	MENA	Rest of World
Strongly disagree	2%	3%	5%
Moderately disagree	4%	21%	27%
Neutral	13%	28%	22%
Moderately agree	29%	24%	21%
Strongly agree	52%	24%	25%

Some governments will use the economic situation as a reason to withdraw from unsuccessful or controversial BRI projects.

	China	MENA	Rest of World
Strongly disagree	3%	0%	1%
Moderately disagree	33%	12%	16%
Neutral	29%	19%	20%
Moderately agree	21%	32%	30%
Strongly agree	14%	37%	33%

The coronavirus crisis will lead to a renewed emphasis on the Health Silk Road, intended to strengthen health coverage in BRI countries through Chinese cooperation and support.



	China	MENA	Rest of World
Moderately disagree	1%	2%	1%
Neutral	14%	4%	8%
Moderately agree	37%	33%	23%
Strongly agree	48%	61%	68%

Less commercial funding will be available for BRI projects as banks and investors seek to protect and rebuild their balance sheets.

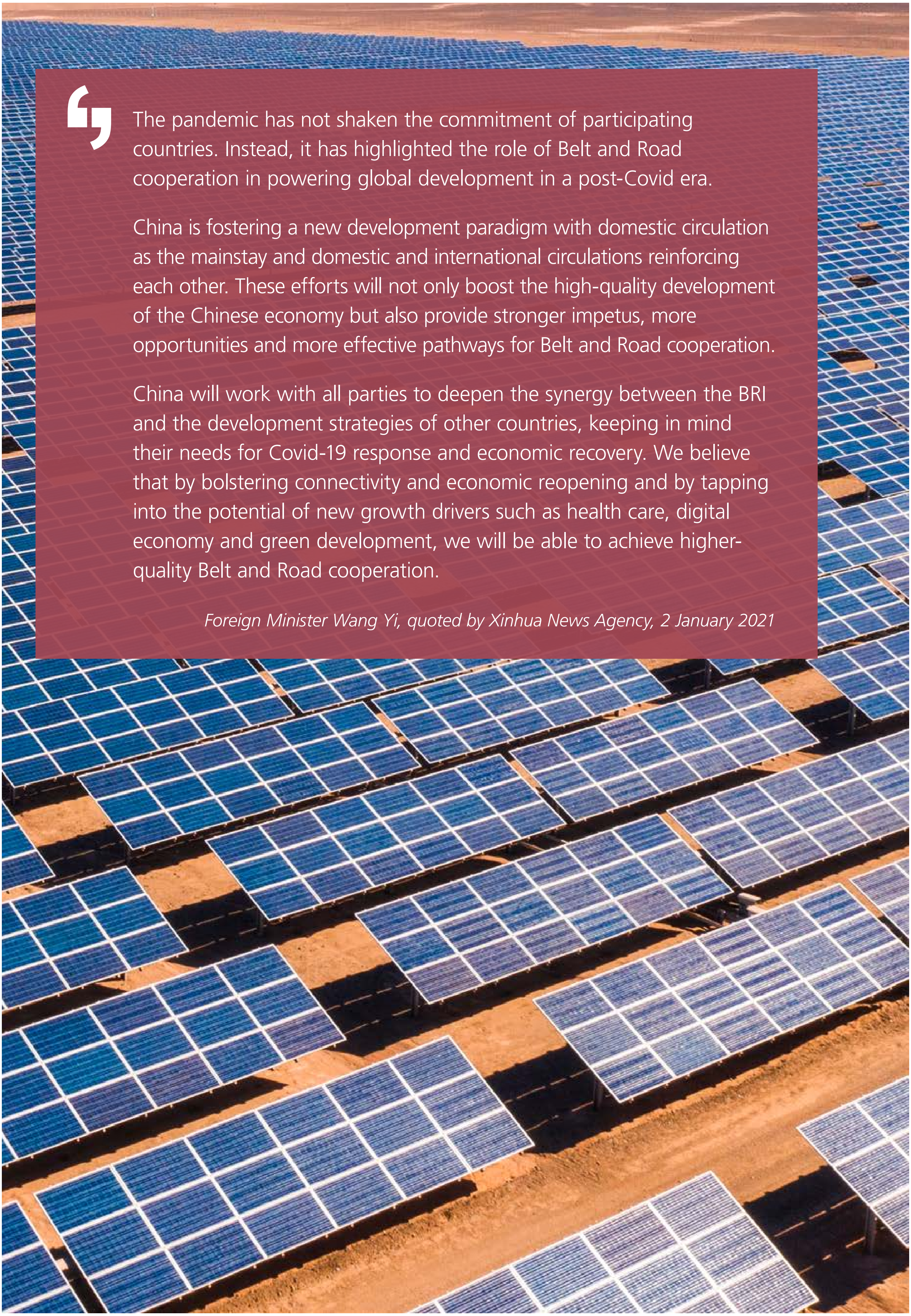
	China	MENA	Rest of World
Strongly disagree	9%	1%	2%
Moderately disagree	42%	21%	22%
Neutral	23%	8%	15%
Moderately agree	16%	31%	29%
Strongly agree	10%	39%	32%

Some BRI projects will enjoy more favourable terms, as the Chinese authorities seek to create demand for the output of Chinese companies.

	China	MENA	Rest of World
Moderately disagree	3%	28%	24%
Neutral	19%	36%	32%
Moderately agree	33%	21%	21%
Strongly agree	45%	15%	23%

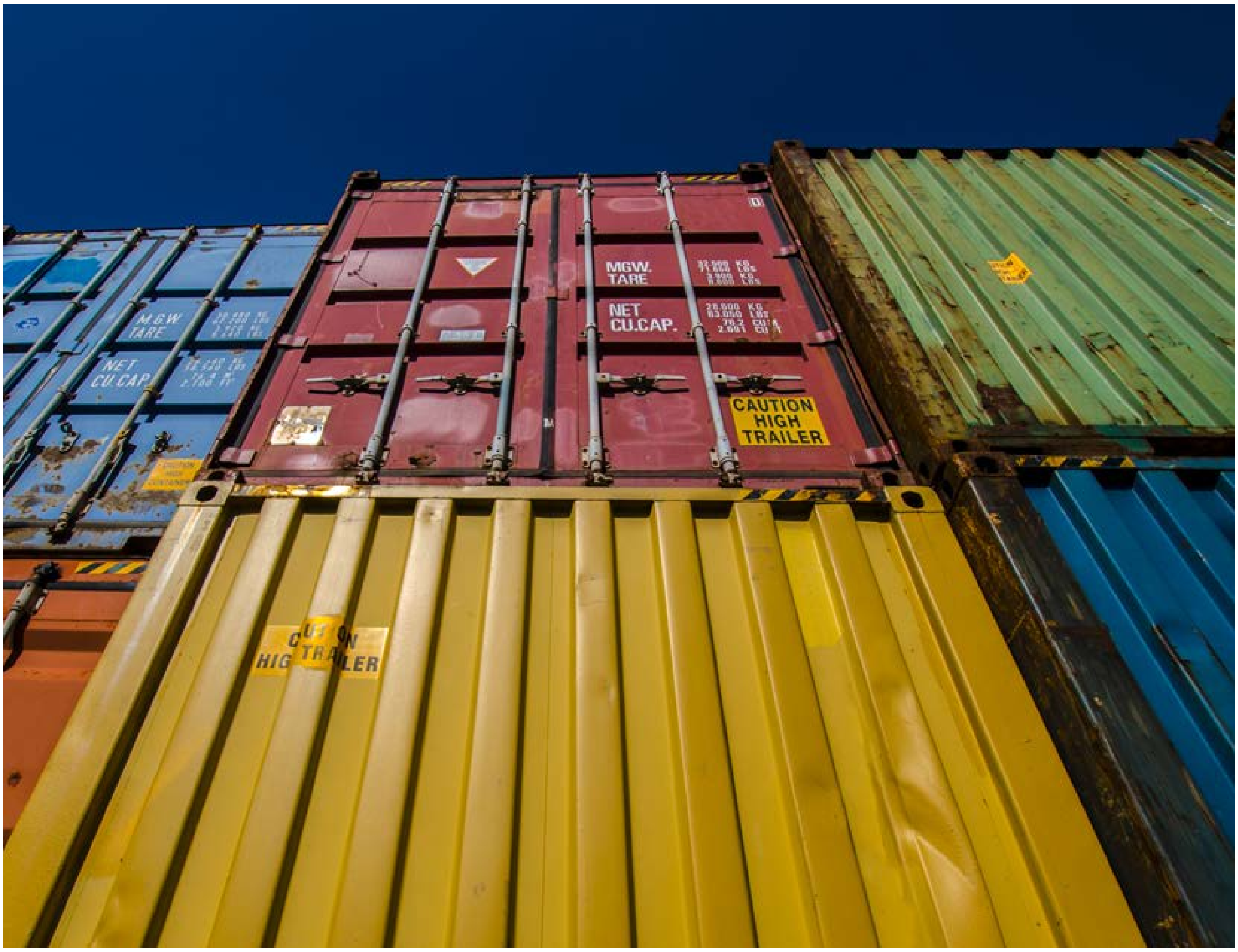
Some existing BRI projects will become unsustainable and will have to be restructured or abandoned.

	China	MENA	Rest of World
Strongly disagree	4%	1%	1%
Moderately disagree	23%	12%	13%
Neutral	39%	23%	28%
Moderately agree	25%	37%	36%
Strongly agree	9%	27%	22%



> The pandemic has not shaken the commitment of participating countries. Instead, it has highlighted the role of Belt and Road cooperation in powering global development in a post-Covid era.
>
> China is fostering a new development paradigm with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. These efforts will not only boost the high-quality development of the Chinese economy but also provide stronger impetus, more opportunities and more effective pathways for Belt and Road cooperation.
>
> China will work with all parties to deepen the synergy between the BRI and the development strategies of other countries, keeping in mind their needs for Covid-19 response and economic recovery. We believe that by bolstering connectivity and economic reopening and by tapping into the potential of new growth drivers such as health care, digital economy and green development, we will be able to achieve higher-quality Belt and Road cooperation.

Foreign Minister Wang Yi, quoted by Xinhua News Agency, 2 January 2021



Belt and Road 2.0: Looking to the future

Key points

- Launched in 2019, BRI 2.0 addresses many of the points that concern international participants such as transparency.
- Chinese participants are enthusiastic about e.g. its increased emphasis on environmental and sustainability issues.
- Many international participants are not yet positioning themselves to take advantage of the opportunities it offers, with some clearly sceptical about the change it promises.
- The pandemic is expected to boost the Health Silk Road initiative. There are also significant opportunities for BRI participants along the Digital Silk Road.

A new phase of BRI was announced in April 2019 by President Xi Jinping at the second Belt and Road Forum for International Cooperation in Beijing. It was described as 'BRI 2.0' by another speaker at the forum, Christine Lagarde, who at the time was managing director of the International Monetary Fund, and that name is now widely used to refer to it.

President Xi spoke of

- Being guided by the principle of extensive consultation, joint contribution and shared benefits.
- Acting in the spirit of multilateralism.
- Pursuing open, green and clean cooperation.
- Committing to transparency and clean governance.
- Pursuing a high standard of cooperation to improve lives and promote sustainable development.
- Adopting widely accepted rules and standards.
- Respecting the laws and regulations of participating countries.
- Giving priority to poverty alleviation and job creation.
- Ensuring the commercial and fiscal sustainability of all projects.

President Xi additionally described reforms that would expand market access for foreign investment, enhance IP protection, increase imports, and facilitate international macroeconomic policy coordination. He also spoke of ensuring the implementation of related policies, including multilateral and bilateral economic and trade agreements, and the revision and improvement of laws and regulations.

Contrasting views of BRI 2.0

Commentators who saw the announcement of BRI 2.0 only as a response to foreign criticisms of BRI, or a portfolio of policies to align BRI more thoroughly with broader development practice, overlooked President Xi's emphasis on international cooperation and joint contributions.

Indeed, some of our respondents feel that a limited response and limited enthusiasm from governments and businesses outside China are preventing BRI from achieving its potential. A key driver behind BRI 2.0 is a wish to ensure more non-Chinese participation in BRI: to spread risk, to share knowledge, to raise the quality of BRI projects and related standards, to secure international trade, and to enable the initiative to move forward more rapidly.

Nevertheless, there remain significant levels of scepticism among non-Chinese parties. While there is broadly held optimism that BRI 2.0 will be more open to non-Chinese participants – with about half (51%) of MENA respondents agreeing and only 13% disagreeing – other expectations are much more downbeat.

For example, only 11% of MENA respondents agree that BRI 2.0 will be more transparent than the initiative has been in the past. By contrast, Chinese respondents are overwhelmingly positive, with 83% believing that BRI 2.0 projects will become less opaque. "There is less transparency than expected, which is giving rise to various allegations in relation to the management and handling of debt and China's expansionist strategy," says the finance director of a UAE real estate developer.

Similarly, only 11% of MENA respondents agree that tenders will become more open and competitive, compared with 76% of Chinese respondents.

This pessimistic view of BRI 2.0 among non-Chinese participants may be unjustified. There are signs that Chinese BRI participants are increasingly prepared to take minority stakes in projects, and to work more closely with regional and international players. There is real scope for BRI 2.0 to bring about more collaborative and sustainable partnerships between Chinese and international businesses, reflecting the changing global realties of the 2020s.

Opinions of BRI 2.0

Do you agree or disagree with the following statements about BRI 2.0 and future BRI projects?

BRI will be more transparent than in the past.

	China	MENA	Rest of World
Strongly disagree	6%	29%	30%
Moderately disagree	3%	29%	29%
Neutral	8%	31%	25%
Moderately agree	43%	9%	14%
Strongly agree	40%	2%	2%

In general, BRI will be more open to non-Chinese participants.

	China	MENA	Rest of World
Strongly disagree	1%	1%	1%
Moderately disagree	3%	12%	7%
Neutral	13%	36%	36%
Moderately agree	26%	29%	29%
Strongly agree	57%	22%	27%

Dispute resolution (including cross-border disputes) will become easier.

	China	MENA	Rest of World
Strongly disagree	4%	9%	20%
Moderately disagree	11%	35%	30%
Neutral	15%	37%	27%
Moderately agree	40%	12%	17%
Strongly agree	30%	7%	6%

Procurement processes will be more open and competitive.

	China	MENA	Rest of World
Strongly disagree	4%	31%	37%
Moderately disagree	6%	39%	25%
Neutral	14%	19%	22%
Moderately agree	36%	11%	13%
Strongly agree	40%	0%	3%

Sustainability and environmental considerations will be given greater importance when planning and completing projects.

	China	MENA	Rest of World
Strongly disagree	1%	1%	8%
Moderately disagree	5%	20%	26%
Neutral	10%	36%	32%
Moderately agree	59%	43%	31%
Strongly agree	25%	0%	3%

The shift to digital

While much traditional infrastructure remains central to BRI 2.0, digital technology is an increasingly important focus area.

Since it emerged as a concept in 2015, the Digital Silk Road (DSR) has not seen as much investment as many other aspects of BRI. But with the new priorities of BRI 2.0 and the worldwide boost given to new technologies by the pandemic, as well as China's strategic push to embed its own technological standards internationally (see page 26), it looks set to achieve much greater prominence over the next decade.

Some DSR projects are traditional BRI-style infrastructure, such as submarine communication cables and mobile phone networks. But there is an increasing understanding that DSR in fact encompasses all types of digital development along the Belt and Road, including fintech, AI, the Internet of Things, smart cities and digital healthcare.

Many DSR projects globally have been focused on meeting local development goals, but others are commercial ventures that reflect the worldwide advance of the digital economy, enabling China's tech businesses to access new markets. DSR also creates demand for telecoms equipment, smart sensors, data centres etc. And as in the rest of the world, the pandemic has acted as a spur for tech development in China, accelerating the development of various technologies and providing new opportunities to test them.

A few MENA countries already have relatively high-quality digital infrastructure. But the World Bank, writing in May 2020, expressed concern that "the MENA region runs the risk of falling further behind due to low penetration of '3G-or-greater' mobile connections even in relatively mature markets". The IMF had a similar message in September 2020: "Apart from the Gulf Cooperation Council states […] many countries have limited access to high-speed broadband internet, and internet services are often slow, unreliable, and unaffordable".

The potential benefits to MENA nations of improved digital infrastructure, especially after the economic damage caused by the pandemic, are clear. But only 7% of our MENA respondents are considering DSR projects, with a further 12% having considered them in the past, and a large majority (81%) never having considered them. This compares unfavourably with the interest shown by our Chinese respondents, over one-third (36%) of whom are considering DSR projects.

However, a rather larger percentage of MENA participants say they have plans to target BRI tech opportunities (see page 47), so these low numbers may partly reflect a lack of knowledge about DSR in the region, or an unduly limited view of its scope.

Some BRI participants are keen to be involved in DSR projects, but are wary of potential problems, such as rapidly evolving technical standards, and local sentiments about cybersecurity.

A bigger concern for many is geopolitical tension. The Trump administration pushed back against aspects of the DSR, notably with its Clean Network Program, intended to restrict or eliminate Chinese involvement in, for example, telecoms networks that connect to US networks, and cloud systems and apps that handle US data.

Such measures may limit the scope of DSR in some markets. But with so many BRI countries – including many in MENA – still in need of new tech and comms infrastructure, there will clearly still be significant opportunities for BRI participants along the Digital Silk Road.

Are you currently considering or searching for investments/projects related to the Digital Silk Road?

	China	MENA	Rest of World
No	61%	81%	81%
Yes	36%	7%	11%
Previously, but not now	3%	12%	8%

Greener and cleaner?

BRI's greener focus coincides with a trend for major investors to reallocate capital from investments with poor ESG credentials to those that prioritise their environmental impact.

In MENA many countries, long reliant on oil reserves, are making significant efforts to diversify not only their economies but also their energy sources. Unsurprisingly, some look to China, which has become a world leader in renewable energy equipment. There is also increasing concern that projects should be sustainable not only in the environmental sense but also, for example, in their financing and in their impact on local communities.

A significant majority (72%) of MENA respondents say it is important for BRI projects to be sustainable and eco-friendly. Indeed, some said improvements to sustainability would make them more willing to participate, like the UAE energy contractor who said "we are targeting sustainable development and we will not compromise on this. The preservation of the environment will be one of the most important considerations of these long-term projects."

However, recognising that the initiative would benefit from becoming more sustainable and believing that it will are two different things. Our findings show that Chinese respondents are significantly more optimistic about BRI 2.0 delivering on its intentions, with 84% believing that sustainability and environmental considerations will be given greater importance when planning and completing projects. Just 43% of MENA respondents agree (although only 21% actively disagree).

Our MENA respondents may underestimate the commitment of their Chinese counterparts to sustainability. Chinese BRI participants are increasingly aware that sustainable projects tend to lead to fewer disputes, and China's strength in areas such as renewables increasingly looks like a commercial advantage. Initiatives such as the China-based BRI International Green Coalition, and the Green Investment Principles for the Belt and Road issued by China and the UK, are attempts to embed sustainability at the heart of BRI.

Perhaps the most striking sustainability initiative is China's announcement in September 2020 that it will strive to reach a peak in carbon dioxide emissions before 2030 and achieve carbon neutrality by 2060. President Xi Jinping has since gone even further, stating that by 2030 China will cut its carbon dioxide emissions per unit of GDP by more than 65% from 2005 levels. He also said the share of non-fossil fuels in China's primary energy consumption would increase to about 25% by 2030, with wind and solar capacity boosted to more than 1,200GW.

Research from Refinitiv suggests that more BRI projects were launched in 1H20 than in 1H19 or 1H18, with 392 identified. But their total value was lower than in previous years. This agrees with our findings of increasing interest in greener projects, as well as the DSR and HSR initiatives. Many of these projects are quicker and cheaper than traditional large infrastructure projects, and often easier to monetise.

The picture of a green pivot for BRI is reinforced by findings from Moody's which, tracking BRI projects in some 80 countries, found that renewable energy projects accounted for about 58% of new contract values in the first half of 2020.

Chinese banks have strengthened their focus on sustainable finance. A number of projects unable to show financial viability or sustainability have recently been refused loans. China is also well aware that projects will increasingly have to embrace principles such as sustainability to attract the non-Chinese finance BRI needs.

When considering involvement in a BRI project, how important is it that the project should be sustainable/eco-friendly?

Dual circulation and Chinese standards

China has been developing a new ‘dual circulation’ economic strategy, which will reinforce some elements of BRI 2.0 as well as having a broad impact on many aspects of China’s international engagement.

First mentioned in May 2020 and subsequently elevated into official policy, ‘dual circulation’ refers to the concept that China’s domestic and foreign economic efforts can be adapted to boost each other. The ‘great international circulation’ that saw the export-oriented opening-up of China’s economy from the late 1980s onwards will be complemented by the more recently conceived ‘great domestic circulation’, taking advantage of China’s massive potential domestic market.

This stronger emphasis on ‘domestic circulation’ involves increasing domestic demand while lowering dependence on foreign inputs, with a greater degree of import substitution. ‘International circulation’ (continuing to develop export market share, and further liberalising cross-border capital flows) remains important, but also works more effectively to boost the development of the domestic economic cycle, whose strength in turn reinforces Chinese businesses, making them better able to compete internationally.

While this is a newly minted strategy, it is not exactly a new idea. China has been trying to rebalance its economy with greater domestic demand for some time, but has enjoyed only gradual success. In 2019, final consumption expenditure accounted for just 55.7% of the nation’s GDP, according to World Bank figures. While significantly up from a low of 48.9% in 2010, this lags far behind the levels in the world’s other largest economies, such as 81.8% in the US. The strategic assumption is that increasing domestic demand for Chinese output will ultimately make its economy more self-reliant and sustainable, and less vulnerable to external shocks.

However, exports are still vital for China, and the development of domestic capacity will require foreign technology and investment. So China wants to remain open for global business – even increasing the level of foreign investment in its economy – while neutralising what it now sees as vulnerabilities that may have arisen through the globalisation of trade. The recent EU-China investment agreement and, in Asia, China’s participation in the Regional Comprehensive Economic Partnership that was signed in November both emphasise that China still sets great store by – and hopes to increase – its strong position in international trade.

The dual circulation strategy reflects the disruptions to trade experienced during the pandemic, and longer term concerns around productivity and competitiveness. But it has also clearly been prompted by the Trump administration’s restrictions on the export of some hi-tech components to China, most notably semiconductors. Viewing this as a national security issue, as well as a question of sustainability, China aims to ensure that the supply chains for key components are no longer open to such pressure.

A communiqué issued after October’s Plenary Session of the 19th Central Committee of the Communist Party of China reinforced this stance, by emphasising that self-reliance in science and technology is now a national strategic pillar. But as explained by Wang Zhigang, China’s minister of science and technology, self-reliance in science and technology does not conflict with openness and cooperation and does not mean that China intends to ‘decouple’ from the world. “Open cooperation has been a key component of China’s path toward independent innovation. On the other hand, self-reliance is the basis and prerequisite of conducting fair and mutually respected cooperation with other countries."

It has nevertheless been widely noted that this policy has the potential to lead to competing technological standards, with Chinese technology developed as an alternative to Western (mainly US) technology. This scenario is apparently contemplated in the China Standards 2035 plan, which has been in development since 2018 but whose final form is yet to be officially articulated.

Promoting standards

China Standards 2035 may help China realise the goals of an existing national strategic plan: Made in China 2025. Introduced in 2015, that plan was developed to boost China's industrial and tech capabilities through extensive government support for certain key industries, including robotics and next-generation IT. However, Made in China 2025 attracted international controversy, amid allegations from other nations of unfair business practices and intellectual property infringement, and led to the imposition of punitive tariffs by the US.

The Chinese authorities perceive a strong connection between geopolitical power and the setting of standards. A slogan that has been circulating in China's corporate world for some time is that "third-tier companies make products, second-tier companies make technology, first-tier companies make standards". Being able to determine international standards offers any nation significant market advantages. The China Standards 2035 project seeks both to harmonise and improve Chinese standards and to ensure that Chinese standards are incorporated into global standards. One practical reflection of this is the inclusion of terms on standards in various BRI agreements. According to the Office of the Leading Group for Promoting the Belt and Road Initiative, as of April 2019 China had signed 85 standardisation cooperation agreements with 49 countries and regions.

Harmonisation through BRI

The dual circulation strategy will soon be officially embedded in China's new Five-Year Plan, at which point its details may become clearer. But it is already obvious that it has implications for the future of BRI. There will, for example, be more emphasis on creating markets for technology originating in China and incorporating Chinese standards, which will further bolster the Digital Silk Road initiative (see page 24). We can expect to see even more of a focus on 'smart' infrastructure. China will probably seek more scientific and educational partnerships with BRI nations. Some foreign businesses, in certain sectors, may find access to China easier. And China will seek to strengthen and secure its supply chains – an imperative likely to be reflected in some strategic BRI infrastructure projects.

As President Xi said in a speech in November 2020, in the dual circulation strategy "China will work to pursue high-quality Belt and Road cooperation with its partners, and seek greater complementarity between the development strategies and connectivity plans of regions and countries concerned. China will further harmonise policies, rules and standards with BRI partners, and deepen effective cooperation with them on infrastructure, industry, trade, scientific and technological innovation, public health and people-to-people exchange. Together, we will make the Belt and Road a model of cooperation, health, recovery and growth and deepen cooperation on green development."

Overcoming obstacles

Key points

- National governments and political issues comprise the most commonly cited obstacle to BRI activity in MENA, followed by legal frameworks and operational difficulties.
- Legal and regulatory risk is the most commonly perceived risk in BRI projects, followed closely by political risk.
- Such risks can be managed through a mitigation plan, with appropriate risk identification, management and mitigation measures.
- A good mitigation plan will include an appropriate strategy for managing disputes, as well as realistic enforcement options.
- BRI participants have additional means to help projects run smoothly and reduce risk, beyond formal mitigation strategies.

Two-thirds (65%) of our MENA respondents described national governments and political issues as one of the greatest obstacles to their BRI activity, making this the most commonly cited obstacle of all, closely followed by legal frameworks (61%) and operational difficulties (53%). No other problem came close to this level of concern – the next most commonly cited, language barriers and cultural issues, was mentioned by only half as many respondents (25%).

Political risk was also cited by 56% of respondents as one of the most serious risks relating to involvement in BRI projects – marginally behind legal and regulatory risk (59%), which is the most commonly mentioned.

Political risk is, of course, distributed very unevenly through MENA (although, historically, one characteristic of the region has been that political unrest can sometimes spread rapidly between nations). Some jurisdictions, even on the simplest assessment, clearly carry more risk than others. However, these are often also the ones most in need of investment.

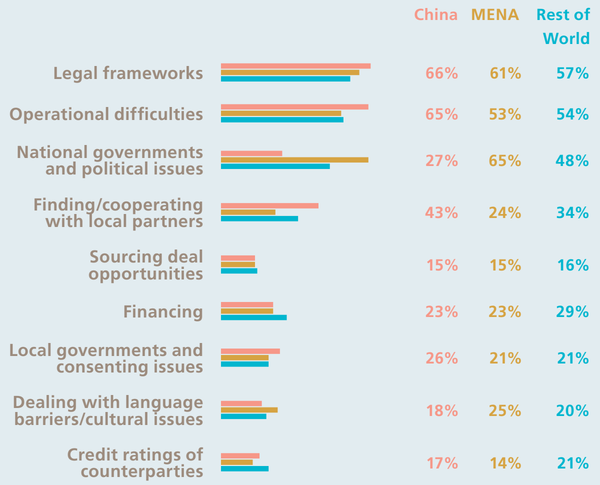
Furthermore, BRI is itself seen in some quarters as a highly political initiative, leading to international pushback against China, most prominently from the US. MENA nations that enjoy strong long-term relationships with the US have participated in BRI, but have to walk a careful line between the superpowers. Similarly, China has typically sought to avoid political controversy in the region (e.g. Sino-Palestinian and Sino-Israeli relations have both been strong for many years). The debt aspect of BRI is also perpetually a potential political problem, as are the ESG impacts of certain BRI projects.

The options available to BRI participants wishing to mitigate political risk are limited. It is possible to insure against some political risks, and thorough due diligence should be undertaken as a matter of course (and should continue in some form over the lifetime of a project). Businesses can ensure that, as appropriate, security measures are in place on the ground, But the long life of most infrastructure projects, and their illiquidity as assets, will always result in a degree of risk for investors.

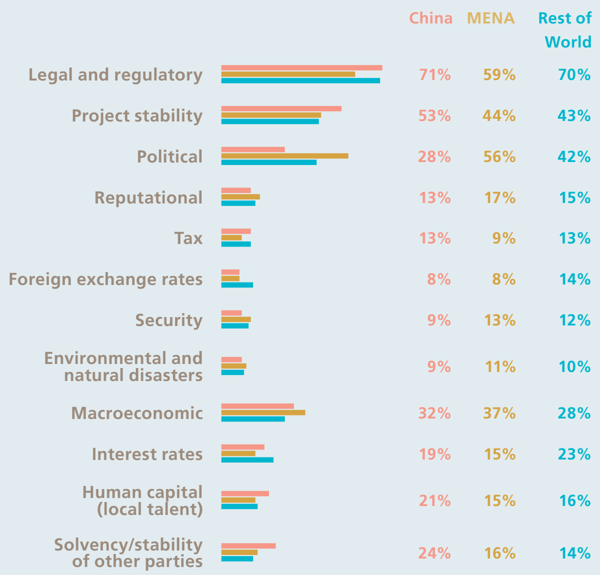
Even participants in a shorter time frame, such as contractors, will be unable completely to avoid exposure to the full range of political risks, ranging from peaceful regime change that may result in the reassessment of contracts to violence that can halt projects and endanger a workforce, or sanctions imposed by a third party. Here, too, the most important element is thorough due diligence, informing the development of an appropriate risk management and mitigation strategy.

"Political challenges have the potential to derail even the best laid plans," says a director of a regional multilateral development bank. "We are determined to mitigate risks by anticipating them sooner."

Which of the following have presented the greatest obstacles to your BRI-related activity? (Select top three)



Which of the following represent the most serious risks as they relate generally to involvement in BRI projects? (Select top three)



Operational issues

Operational difficulties are another major challenge, and 53% of MENA participants say such issues are one of their top three obstacles to BRI activity. Again, there are various risk mitigation strategies. But there are things that all BRI participants can do to help projects run smoothly and reduce risk, even if they are not part of a formal mitigation strategy.

Some steps to reducing risk are as simple as having clear objectives and being flexible when considering the structures you can adopt to protect your interests in BRI projects and partnerships.

Finding and cooperating with partners

As noted earlier, positive cooperation – either generally or through structures such as joint ventures – can help to mitigate risk, share skills, encourage local acceptance, avoid local legal difficulties and move projects forward more rapidly. It may be particularly useful for businesses participating in markets with which they are not completely familiar.

Finding reliable partners can be challenging, and if not done well can bring its own risks. Businesses need a range of knowledge about their partners, from their financial strength to their technical capacity. Both these priorities inevitably involve a degree of transparency and information-sharing.

To form effective partnerships, organisations also need to understand where conflicts could arise, and ensure there are effective mechanisms for dealing with them. These include dispute resolution mechanisms, but also processes that can help to avoid conflicts, or to resolve them before they become serious disputes.

Flexible structures and partnerships are likely to be more effective in dealing with problems. But these should not be confused with ill-defined structures. Clarity about the nature and degree of flexibility available provides certainty for all parties.

It is also important to consider potential cultural conflicts or misunderstandings. Some respondents see this as a stand-alone problem to be addressed with training from their HR department. But there are others who view it as a potential opportunity, such as the Chinese supplier who noted that in dealing with different BRI countries "we have learnt many new things and business concepts that will be useful in future projects."

Not all BRI participants are enthusiastic about partnerships, like the CIO from Hong Kong who told us that "during these tough times, we prefer to work independently" and the Chinese professional services provider who said "partnerships will be avoided for the most part because we prefer control on decision-making." Said a Saudi respondent: "I do not think it would be feasible to consider other partnerships as of now, since there are potential threats and imminent challenges. Geopolitical differences are affecting decision-making".

But for every comment like that, we gathered many more positive ones, from participants such as the African CIO who said that "as part of our involvement, partnerships have been entered to render services on a larger scale. Pooling capabilities leads to significant development, and association with companies having the same objectives provides better scope for us as well."

Comprehensive due diligence

Due diligence for political risks has already been mentioned, but all aspects of a project require due diligence, and the more high-risk the project, or the market, the deeper and more wide-ranging it should be. Despite this, in some cases due diligence is insufficiently thorough, or is undermined by participants making faulty assumptions based on limited experience.

"Assessments of the local social, economic and environmental conditions are all important to work out how these challenges are likely to impact our work schedule."

Facilities operator, Oman

Due diligence should also lead to more than a ‘stop/go’ conclusion. It is a way of understanding the risks you are taking on, enabling the early identification of potential problems and, crucially, facilitating an appropriate risk management strategy. If it is treated simply as a way of identifying risks, rather than understanding them, it will not fulfil its commercial potential.

Effective due diligence and risk management are essentially collaborative. Identifying risks at the earliest possible stage, especially where local or specialist knowledge is needed, will probably involve expertise not only from within but also from beyond the organisation. Participants in a project will also benefit from working together, wherever possible, in risk management. Combined efforts are likely to reduce the risk profile of their project in a way that uncoordinated individual risk management strategies will not.

Using technology

Some respondents are addressing operational challenges through the use of technology to improve communication and to ensure projects run more smoothly. For the investment director of a Chinese investment firm: “Adding new technological capabilities helped in communication and coordination among multiple parties and added more confidence to various critical processes. This helped to mitigate operational challenges.”

Technology has, of course, become even more important in recent months. For some of our respondents it is a way to improve planning and project management, while others feel that, during the pandemic, remote access to projects and data has become critical.

Some contractors hope that mechanisation and automation will reduce the number of people needed to work on projects, which is an issue where freedom of movement is restricted to control infection. And some plan to use technology to monitor the health of workers, particularly in remote projects.

“In future BRI projects, we will maximise use of technology tools and use more advanced standards to cope with work pressures and combat any problems faced due to lack of coordination.”

Infrastructure operator

Sourcing opportunities

One of the bottlenecks slowing BRI progress has been the ability of prospective parties to source investable projects. There is no official database of BRI projects and so companies and investors are left to their own initiative to access project deal flow.

Our research shows that many of those who have taken part in BRI projects have found the sourcing process challenging. More than half (52%) of our MENA respondents say identifying appropriate BRI opportunities is difficult – essentially the same proportion as the 53% of respondents from the rest of the world (excluding China) who expressed this view. Only 1% of MENA respondents found the process easy.

Unsurprisingly, Chinese participants experience fewer problems. But even they report some difficulties, with 26% finding it hard to source projects.

"One of the main challenges is the reliability of sources and the consistency of information provided overall," observes a real estate developer in Saudi Arabia. "Decision-making cannot be entirely based on this information. We need further preliminary checks."

China is encouraging the adoption of general international rules and standards for BRI procurement, tendering and bidding. But MENA participants do not expect sourcing opportunities to become any easier. Nearly three-quarters (72%) say sourcing will get more difficult going forward, while only 13% believe it will be easier.

Generally, how would you rate the process of identifying/sourcing BRI opportunities?

	China	MENA	Rest of World
Very difficult	7%	24%	21%
Moderately difficult	19%	28%	32%
Neutral	63%	47%	44%
Moderately easy	11%	1%	3%
Very easy	0%	0%	0%

Do you expect this process to get easier or more difficult going forward?

	China	MENA	Rest of World
Easier	51%	13%	20%
Unsure	19%	15%	10%
More difficult	30%	72%	70%

Dispute resolution

On average, MENA-based respondents are more likely than their Chinese counterparts to have been involved in BRI projects that generated legal disputes. Only 21% of Chinese respondents say legal disputes have arisen in their projects, whereas 45% of MENA respondents said the same.

The finance director of a real estate developer in the UAE, for example, mentioned a situation in which "land acquisition for development was completed according to all regulations, but since it was not handled systematically, it resulted in unnecessary problems in the form of legal disputes that prolonged the project timeframe." Many respondents reported similar legal disputes involving real estate, or environmental impact, or problems such as non-compliance with local labour laws. Others experienced, for example, a claim for compensation following serious supply chain disruption, the breach of a non-disclosure agreement, or intellectual property disputes. Major BRI projects are vulnerable to the many potential disputes that can arise from any large, complex infrastructure development.

What is the best way to resolve disputes concerning BRI projects? One option is to rely on established mechanisms. The most prominent of these is international arbitration: either commercial arbitration based on the agreement between two commercial parties, or investor-state arbitration based on an investment treaty concluded between sovereign actors.

In the following pages we look at dispute resolution and arbitration in the UAE, where the Dubai International Financial Centre has become the regional seat of choice for many arbitrations, but which also has a second arbitral institution, namely the Abu Dhabi Global Market, as well as an 'onshore' option. For comparison, we also offer brief overviews of the system in Saudi Arabia and Oman.

Many MENA-related disputes are, of course, still resolved by long-established arbitral institutions in Europe or the US, or in key Asian centres such as Singapore.

China also offers arbitration courts. Most MENA participants in BRI would probably prefer to conduct arbitrations more locally. But a contract is arrived at by negotiation, and there may be circumstances in which a MENA party judges it advantageous to accept the provision of a non-MENA venue for arbitration in return for concessions in other areas.

MENA participants said

45%

have been involved in BRI projects that generated legal disputes.

Risk mitigation

Whatever the challenges posed, participants are well advised to manage their risks through a risk mitigation plan with appropriate risk identification, management and mitigation measures. These may include:

— Conducting robust due diligence on local partners, including their track records on projects, creditworthiness, corporate structures and ownerships, key individuals, compliance with laws, litigation records, and any connections with local authorities.

— Careful negotiation and drafting of contracts to include adequate risk management and allocation provisions, supported by clear liability language.

— Effective contract management and compliance with contractual obligations, ensuring that the project and commercial teams are familiar with the contracts.

— Being alive to areas where the risk of corruption is present, such as excessive commissions to third-party agents or consultants, vague consulting agreements, and any close relationships between third-party agents and officials.

— Avoiding shortcuts around compliance requirements, such as engaging a third party to manage government approvals without adequate due diligence or controls.

— Selecting well-established and neutral dispute resolution forums (see below).

— Appointing appropriate local advisors, familiar with the regulatory environment and relevant authorities, who can be invaluable in due diligence, risk analysis and risk management.

Arbitration in MENA

UNITED ARAB EMIRATES

The UAE is a federal system of seven emirates, five of which operate within a federal judicial system whose Supreme Court is in Abu Dhabi.

UAE courts, whose proceedings are conducted in Arabic, operate on an inquisitorial basis and conduct factual investigations. There is no system of binding precedent, although earlier judgments have persuasive value. The courts generally apply UAE law, even if the parties have agreed otherwise, and typically disregard agreements to refer disputes to foreign courts. Legal costs are generally not awarded in any meaningful way.

There are three levels of courts, with an automatic right of appeal between each.

DIFC and ADGM

The Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM) are free zones where the laws of the UAE (aside from criminal and family law) do not apply. Instead they have laws based on those of England and Wales and court systems based on the English procedural model. It is permissible to opt into these jurisdictions for dispute resolution, even if the parties have no other link to them.

In terms of proceedings:

- The courts operate on an adversarial basis.
- Proceedings are generally conducted in English.
- There is no automatic right to appeal. Leave to appeal must be granted.
- Legal costs are generally awarded to the successful party.
- The courts respect agreements to confer jurisdiction upon a foreign court and on the application of foreign law.

The DIFC and ADGM courts both offer a common law alternative to other UAE courts, but the DIFC courts – which were established before the ADGM courts and which have entered into numerous MoUs for the enforcement of judgments in foreign jurisdictions – provide a more comprehensive option. They also have a specialist Technology and Construction Division, similar to the English Technology and Construction Court.

Interim measures

Interim measures can be ordered both in the onshore courts and DIFC and ADGM courts. In the onshore system, orders for interim measures are often restricted to precautionary attachment orders (akin to freezing orders). There is a wider range of interim relief in DIFC and ADGM, covering freezing orders as well as orders for the parties to take positive steps in relation to the dispute.

Arbitration

There are three arbitral seats in the UAE: the onshore UAE, DIFC and ADGM. Each jurisdiction has its own arbitration law, based on the UNCITRAL model law and adhering to international standards.

— The main onshore arbitral intuitions are the Dubai International Arbitration Centre (DIAC) and the Abu Dhabi Commercial Conciliation and Arbitration Centre (ADCCAC).

— The official arbitral institution of the DIFC is the DIFC-LCIA arbitration centre.

— The ADGM Arbitration Centre does not administer arbitral proceedings. Instead, parties can use the ICC's representative office in ADGM which facilitates ICC-administered arbitrations in the region.

UAE government entities

Certain formalities must be adhered to before the Dubai government can be sued: e.g. the claim must be sent to the government's legal advisor, and a two-month amicable settlement period applies. Other emirates do not have these requirements.

Although federal legislation does not specifically confer sovereign immunity on the UAE government, statutory provisions exist to the effect that state-owned properties cannot be enforced against. But in general the government does not assert this principle.

Enforcing judgments

Where a judgment is issued by the onshore or offshore courts and the assets are located in the UAE, then it will be enforceable against those assets (provided that all appeal routes are exhausted).

Issues can arise, however, where the assets of the judgment debtor are unknown and are likely to be located in an onshore UAE jurisdiction. This is problematic because there is minimal transparency in terms of property ownership. UAE onshore courts will generally not assist with forcing a debtor to reveal its assets.

In terms of enforcing UAE (onshore and offshore) judgments overseas, the key factor to consider will be whether the enforcement country will ordinarily enforce foreign judgments and, if not, whether an enforcement treaty exists.

Enforcing awards

The UAE Arbitration Law, the DIFC Arbitration Law and the ADGM Arbitration Law all set out the processes for the relevant courts of each jurisdiction to recognise and enforce arbitration awards. Moreover, any judgment issued is actionable in any UAE jurisdiction.

The UAE is a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the New York Convention). As such, if the award is to be enforced outside the UAE, the critical factor will be whether or not the country where the award is to be enforced is also a signatory.

China-UAE judicial assistance

In 2016 the DIFC courts and the Shanghai High People's Court entered into an MoU to strengthen judicial collaboration. The agreement has already been applied by a court in Yinchuan, which recognised a civil judgment of the onshore Dubai Court of First Instance.

China and the UAE had already entered into a bilateral convention on judicial assistance, which says "Each Contracting Party shall, in accordance with its domestic laws, recognise and enforce rulings on civil, commercial and identity matters, as well as rulings on collateral civil matters in criminal cases made by the courts of the other Contracting Party".

DIFC courts will recognise and enforce Chinese judgments, without examining their substantive merits. According to DIFC, a judgment "will not be refused recognition and enforcement on the ground of error in a finding of fact or law. If the relevant party has legal obligations to carry out the PRC court's judgment, such obligations will receive recognition from the DIFC Courts and will be enforceable in the DIFC Courts."

SAUDI ARABIA

The judicial system of the Kingdom of Saudi Arabia (KSA) is based on Shari'a law. It also includes enacted legislation such as royal orders and decrees, and ministerial resolutions and circulars, which may not conflict with Shari'a principles.

The court system broadly has three main parts: Shari'a courts, the Board of Grievances (a judicial committee with general jurisdiction over disputes to which the government is a party), and various specialised committees dealing with e.g. banking disputes.

The Shari'a courts – whose proceedings are conducted in Arabic – have general jurisdiction over most cases. They range from the Courts of First Instance, through the Courts of Appeals, to the Supreme Judicial Council. They operate on an inquisitorial basis and conduct factual investigations, with no system of binding precedent (although prior cases can be persuasive). The courts can award costs to a successful litigant, but in practice such awards are generally minimal.

Interim relief proceedings are referred to as 'summary proceedings'. The range of measures available is restrictive, but includes injunctions banning travel or interference with possession, the suspension of new actions and requesting receivership.

Arbitration law

The Arbitration Law, which is based on the UNCITRAL Model Law, came into force in 2012. It has been supplemented by additional legislation. Any arbitration conducted in the KSA must also comply with Shari'a law, or the award may be unenforceable in the KSA.

The parties can agree on the seat of the arbitration, whether in the KSA or abroad, and on the substantive law pertaining to the dispute. Where there is no agreement, the tribunal decides.

Governmental authorities cannot agree to arbitration without approval from the prime minister, unless the law otherwise permits it or, in the case of a government procurement contract, the minister of finance approves the arbitration agreement.

The KSA's first international arbitration institution, the Saudi Centre for Commercial Arbitration, was inaugurated in 2016. It has not yet gained the traction of the UAE's offshore arbitral institutions.

Enforcement of judgments

Court judgments are enforced in accordance with the Enforcement Law, by a specialised Enforcement Court. The Enforcement Law also sets out various requirements for a foreign judgment to be enforced, such as whether it contravenes Shari'a law or public order, whether Saudi judgments are enforced in the issuing country, whether due process was observed, and whether the judgment is final.

Enforcement of arbitration awards

Awards issued in accordance with the Arbitration Law are enforceable, although no application for recognition and enforcement may be filed until the 60-day period for making a nullification application has elapsed. The court must be satisfied that the award has been properly issued to the party against which it was issued and that it does not violate Shari'a law or KSA public policy, or conflict with any decision issued by a court, committee or authority that has jurisdiction on the subject of the dispute in the KSA.

To enforce an international award, it must be verified that the Saudi courts do not have jurisdiction to hear the matter, that the award does not contravene any judgment or order issued in the KSA, and that it complies with KSA public policies. It is also necessary to show due process, and that the award is final in its country of issue.

The KSA acceded to the New York Convention in 1994, with a reservation that it would be restricted to those awards made in other contracting states. Parties present their awards for recognition and enforcement in the KSA under the provisions of the Arbitration Law. As noted above, this means the award must be Shari'a-compliant.

OMAN

Oman is a civil law jurisdiction in which Shari'a law is the basis of legislation (although Shari'a courts only govern matters relating to family disputes and inheritance). There are three levels of courts, with an automatic right of appeal between each. All conduct their proceedings in Arabic.

The courts operate on an inquisitorial basis and conduct factual investigations. In the civil and commercial courts, the judges tend to rely heavily on the parties' written pleadings.

There is no system of binding precedent, but earlier judgments may have persuasive value. In cases involving commercial disputes, a Commercial Court judge has the discretion to interpret or amend an agreement in a way that, in his opinion, accurately represents the respective parties' intentions, when the terms of the relevant agreement are ambiguous or unclearly drafted. Legal costs are generally not awarded in any meaningful way.

The courts offer a wide range of interim relief, including injunctions and freezing orders, as well as orders for the parties to take positive steps (although such orders are uncommon in commercial disputes).

Arbitration law

The Omani Arbitration Law is broadly based on the UNCITRAL model law. In terms of the arbitral institution, the parties may agree upon the procedure to be followed by the tribunal in the proceedings, including on the adoption of the rules of an arbitral institution in Oman or abroad. Where no agreement exists, the tribunal shall, after taking into consideration the provisions of the Arbitration Law, be permitted to choose the procedures it deems appropriate

Omani government entities

There are no legal restrictions on litigating or seeking to enforce judgments or awards against the Omani government. The Administrative Court, which is run by the Diwan of the Royal Court, reviews appeals against government and quasi-government administrative decisions and is authorised to nullify administrative decisions and award compensation. However, no state-owned assets can be attached either pre-judgment or in enforcement of a judgment or award.

Enforcement of judgments

Where a judgment is issued by the Omani courts and the assets are located in Oman, then it will be enforceable against those assets (provided that all appeal routes have been exhausted).

In terms of enforcing Omani judgments abroad, the key factor to consider will be whether the enforcement country will ordinarily enforce foreign judgments and, if not, whether an enforcement treaty exists.

Enforcement of arbitration awards

Oman is a signatory to the New York Convention. The commercial division of the Courts of First Instance reviews foreign applications for arbitral awards and enforces them.

Enforcing foreign arbitral awards in China

David Gu
Partner
TianTong Law Firm

The ability to enforce arbitral awards across borders is one of the main attractions of international arbitration.

Nearly all BRI states, including China, are signatories to the Convention on Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention), and to facilitate the resolution of BRI-related disputes, a pro-arbitration policy has been adopted by Chinese courts in enforcing foreign arbitral awards. But in practice the enforcement process may still have several stages.

Application

An application for enforcement must be made to the intermediate people's court located where the respondent is domiciled or where the respondent's assets are situated.

Documents will be required, including a written application; proof of the applicant's identity and power of attorney for their agent; original or certified copies of the arbitration agreement and the award; and a Chinese translation of the agreement and the award, certified by a PRC embassy or consulate or notarised by a Chinese public notary. A registration fee is also required.

Theoretically, an application may be rejected if the documentation does not comply precisely with these requirements. But according to the Supreme People's Court (SPC), a court should accept any imperfect application and then notify the applicant that other documents are needed to rectify its submission.

An application must be submitted within two years of the last day for the fulfilment of the obligations specified in the award. If this is not specified, the application must be submitted within two years of the date when the award is issued.

Examination under the New York Convention

Once an application is accepted, the court will decide whether to enforce the award. If it finds no grounds for a refusal to enforce under the New York Convention, it must grant an order for enforcement. The enforcement proceeding should be completed within six months of the order, except in exceptional circumstances.

Enforcement could also be declined because of public policy considerations. But the courts are extremely cautious about exercising their discretion to do this. There has only been one instance in the past three decades, in a case where the underlying dispute between the parties had been heard and decided by a Chinese court before the issuance of the arbitral award. The court in that case held that the award interfered with the judicial sovereignty of the PRC.

Any decision not to enforce a foreign award, either at the respondent's request or on the court's own initiative, will be subject to further judicial scrutiny before being issued.

Judicial scrutiny

If an intermediate people's court decides not to enforce a foreign arbitral award, it must report the case to the high people's court in the same province. That court will review the case and either direct the lower court to grant an order for enforcement or report the case to the SPC. A lower court can only issue its decision not to enforce a foreign award once the SPC has confirmed that decision.

This process of scrutiny is an internal judicial proceeding. The parties may not formally plead the case to the higher court or the SPC in written submissions or oral hearings. Nor is there a time limit for the process.

Parties wishing to enforce foreign arbitral awards in China should engage experienced local counsel to expedite any judicial scrutiny.

MoUs, MITs and BITs

There is no overall ‘Belt and Road Treaty’. But the context for BRI projects is often determined by various local agreements.

As of December 2020, China had signed 202 BRI cooperation documents with 138 countries and 31 international organisations. They include memoranda of understanding on aspects of BRI, cooperation agreements, ‘intergovernmental documents’, joint statements on various initiatives, and documents relating to particular projects.

Though differing in legal implication from country to country, a memorandum of understanding (MoU) is generally aimed at increasing cooperation within the BRI framework and substantiating the initiative’s legitimacy.

In many countries, the strategic framework for the general or sectoral development of BRI projects and the organisational framework for specific BRI projects are introduced by MoUs, typically listing general principles, setting objectives and guiding principles for future cooperation between parties, and covering the main areas of cooperation.

Regardless of whether MoUs are strictly legally binding, they influence and guide the way China engages with these countries and organisations.

The full texts of these MoUs are typically confidential. But an MoU’s basic structure generally covers BRI cooperation priorities such as policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds.

In addition to its MoUs China has numerous bilateral investment treaties (BITs) and multilateral investment treaties (MITs) which relate to BRI.

These are international law instruments agreed between two states (BITs), or between more than two states (MITs). In many cases they were signed before BRI began, but their provisions are often relevant to BRI projects, and Chinese investors in BRI projects in MENA may be protected by the provisions of these agreements. Some common forms of guaranteed protections include:

- commitments familiar from international investment law, such as ‘fair and equitable treatment’ and ‘full protection and security’;
- compensation for foreign investors whose assets are nationalised or expropriated;
- protection of foreign investors from discrimination in e.g. taxation, licensing or regulation; and
- ‘umbrella clauses’ which can be used to bring specific commitments relating to particular investments under the ‘umbrella’ of the treaty.

Nearly every MENA nation has signed a BIT with China – Iraq is the biggest exception. Many of these BITs date back to the 1990s.

The Turkish Belt and Road

Alican Babalioglu
Partner
CMS Turkey

Turkey is not typically seen as part of MENA. International organisations such as the World Bank and the OECD exclude it from their definitions of the region. But its strategic position on transport routes between Europe, Asia, the Middle East and North Africa make it key not only for BRI as a whole but also for many infrastructure developments that link to – or will otherwise affect – MENA nations.

Chinese companies were working on Turkish infrastructure well before BRI was announced in 2013. In 2005, for example, a consortium comprising China Railway Construction Corporation, China National Machinery Import and Export Corporation and two Turkish companies was awarded the contract for the construction of the Ankara-Istanbul high-speed railway, which was partly financed by a Chinese loan. Similarly, China Major Bridge Engineering was part of a consortium responsible for work on the Ankara-Sivas high-speed line.

However, Turkey's most prominent role in BRI at the moment is as the originator of the Middle Corridor Initiative – a project that has become deeply connected with BRI but which, again, pre-dates it.

The Middle Corridor

The Middle Corridor – also sometimes called the Trans-Caspian International Transport Route – links Turkey to China via Georgia, Azerbaijan, the Caspian Sea, Turkmenistan and Kazakhstan. Its name derives from its location: south of China's connections with Europe that run through Russia, and north of those that pass through Iran. For some time Turkey has been working for the development of infrastructure – both within its own borders, and in other nations along the route – that will make the Middle Corridor a major regional artery for trade and travel.

At the 2015 G20 summit, Turkey and China signed an MoU on aligning BRI and the Middle Corridor Initiative. But while the Middle Corridor is now generally perceived as being connected to BRI, China has played very little part in its development. China did not drive the building of the crucial Baku-Tbilisi-Kars railway, which was completed in 2017, or the expansion of port facilities in Baku or Kuryk (the port in Kazakhstan which is an important part of the Middle Corridor). Rather, the Middle Corridor is primarily a Turkish initiative, connecting various infrastructure developments in the region and initiating others.

However, Chinese involvement in the Middle Corridor may increase. If the corridor is to achieve its full potential, substantial infrastructure investment is still required, particularly for the modernisation of railways and ports. And some existing Middle Corridor infrastructure may need additional investment. For example, a Chinese consortium last year bought a 51% stake in Turkey's Yavuz Sultan Selim Bridge which, after its 2016 opening, failed to meet its projected revenue from tolls. The bridge had no initial Chinese involvement, but is now one of China's most significant investments in Turkish infrastructure.

In December 2020 a rail cargo of Turkish exports took about two weeks to travel from Istanbul to Xi'an in Shaanxi province. It was the first to go from Turkey to China using the Middle Corridor. Others are now scheduled.

At the end of 2020 Turkey, Iran and Pakistan also agreed to relaunch the Istanbul-Tehran-Islamabad railway, initially to provide container transport. This means that, once Pakistan's ML-1 rail upgrade – largely financed by China – is complete, there will be another direct route between Turkey and China (in this case, terminating in Xinjiang). Some commentators expect this route to be more popular than the Middle Corridor, whose ferry crossing of the Caspian Sea will always constitute a disadvantage. However, both Turkey and China are likely to appreciate the advantages of maintaining multiple routes through the region, and the two routes are likely to be seen as strategically complementary.

Looking ahead

China has now been involved in many Turkish projects. Its biggest project with direct investment is reported to be the 1,320MW USD 1.7bn Hunutlu Thermal Power Plant on the Mediterranean, mainly funded by the Shanghai Electric Power Company.

There is every sign that Turkey's infrastructure development will continue to benefit BRI, whether in the form of BRI projects or in parallel initiatives. For example, Turkey now has plans for a major container port in the Eastern Mediterranean, further connecting Europe with the Middle East and Central Asia. Turkey's third-largest container terminal, on the north-west coast of the Marmara Sea, is largely owned by Chinese entities. Whether the new port will have Chinese involvement is unclear.

In November 2020 President Erdogan announced a new growth strategy to be supported by international investment. He also indicated that structural reforms are planned to improve the environment for investors.

The Turkish legal system

Turkey is a presidential democracy with a codified civil law system. Case law is used to interpret the codified law but do not constitute law itself. Higher court decisions are usually followed by the lower courts. The main sources of law are, in descending order: the constitution (which includes all basic human rights and freedoms); codes and statutes and international treaties; presidential decrees; regulations; and by-laws.

Turkish law embraces principles of equal treatment for foreign investment and permits the free expatriation of proceeds. Investors need only notify the Ministry of Treasury and Finance about their investment and the investment amount (although liaison offices require approval from the Ministry of Industry and Technology).

Foreign investors may generally hold all a company's shares, although foreign ownership is restricted or subject to prior approval in the media, maritime, insurance, banking and telecoms sectors, and is prohibited in sectors such as electric power transmission, railways, petroleum and mining.

Foreign companies can only acquire real estate and limited real rights under the provisions of specific laws. The president can determine the details of, restrict or stop such acquisitions, and there are limitations on how long such real estate can go undeveloped. However, companies incorporated in Turkey with foreign capital can typically acquire rights over real estate.

Real estate acquisition in areas that are sensitive for military, security or strategic reasons are subject to approval, and there are some restrictions on foreign individuals acquiring real estate.

Foreign currency import and export from Turkey are free and currency transactions are relatively straightforward. Foreign investors can freely transfer sums arising from activities and operations in Turkey and sums paid in exchange for licensing, management or similar agreements. However, there are restrictions on linking sums agreed in contracts to foreign currency movements. Repayments relating to loans obtained abroad must be made through banks, and banks must inform the authorities of Turkish Lira transfers abroad worth more than USD 50,000 (other than imports, exports and invisible transactions). Some additional restrictions apply to Turkish residents.

State and public legal entities can terminate private ownership without the consent of the owner when there is a public interest, in return for compensation determined by an expert committee and paid in cash and in advance. However, it is not a common practice to expropriate foreign investment.

Dispute resolution

The parties to a dispute may grant jurisdiction to the state courts in a civil litigation proceeding. But arbitration is increasingly preferred as a way to resolve commercial disputes.

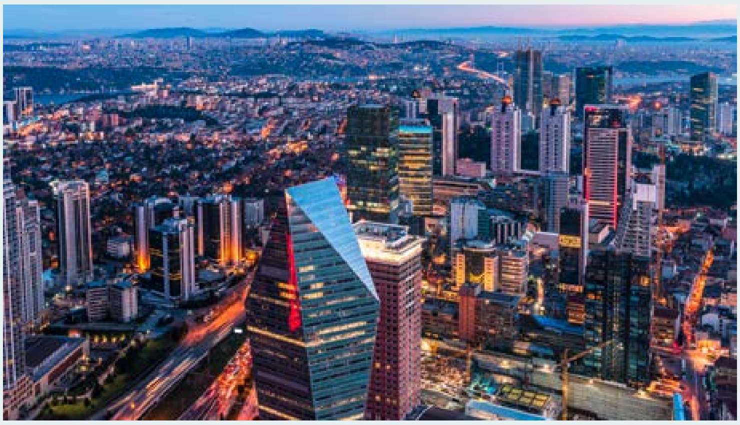
Civil litigation commences with the filing and service of the complaint. A reply petition must be filed in 10–14 days. A trial begins after two rounds of petitions have been exchanged. A simplified procedure may be adopted for some matters.

International arbitrations seated in Turkey cannot be used for most disputes relating to family, bankruptcy, criminal or administrative law, or those relating to rights *in rem* over immovable properties in Turkey. Some substantive and formal requirements must be fulfilled for an arbitration agreement to be valid, and any failure to comply with the mandatory provisions of the International Arbitration Code might result in the setting aside of an award.

The most commonly used arbitration institutions are the Istanbul Arbitration Centre, the Istanbul Chamber of Commerce Arbitration and Mediation Centre, the Turkish Union of Chambers and Commodity Exchanges Court of Arbitration, and the Istanbul Chamber of Commerce Arbitration Institution.

State courts cannot intervene in arbitral proceedings, except for limited circumstances in which they may assist the arbitration.

Turkey is a party to ISCID and the New York Convention. However, foreign arbitral awards can only be recognised and enforced if there is reciprocity between Turkey and the country in which the award is granted, if jurisdiction is not exclusive to Turkey under Turkish law, and if the award does not violate public order.



Bilateral investment treaties

Turkey has signed bilateral investment treaties (BITs) with 98 countries, 81 of which are currently in force. The contracting parties include all the EU member states except Ireland as well as all the OECD member countries except Iceland, Canada, Norway and New Zealand. BITs help to protect foreign investment against economic instability and promote long-term investments. These BITs include arbitral clauses in case of disputes. Turkey is also party to various multilateral investment treaties, and has double taxation treaties with more than 80 countries.

Incentives for investors

The Ministry of Industry and Technology provides four main incentives for investors.

- General investment incentives offer VAT and customs duty exemption for the procurement of machinery and equipment, subject to minimum levels of investment.
- Regional investment incentives are intended to boost less developed regions. They include land allocation, VAT and customs duty exemption, and a series of measures whose strength is determined by region, including reductions of between 15% and 55% in corporate tax on investment expenditure, social security premium support for up to 12 years, and interest rate support. Again, there are minimum levels of investment.
- Strategic investment incentives are targeted at areas in which Turkey’s imports exceed its domestic production. Criteria include the level of production and investment, and the value of current imports. Incentives include VAT and customs duty exemption, reductions in corporate tax, social security premium support for seven years, land allocation, and interest rate support.
- Project-based investment incentives are tailored for areas of critical importance for Turkey. Eligibility requires a certain level of investment and the production of strategic products that are technology-intensive, have high added value or are import-dependent. Incentives include cash support, VAT exemption, customs duty exemption, corporate tax reduction of up to 200% of investment expenditures, and support for social security premiums for up to 10 years.

Various other incentives are available. For example:

- The government provides tax exemptions and cash support in the field of employment.
- Turkey’s 26 development agencies provide grant and loan support to increase regional development.
- There are special incentives for R&D and design centres and technology development zones.
- There are export incentives and Eximbank incentives that provide credit opportunities in order to increase Turkey’s exports.

Interview: Graham Griffiths, Control Risks

Graham Griffiths, associate director at Control Risks, talks about how to mitigate the risks involved in infrastructure in MENA, and the growing need for investment in the region.

How are you involved in infrastructure investment?
I lead Control Risks' political risk team for MENA. I'm particularly focused on the Gulf. We provide clients with country risk assessments, political risk scenario planning and stakeholder mapping exercises. When infrastructure-related companies are looking at an opportunity in a new market, we can provide them with assessments of aspects such as the influence and disposition of key stakeholders, the impact on local communities and the security threat environment.

How often do you work with Chinese investors and contractors?
We do a lot of work with big Chinese infrastructure and construction companies, which have become increasingly prevalent and involved across MENA and in the Gulf. When you look at major infrastructure projects, if they're divided into different components or packages, there'll often be a Chinese company involved in one of those packages in the Gulf. They've really become heavily involved in transportation, renewable energy, and ports and logistics projects.

What sectors have the best infrastructure opportunities?
Countries across the region are making a big push on renewables and often have abundant resources such as large desert areas that are good for solar projects. Multiple countries have also tried to position themselves as important logistics hubs, as part of their economic development division strategies.

On the transportation side, there are cities building light rail or similar urban mass transportation infrastructure, of which there's been relatively little in MENA to date.

And then finally, governments are looking to build new cities to alleviate urban crowding or to build more sustainable cities. Urban infrastructure development is a big sector of opportunity.

Which MENA nations have been most engaged with BRI?
Roughly two-thirds of Chinese investment or work related to BRI in MENA has gone to the GCC countries, which is no surprise since they're the most stable and most developed.

There are also countries which have signed comprehensive strategic partnerships with China, which indicates China is a priority for them. Five countries in MENA have done so: UAE, Saudi Arabia, Iran, Egypt and Algeria.

What are the key risks and challenges?
In terms of BRI overall, China has run into issues where their companies either haven't paid attention to local political dynamics or where there has been a domestic backlash against debt repayment terms. But you haven't really seen the same concerns so far in MENA. This partly because most BRI-related activity has gone to the Gulf, which is generally more developed and fiscally stable than countries in the developing world. You also have a more stable domestic political environment.

As these countries diversify economies away from oil, new risks may develop. On some strategic BRI projects there have been exemptions to local hiring and content requirements. Governments are going to be under increasing pressure to not give such exemptions. And that is a significant challenge for companies in the Gulf in particular, as you have increasingly tightening local content and hiring requirements which affect a project's cost base.

The other kind of significant risk has been related to payment delays because there's been wildly varying oil prices and governments are trying to manage their budgets. At times of fiscal crunch, you've seen significant delays in payments which has caused significant pain in parts of the construction sector, with major projects being delayed or downsized.

How do participants mitigate these risks?
To mitigate those risks, you have to deal with the localisation pressures. You have to develop a presence in the Gulf. It's about finding the right local partner who can help you navigate the landscape. It's about being strategic about how and where you make local hires to make sure that you are getting people who are actually productively contributing to the business.

As for the payment issues, there's not much you can do. There is not a lot of recourse against government clients that decide to delay payments. The best idea is to go in with eyes open about the potential for this, ensuring that you're not overextending yourself.

Spotlight on sectors and regions

Key points

- BRI participants are increasingly interested in more overtly sustainable and eco-friendly sectors, which are also often seen as lower-risk options.
- Most MENA participants will focus on their own territories rather than pursuing BRI projects elsewhere.

The primary BRI sector focus of MENA respondents to date has been social infrastructure such as hospitals and healthcare (33%); logistics, industrial parks and free trade zones (33%); and road projects (32%).

These are all expected to be areas of interest going forward too, with 35% intending to pursue road projects and 41% planning to target logistics. The stand-out sector, though, is social and healthcare-related infrastructure, in which 44% anticipate participating: an increase of one-third.

Another rising sector – in which interest has more than doubled – is renewables and hydro. Only 11% of MENA respondents have previously been involved in clean energy projects under the umbrella of BRI, compared with 20% who have taken part in conventional power developments. In the future, these priorities are reversed, with 17% of respondents targeting conventional power projects, as opposed to 24% who are looking for renewables projects. Even this heightened level of interest in renewables, however, is still significantly below what we found in other parts of the world.

In contrast, MENA is one of the leading regions in its enthusiasm for smart cities, with 37% of MENA respondents planning to pursue smart city opportunities. In part this may reflect the projects already underway in the region, such as Neom in Saudi Arabia and Kuwait's Silk City. Such cities are being built from the ground up, but we also found increasing interest in the development of existing urban areas.

While the excitement about smart cities, healthcare and the 'green shift' are perhaps the most dramatic examples of strengthening sector sentiment, 'traditional' BRI sectors relating to trade are still those where most MENA participants believe the greatest number of opportunities exist. Nearly three-quarters (73%) view roads as one of the five sectors presenting the most opportunities, with logistics (61%) in second place. Smart cities come in third, with 55% (a number significantly higher than we found anywhere else, with the average across our survey cohort being 40%).

Risk sectors

By far the riskiest sector, as perceived by our survey respondents, is oil and gas. Four out of five across our total sample see this industry as one of the five most risky, and 82% of MENA respondents concur. This reflects the long-term transition away from fossil fuels in favour of clean energy sources. Not only are many governments eager to address climate change, institutional investors are making ESG issues a matter of priority. And the increasingly competitive costs of renewable energy production are starting to make the development of some less clean alternatives – particularly coal projects – commercially unviable.

Conversely, renewables are seen as the riskiest sector by just a fraction of MENA respondents. As a key region in the energy markets and with investors and governments stepping away from fossil fuels, there is huge long-term potential for renewables in MENA.

A domestic focus

Most investors and contractors tend towards participating in projects in their own region, or even just in their own country. This accounts for the previous involvement of 84% and 72% of MENA respondents in BRI projects in the Middle East and North Africa respectively.

But there is a notable shifting of weight between these two sub-regions. Involvement in North Africa looks likely to be maintained in future, with 76% of respondents anticipating involvement in nations such as Egypt, Tunisia, Algeria and Morocco. But enthusiasm for the Middle East appears to be much softer: just under half (49%) of MENA respondents plan to be involved in this geography. This is a significant step down on the 84% who have previously taken part in projects there.

It is not entirely clear why the Middle East now appears less attractive to a significant number of respondents. Possible reasons include continuing conflicts and the high levels of political risk in certain countries (including potential sanctions). As discussed earlier in this report, 65% of MENA respondents have found governments and political issues to be one of the biggest obstacles to their BRI activity, and 56% see them as one of the greatest risks to involvement in BRI projects.

It may also be that our sample of respondents are simply more attracted by, for example, China's long-term commitments in Algeria, or the plethora of opportunities in Egypt – including those around the Suez Canal. Diminishing confidence in some large and high-profile projects in the Gulf, whose prospects have been hit by weaker oil prices during the pandemic, may also be contributing to a broader uncertainty.

Sector opportunities and risks

In which of the following sectors has your organisation previously targeted BRI opportunities?

Sector	China	MENA	Rest of World
Energy networks/ power grid	44%	25%	41%
Transportation: Road	47%	32%	30%
Logistics/industrial parks/ free trade zones	37%	33%	26%
Conventional power	30%	20%	29%
Social infrastructure: hospitals, healthcare	34%	33%	19%
Transportation: Rail	33%	11%	19%
Other technology and e-commerce	25%	20%	18%
Oil & gas (including LNG, pipelines, refineries etc.)	22%	15%	19%
Transportation: Ports	30%	13%	15%
Smart city projects	25%	25%	12%
Telecommunications/ICT	20%	16%	13%
Other urban development	23%	15%	12%
Renewables and hydro	18%	11%	14%
Heavy/extractive industries	26%	1%	10%
Other social infrastructure (e.g. schools, civic buildings)	21%	20%	8%
Water and sanitation	16%	23%	2%
Transportation: Air	14%	8%	5%

In which of the following sectors does your organisation have plans to target BRI opportunities?

Sector	China	MENA	Rest of World
Energy networks/ power grid	50%	28%	46%
Transportation: Road	49%	35%	33%
Logistics/industrial parks/ free trade zones	57%	41%	34%
Conventional power	34%	17%	23%
Social infrastructure: hospitals, healthcare	41%	44%	22%
Transportation: Rail	43%	16%	22%
Other technology and e-commerce	30%	24%	19%
Oil & gas (including LNG, pipelines, refineries etc.)	19%	12%	12%
Transportation: Ports	42%	15%	18%
Smart city projects	44%	37%	24%
Telecommunications/ICT	32%	13%	12%
Other urban development	32%	27%	19%
Renewables and hydro	43%	24%	37%
Heavy/extractive industries	26%	1%	11%
Other social infrastructure (e.g. schools, civic buildings)	30%	27%	13%
Water and sanitation	24%	19%	10%
Transportation: Air	21%	9%	10%

Which of the following sectors offer the greatest number of BRI-related opportunities? (Select top five)

Sector	China	MENA	Rest of World
Energy networks/ power grid	48%	41%	52%
Transportation: Road	89%	73%	79%
Logistics/industrial parks/ free trade zones	40%	61%	53%
Conventional power	9%	9%	14%
Social infrastructure: hospitals, healthcare	26%	37%	22%
Transportation: Rail	49%	27%	35%
Other technology and e-commerce	17%	31%	26%
Oil & gas (including LNG, pipelines, refineries etc.)	6%	4%	6%
Transportation: Ports	61%	31%	38%
Smart city projects	35%	55%	38%
Telecommunications/ICT	15%	16%	19%
Other urban development	15%	27%	17%
Renewables and hydro	48%	35%	46%
Heavy/extractive industries	8%	7%	9%
Other social infrastructure (e.g. schools, civic buildings)	8%	9%	8%
Water and sanitation	13%	32%	25%
Transportation: Air	13%	5%	8%

Which of the following sectors are perceived to be the riskiest? (Select top five)

Sector	China	MENA	Rest of World
Energy networks/ power grid	9%	12%	8%
Transportation: Road	5%	11%	5%
Logistics/industrial parks/ free trade zones	27%	13%	19%
Conventional power	68%	57%	51%
Social infrastructure: hospitals, healthcare	22%	28%	35%
Transportation: Rail	23%	48%	36%
Other technology and e-commerce	13%	3%	6%
Oil & gas (including LNG, pipelines, refineries etc.)	83%	82%	78%
Transportation: Ports	8%	15%	14%
Smart city projects	27%	16%	17%
Telecommunications/ICT	24%	17%	20%
Other urban development	31%	24%	31%
Renewables and hydro	2%	1%	2%
Heavy/extractive industries	57%	53%	50%
Other social infrastructure (e.g. schools, civic buildings)	30%	34%	40%
Water and sanitation	41%	29%	28%
Transportation: Air	30%	57%	51%

The Health Silk Road

There is a strong consensus that the coronavirus pandemic will lead to an increased emphasis on the Health Silk Road, intended to strengthen health coverage in BRI countries through Chinese cooperation and support. Nearly all our MENA respondents expect this to happen.

A three-year plan for Belt and Road health exchange and cooperation was devised as long ago as 2015. By 2017 it had evolved into the Health Silk Road (HSR), endorsed both by participating nations and by international bodies such as the World Health Organization and OECD.

Much of HSR's initial focus was on policies such as public health and strengthening people-to-people exchanges. But in 2020 the pandemic highlighted deficiencies in health infrastructure in many BRI countries. An overwhelming majority (94%) of our MENA respondents believe that the pandemic will lead to a greater emphasis on HSR, with only 2% disagreeing.

During the pandemic, China's 'health diplomacy' strategy has been well received in much of MENA. China has shipped large volumes of medical supplies and equipment to about 150 countries, including many in MENA. Medical personnel were also sent to some parts of the region – including Algeria, Iran and Iraq – to offer advice and aid.

Although China's assistance came after the earliest days of the pandemic, during which many MENA countries had actually sent medical equipment and supplies to China as it fought to contain the spread of infection, there is little doubt that China's medical outreach has created a generally positive impression, and emphasised the potential benefits for some nations of Chinese healthcare projects. As noted above, 44% of MENA respondents now have plans to target BRI projects involving social infrastructure such as hospitals and healthcare – a significant rise from the 33% who have previously done so.

"I think there is good potential for the proposed Health Silk Road mainly because the coronavirus spread has demonstrated the likely effectiveness of this road towards faster recovery and transfer of medical equipment," says the head of investment of a UAE investment fund.

Across MENA, too, there is considerable scope for investment in 'next generation' medical infrastructure, particularly in relation to telemedicine and other digital applications. These offer potential synergies with the Digital Silk Road – an area in which China may also wish to build on its data-driven successes in combating the coronavirus.

China also hopes that cooperation on HSR projects – both those related to the pandemic and those addressing other health needs – will help to build strong foundations for similar cooperation on other aspects of BRI.

A Belt and Road future

BRI is a massive policy initiative but it should still be seen in the context of the world's infrastructure requirements.

The coming decades will pose massive challenges to governments that are seeking investment to upgrade inadequate infrastructure, help them move to carbon neutrality and achieve a variety of sustainable development goals.

However big BRI may be, it cannot do more than meet a fraction of these challenges. But even though it is only one route among many to global development, BRI seems certain to be the world's largest infrastructure initiative for many years to come.

Even many of the commentators who have expressed reservations about BRI acknowledge that the world will not be able to meet its goals for sustainable development and a post-carbon future without extensive Chinese involvement and leadership.

BRI will also continue to evolve. Its participants increasingly look to meet the trends of the future. Affordable projects, embracing modern technologies and methods, as well as the "open, green and clean" approach of BRI 2.0, will often be those that stand the greatest chance of success. So will those that anticipate the genuine future needs of the societies in which they are built.

Until the National People's Congress in March 2021, we will not know exactly how much China's new Five-Year Plan reflects some of the initiatives that have been announced during the pandemic, such as the 'dual circulation' economic strategy and a greener approach to industrial development. But, in the words of Foreign Minister Wang Yi in December 2020, "No matter how the situation may evolve, the international community's need for the Belt and Road remains unchanged; partners' support for the Belt and Road remains unchanged; and China's resolve to advance Belt and Road international cooperation remains unchanged."

If BRI had never been conceived, governments would still be seeking to fund much-needed infrastructure projects with international financing, often from China, and contractors from China would still be tendering for such projects. There would still be a huge need for international development, and the parties involved would still be grappling with complex questions, such as managing risk, negotiating local partnerships, and balancing sustainability with value for money and profitability.

In its early days BRI was widely seen outside China as being primarily an umbrella under which such projects could be grouped. The question now is whether it will come to be appreciated internationally as a vehicle for higher standards of project sustainability and governance, as well as mutually beneficial cross-border partnerships for both Chinese and foreign participants.

If it does, then it will truly be possible to describe it as, in President Xi's words, a path of "win-win cooperation".

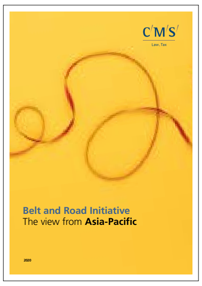
Belt and Road Initiative: CMS reports

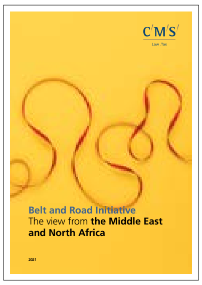
As a leader in many of the sectors that make up BRI – including infrastructure, energy, renewables, real estate, technology and healthcare – CMS commissioned a survey and interviews of over 500 BRI participants from around the world, to assess in depth their current feelings about BRI and the prospects they see for it.

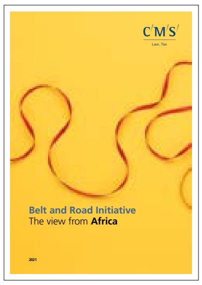
We are publishing our findings in a series of six reports, beginning with reports on China and the Asia-Pacific region, and continuing with Central and Eastern Europe and this report on MENA.

Reports covering Africa and Latin America will be published in the coming months.

You can find the reports at **cms.law/bri**







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Ranked as the world's fifth largest law firm by lawyer headcount, CMS can work for you in over 40 countries worldwide. Globally 4,800 lawyers in 74 offices offer business-focused advice tailored to our clients' needs, whether in local markets or across multiple jurisdictions.

With offices reaching from Casablanca to Muscat, our lawyers operate in all the key commercial centres of MENA. We have advised on major projects throughout the region, ranging from the USD 4bn South Saad Al Abdullah Smart City in Kuwait, through procurement of Oman's first waste-to-energy independent power project, to the development of a wastewater system for the emirate of Ras Al Khamiah. We are well known for our construction and infrastructure work, and our more general corporate and commercial practice, as well as for our deep expertise in sectors such as energy and climate change, real estate and technology.

In neighbouring Turkey, our Istanbul team also covers a wide variety of areas, including project finance, acquisition finance, corporate lending, real estate and construction, and structured trade finance.

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