Belt and Road benefits foreign firms

Multinational companies are well-positioned for massive gains from the China-led trade and infrastructure initiative

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New facts appear to demystify the Belt and Road Initiative led by China, which aims to strengthen nations on and beyond the ancient Silk Road and Maritime Silk Road routes through trade and infrastructure networks across Asia, Africa and Europe.

For long, skeptics believed the Belt and Road Initiative, which was launched in 2013, will ultimately benefit China and its companies more than others. There were even whisper campaigns that development is merely the ostensible goal of the initiative; the perceived truth was that it is China's covert attempt to emerge as a 21st-century hegemon.

Four years down the line, facts and figures clearly indicate even non-Chinese, non-Asian multinational companies (MNCs) are just as well positioned to benefit massively from the initiative.

Many of these MNCs are seeking to tap huge business opportunities spawned by the initiative. Some of them have already teamed up, or are teaming up, with Chinese partners in countries and regions covered by the Belt and Road Initiative, angling for a slice of the gigantic trade and infrastructure cake.

For instance, Munich-based engineering and electronics giant Siemens is intensifying collaboration on Belt and Road-related projects in various countries and regions.

According to Cedrik Neike, member of the managing board of Siemens, the company plans to cooperate more with Chinese partners under the framework of the initiative this year.

"With our experience and world-class project management, we have the potential to be bridge builders between Chinese players and international suppliers and customers, and together with our Chinese EPC (engineering, procurement and construction) partners we will focus on paving the road to success in these countries," he said.

"As one of the largest foreign-invested companies in China, Siemens has more than 32,000 employees working in numerous joint ventures and company operations spread across the country, and the initiative will only help in tightening our relationships."

Siemens is among the earliest foreign companies to partner with Chinese enterprises to explore overseas markets together. It started operations in China some 20 years ago, and its growth gathered momentum in recent years, after the launch of the Belt and Road Initiative and with the rapid development of Chinese EPC enterprises in the global arena.

By 2016, Siemens had joined forces with more than 100 Chinese EPC players in exploring more than 60 overseas markets. Its partners include China National Petroleum Corp, the country's biggest oil producer, China Petroleum and Chemical Corp, and Power Construction Corp of China.

According to Neike, EPC contracts bagged by Chinese firms are worth around $125 billion.

Siemens expects the cumulative potential over the next 10 years will be more than $1 trillion.

"We see sweet spots in select countries where we can position Siemens as a high-value provider and partner of China," he said.

Like Siemens, many Western MNCs with leading technologies and a global footprint have vouched support for Chinese companies seeking to go global and adapt to local markets overseas, in fields like power, oil and gas, chemicals, minerals and building materials.

Boston-headquartered General Electric, or GE, one of the first MNCs to enter the Chinese market over a century ago, has decided to jointly explore new wind power opportunities in Pakistan by teaming up with Power Construction Corp of China.

This move is part of GE's more than 10 Pakistan power projects with Chinese EPC players in recent years.

John Rice, who retired at the end of December as GE vice-chairman, has said the Belt and Road Initiative is a shining example of how GE can benefit from China's opening-up.

"In many cases, we are well equipped in being a great partner participating in the Belt and Road Initiative and we can also benefit from that," Rice said in an interview during his trip to China in November as part of the business delegation accompanying US President Donald Trump on his state visit.

To date, GE has partnered with over 30 Chinese EPC companies in more than 70 markets across Africa, the Middle East, Southeast Asia and Europe. The company and its Chinese partners will further invest in power grids, new energy, oil and gas, in Belt and Road countries and regions.

Honeywell International, the US-based manufacturing and technology conglomerate, has also been immersed for years in supplying automation products and other technologies for infrastructure and energy projects, such as the Central Asia-China gas pipeline project.

Shane Tedjarati, president of Honeywell Global High Growth Regions, said the software and connected systems company is well-positioned to support the Belt and Road Initiative through its China growth strategy and portfolio.

Honeywell's high-growth regions consistently drive more than 80 percent of the company's growth. China accounts for the biggest chunk of that, he said, adding the country has been the company's second-largest market since 2013 and currently is the single-largest contributor to its global growth.

Experts believe the initiative creates business and growth opportunities for both Chinese and non-Chinese companies.

Belt and Road countries and regions account for about 30 percent of the global economy, according to the Mercator Institute for China Studies. Projects worth some $900 billion are now either under way or on the drawing board, according to the China Development Bank.

Many Western firms are interested in contributing to the initiative, offering either technology or knowledge of local conditions, said Zhang Jianping, director of international economic cooperation at the National Development and Reform Commission.

Multinationals can also benefit from better connectivity in the long term as emerging Belt and Road markets will be further developed and their improved infrastructure might open up new markets and ultimately drive global economic growth, he said.

Stanley Jia, chief representative at the Beijing office of global law firm Baker McKenzie, was quoted by the *South China Morning Post* as saying there will be plenty of opportunities for Chinese and multinational companies to work together in the future.

It is still early days for the initiative and hence it may appear as if it is the preserve of Chinese State-owned enterprises, funded by Chinese banks and staffed by Chinese workers. All that will change sooner rather than later, he implied.

According to the law firm, Chinese companies and their partners could together pour some $350 billion into Belt and Road-related projects in more than 60 countries and regions in the next five years.

Ren Hongbin, chairman of China National Machinery Industry Corp, known as Sinomach, said Chinese EPC firms are facing various challenges, including international competition, geopolitical risks, tricky financing, and conflicts of culture.

Lothar Herrmann, CEO of Siemens Greater China, said complexity in terms of geography, culture and religion of Belt and Road countries might be difficult to grasp, while various projects in different fields, including transportation infrastructure, tourism, financial services and clean energy, are just as challenging.

"The complexity and uncertainty in some regions have made it imperative for companies to adapt to the local environment with the highest flexibility," he said. "But focus must remain on adding value to the local customers and local people."