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INFRASTRUCTURE

RAILWAY LINKING CHINA AND LAOS IS 'ON SCHEDULE'

US$7 billion Chinese-built line from Kunming to Vientiane is set to begin service in 2021 and is expected to boost Lao economy, rail chief says

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A railway line being built by China linking the Laotian capital of Vientiane with the southwestern city of Kunming is on schedule to begin service in December 2021, according to the chief of Lao Railways.

Trains on the 414km line would be able to travel at up to 160km/h, cutting the journey time between the two cities to three hours from three days, Lao Railways' director general Somsana Ratsaphong said, speaking during the Asia-Pacific Rail conference in Hong Kong.

He said the closer connectivity would spur greater economic development in Laos, one of the poorest countries in the Association of Southeast Asian Nations.

"The railway will bring new developments including industrial estates, hotels and tourism business that generate income way bigger than ticketing," Ratsaphong said, noting traffic costs would be cut by 40 per cent compared to using road transport over the same route.

The US$7 billion project is a showcase of President Xi Jinping's "Belt and Road Initiative", which aims to create trading infrastructure linking China with Africa, Europe and other regions. The plan has garnered an estimated US$460 billion in investments since its inception in 2013.

The Kunming-Vientiane link would eventually connect with a railway line to the Thai capital of Bangkok and then to Singapore.

A section of the China-Laos railway. Photo: Bloomberg

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>
> SOMSANA RATSAPHONG, LAO RAILWAYS

Beijing will finance 70 per cent of the cost of the railway, while Laos, where agriculture makes up half of economic output, will pay for the rest with loans from Chinese financial institutions.

China was the biggest foreign investor in Laos as of 2016, having put in US$5.4 billion since 1989.

"For an economy like ours, with a population of only 6.8 million people, it is good for us to make use of the manpower and finance from China," Ratsaphong said.

Recent financing terms for Chinese infrastructure projects, however, have raised concerns among some developing nations over the possibility of being pushed into a debt trap, as borrowers may find themselves saddled with large debts that could take a long time to repay.

Malaysia's premier, Mahathir Mohamad, has been one vocal critic, instructing his government to scrap a US$20 billion rail link on the country's east coast after balking at its construction cost and the terms of its loans from Chinese banks.

Sri Lanka meanwhile handed over management of the Hambantota Port to China on a 99-year lease in 2017 after failing to repay loans on the US$1.5 billion project.

Some analysts said such problems did not result just from loans.

"The debt trap is created not because of the money from China, [but] mainly because some countries did not do a good assessment" on the financial terms and repayment requirements, said World Bank adviser Andrea Giuricin, who is also a visiting professor at the China Academy of Railway Sciences.

He also noted that China's state-run construction companies had mastered some of the world's most impressive engineering and building technology, but were still lacking in project management expertise.

"Most of the high-speed railways in China are losing money, and the data is not transparent. For some places, you simply don't need to build the fastest railway," he said.