

Maldives 'debt trap' is a distortion

Chinese tourists are a considerable source of income for the country, which is not being 'plundered' by China investment

By LIANG HAIMING

After newly elected Maldivian President Ibrahim Mohamed Solih accused China of raising his country's debt by investing in it, some media outlets have been sensationalizing the issue of China creating "debt traps" in the countries along the Belt and Road.

How much debt does the Maldives have? Data from the United States' Central Intelligence Agency (CIA) and the International Monetary Fund are apt reference sources to get a clearer picture.

The CIA's official website says the Maldives' national debt accounted for 68.1 percent of its GDP in 2017 — 53rd highest in the world but lower than that of neighboring India and Sri Lanka, which had national debts of 70.2 percent and 79.4 percent, respectively. The Maldives' GDP was \$4.505 billion in 2017, to which the service industry (tourism) contributed the most (81 percent).

But the Maldives had a lower national debt according to the IMF: 34.7 percent of GDP in 2017, which is likely to rise to 51.2 percent by 2021.

In economics terms, there is a difference between national debt and foreign debt. National debt pertains to the bonds issued by a country's central government to raise fiscal funds. And national debt can be divided into national domestic debt and national foreign debt contingent on the region or regions where the bonds are issued.

To be precise, the Maldives' foreign debt at the end of 2016 was \$848.8 million.

Therefore, the Maldives' 68.1 percent national debt to GDP ratio means it has issued bonds at home and abroad to raise fiscal funds, and the number of bonds issued is a decision the Maldives alone has made. It has nothing to do with China.

A moderate amount of foreign debt can accelerate a country's economic growth, while a heavy

foreign debt — beyond a country's repaying capacity — could spell doom for its economy.

Therefore, if the new Maldivian president believes China's investments and loans have created a "debt trap", he should publish the Maldives' latest debt data. For example, of its \$848.8 million foreign debt, how much does it owe to China? And how much of its GDP growth has been driven and how many jobs have been created by Chinese investments and loans?

As for the "land grab" by China which the Maldivian president has referred to, China, according to available data, has developed or is developing 17 islands in the Maldives but India, Singapore and European and Middle Eastern countries also hold stakes in its tourism industry and have developed many of its islands.

In fact, the Maldives is made up of more than 1,200 coral reefs and islands, 202 of which are inhabited, and the Maldivian government holds island auctions every few

years, giving investors the right to use the islands for 25 years. Anyone can lease and develop islands in the Maldives as long as they complete the relevant procedures and pay taxes and rent.

Therefore, equating the development of Maldivian islands by Chinese enterprises with "plunder" and "exploitation" contradicts facts. More importantly, tourists from China are a considerable source of income for the Maldives: Chinese account for the largest number of the more than 700,000 tourists who visit the country every year.

In recent years, more than 300,000 Chinese tourists have visited the Maldives each year, with their number increasing to 400,000 in 2017. Provided that each Chinese tourist spends \$1,000 directly or indirectly on the islands, the Maldives can earn at least \$300 million in tourism revenue from Chinese tourists every year. If the country can sustain this stable source of income, it can easily pay off its

\$848.8 million foreign debt in a matter of years.

A country that can continuously attract a large amount of foreign capital will gain a sharp competitive advantage in global competition.

The financing capacity of a country reflects its development prospects. Take China as an example. Thanks to its rapid economic growth, it has become the world's second-largest economy. In turn, its continuously improving reform and opening-up policy has ensured the continuous inflow of foreign investment.

If the Maldives' policies keep changing, it may not be able to attract low-cost and sustained foreign investment and its economic development prospects would suffer. In such a case, the Maldivian people will be the biggest victims.

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Green solutions for Asia's waste

Businesses can share ecoparks to transform refuse, byproducts into resources such as energy

By STEPHEN PETERS

If there is one item that epitomizes our modern world, it is plastic. It is easy to make and use but does untold damage, especially in Asia where rivers, lakes and oceans are literally choking on it.

We are only now learning how pollution has a huge impact on the base of our food web and the oxygen-producing plankton (phytoplankton) in our oceans. Phytoplankton use dissolved carbon dioxide (CO₂) in our oceans to produce around 70 percent of our oxygen. They single-handedly remove a third of atmospheric CO₂ in this way.

These very small creatures are sensitive to changes in their environment. As oceans become more acidic, they will need time to adapt. A possible scenario is, changes in dominant species, extinction of many species and pollution in surviving fishing stocks. The worst-case scenario is a catastrophic disruption to the base of the oceanic food web, which currently feeds 1.4 billion people.

With so much at stake, why are so much plastic and other wastes

finding their way into the oceans? Perhaps because waste, by its nature, is someone else's problem.

But it is a problem that is not going anywhere.

Over two-thirds of the world's population are expected to live in urban areas by 2050. The challenge is to transition from our energy-intensive, throwaway civilization to a circular economy where resource conservation and effective waste disposal are top priorities.

To start with, we need to admit that not all waste can be recycled. Some wastes have an "end of life" at which point its disposal becomes urgent. Today, we have the technology not just to dispose of waste with minimal environmental impact, but also to convert it into energy and other resources.

It was not always that way. In the 1960s, the plastic bag probably ended up in a backyard fire with highly toxic emissions. In the 1970s, an incinerator would have processed it, still spewing toxic fumes and ash. By the 2000s, many countries had opted for landfills with varying degrees of environmental controls. Recycling often involved burning plastics in uncontrolled conditions similar to old incinerators.

Today, the aim is to recover, recycle and reuse as much waste as possible. Most waste can be recycled if properly separated. The rest can be treated using new technology with emissions 25,000 times less toxic than old incinerators. Most importantly, ash is captured, locked up and the pollutants stopped from entering waterways and oceans.

Japan is a world leader in waste-to-energy technology. These modern facilities emit just 20 percent of the current stringent Japanese emission standard. This technology has been implemented in China with the Asian Development Bank's (ADB) support for the last five years.

Modern waste-to-energy mechanisms raise all sorts of possibilities. Ecoparks — industrial parks where businesses cooperate to reduce waste and turn byproducts into resources such as energy — are transforming waste management.

Electricity, heat and steam can be shared among ecopark tenants to maximize resource recovery. Food waste, gray water, human septage (waste content in a septic tank), construction debris, medical and other wastes can all be treated at ecoparks. We are supporting

technologies to lock up pollutants and residues safely, and preventing them from reaching our oceans.

Ecoparks can also shape consumer preferences for redesigned products and recyclable materials. Community-based facilities in Spittelau, Austria, and Ningbo in East China's Zhejiang province allow the public to see what happens to their waste. And manufacturers will respond to consumer preferences, especially as single-use items attract more scrutiny.

As cities grow and recycling improves, smaller satellite ecoparks can treat organic materials and food waste, thereby curbing transport costs while keeping benefits such as energy in the local area.

The waste revolution, however, is not confined to ecoparks. Digital technologies now allow trading apps to link with geographic information systems to provide big data opportunities to reduce collection costs and aggregate specific wastes for recyclers.

Imagine what Uber did for taxis being applied to local waste collectors and traders. The ADB is engaging with apps like www.soluhq.com where consumers can segregate and sell their waste. We are exploring

linking such apps to our GIS (geographic information system) platform. As well as promoting better environmental services, this creates opportunities for people without bank accounts to access online services such as banking and insurance.

Also, digitized waste collection can boost government finances. Resource recovery charges can be levied on products based on their "end of life" costs. Companies will redesign their products and packaging to avoid these costs, while further cutting waste generation and sparing the oceans.

Ecoparks and digital technologies also open up channels for a regional approach to waste management. Strategically located ecoparks at ports on busy sea-lanes, such as the Enerkem facility in Rotterdam, in the Netherlands, can shorten supply chains for tradable waste products.

As such, Asia's waste crisis is a chance to reframe the region's growth. With the latest technologies and bold thinking, we can transition to a circular economy and save our oceans.

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