



Enhance Soft Connections Co-construct Soft Environment

-Build Open, Sharing
Investment and Finance System
Along Belt & Road

Project Leader in CF40:

Xiao Gang

Significant Progress in B&R Construction For Past Five Years

Stable and Smooth Policy Negotiations

Frequent Feed-ins and Feedbacks

Supported by 100+ Countries and International Organizations

**Infrastructure Connectivity: Points to Surface
Clear Results**

Sea Land Air: High Speed Train, Cruiser, Pipeline, Tunnel, Rail

Great Trend in Trade with Delightful Output

Accumulated Amount of Trade in Goods along the Initiative
exceeds 5 trillion USD



Significant Progress in B&R Construction For Past Five Years

Steady advancement in Finance with
Outstanding Effects

Chinese FDI along the Initiative exceeds 70 billion USD

AIIB:

34 projects with total amount of 7+ billion USD

**Silk Road
Fund**

17 projects invested, 7 billion USD pledged,
80 billion USD involved

**Commercial
Banks**

19 countries, 80+ branches, UnionPay covers 50 countries,
4 million business accounts

Sinosure

Support Infrastructure, Production & Capacity Cooperation
and Industrial Parks in 30 + countries



Characteristics in B&R Investment and Finance

Guide & Drive by
Policy-Orientated Finance

Leading Role of SOE

Cooperative Mass Effect in Blocks

Initiation of Cooperation in
Investment and Finance



Great Demand in Investment and Finance in B&R Infrastructure

Calculation based on the weight of Infrastructure in GDP at certain development stage of a country:

During 2018-2022, Total Investment Amount in Infrastructure in countries along B&R Initiative will be 4.5-5.9 trillion USD, with average of 0.9-1.2 trillion USD annually.

(Numbers from Chinese Academy of Social Science, Development Research Center of the State Council, World Bank, IMF, ADB)

Problem

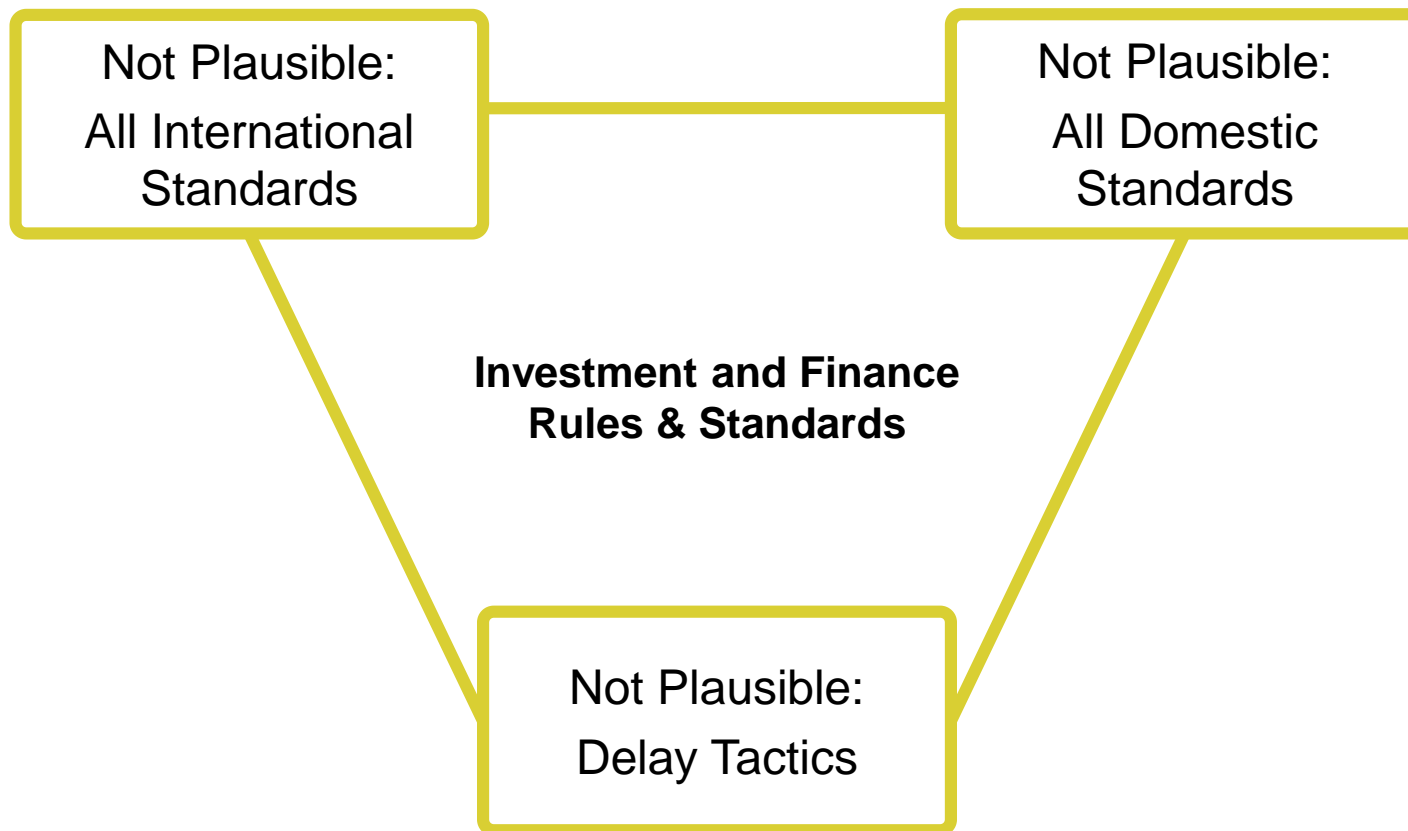
Reliance on Chinese funds is not sustainable.

Co-construct &
Share

Diversify Funding Sources, Share Benefits and Risks.



Major Challenges facing B&R Investment and Finance – Rules & Standards



International Investment and Finance Standards do not fit B&R countries

International Standards do not fit

Among 65 countries along the Initiative, 8 Least Developed, 16 non-WTO, 24 below Human Development Index Average.

Great Market Potentials with Low Cost on Production Factors along the Initiative contradict International Standards. “High Standards” and “Universal” not plausible.

Comparing between 5 years before and after the Initiation of B&R, Foreign Debt Growth for 12 out of 63 countries are positive, 8 with Growth Rate more than 10% among those.

Additional Political Conditions and Demands on Economical Policy changes attached to International Standards, which does not fit current Global Governance Changes.



Modifications Needed on Domestic Investment and Finance Rules

Domestic Rules need Modifications

Some countries want Chinese funds and technologies, but concern overreliance on China, such that some projects are hard to materialize.

Requirement on Chinese Content in CEXIM's Concessional Loans and Sinosure's Medium & Long Term Credit are not beneficial to form Co-construction and Share Mechanism.

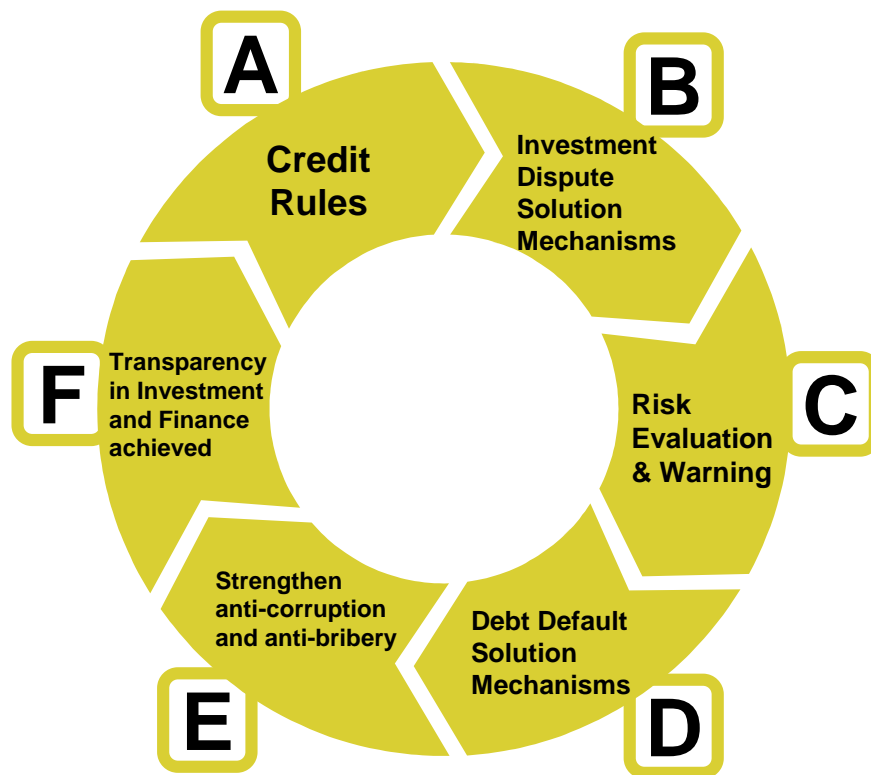
Some countries count on "Blood Transfusion", some domestic enterprises compete against each other in pricing, vulnerable to debt default risk and sustainability

Insufficient transparency, vulnerable to doubts.



Enhance Soft Connections Co-construct Soft Environment

-- Realistic choice based on implausibility of International Standards and Under-Development of Domestic Rules



**Explore
New Path**

Merging Innovatively, Seeking Common Ground while Reserving,
Adopting Policies Categorically, Optimizing Benefits Accordingly.



Policy Advises

A. Amend Domestic Credit Rules

(a) Loosen Chinese Content Requirement, Adopt Chinese Interest Principal. Leveling Playgrounds and Purchasing Globally.

(b) Innovate Investment and Finance Models, Optimize Projects' Finance Structure, Explore mutually beneficial mechanism between Financial Institutions and Enterprises. Promote PPP and BOT forms, adopt more Consortiums, Co-insurance and Reinsurance.

(c) Revise Credit Regulation and Performance Evaluation, Modify Guarantee Policies, Allow Banks to Reserve Part of Risk instead of Seeking Guarantee with Total Amount Coverage on such Risk.

(d) Promote RMB application, Extend Tenor of Loans, Encourage Chinese Technical Standards adoption



B. Implement Investment Protection and Dispute Solution Mechanisms along B&R



Some countries didn't sign
Some countries signed but not enforced
Some countries unilaterally cancelled
(e.g. Indonesia)

Formulate <<Overseas Investment Insurance Law>
and/or <<Export Credit Insurance Law>>



C. Strengthen Investment and Finance Risk Evaluation and Warning along B&R

1. Enhance Cooperation among Policy-Oriented Financial Institution in Investment and Finance
2. Fully Implement function of Export Credit Insurance
3. Construct Multilateral and Independent Debt Research and Evaluation Mechanism

1. Establish B&R project Investment and Finance Promotion Institution along the Initiative
2. Establish Centralized Country Limit Policy among Chinese Financial Institutions
3. Construct Joint Insurance Mechanism along the Initiative as experience in BRICS entails
4. Form "Money Pool" to Multilaterally Bail-Out Debt Default

Risk Surety Mechanism

Investment and Finance Risk Evaluation, Warning and Mitigation

Enhance Warning Abilities

Warning Evaluation Mechanism

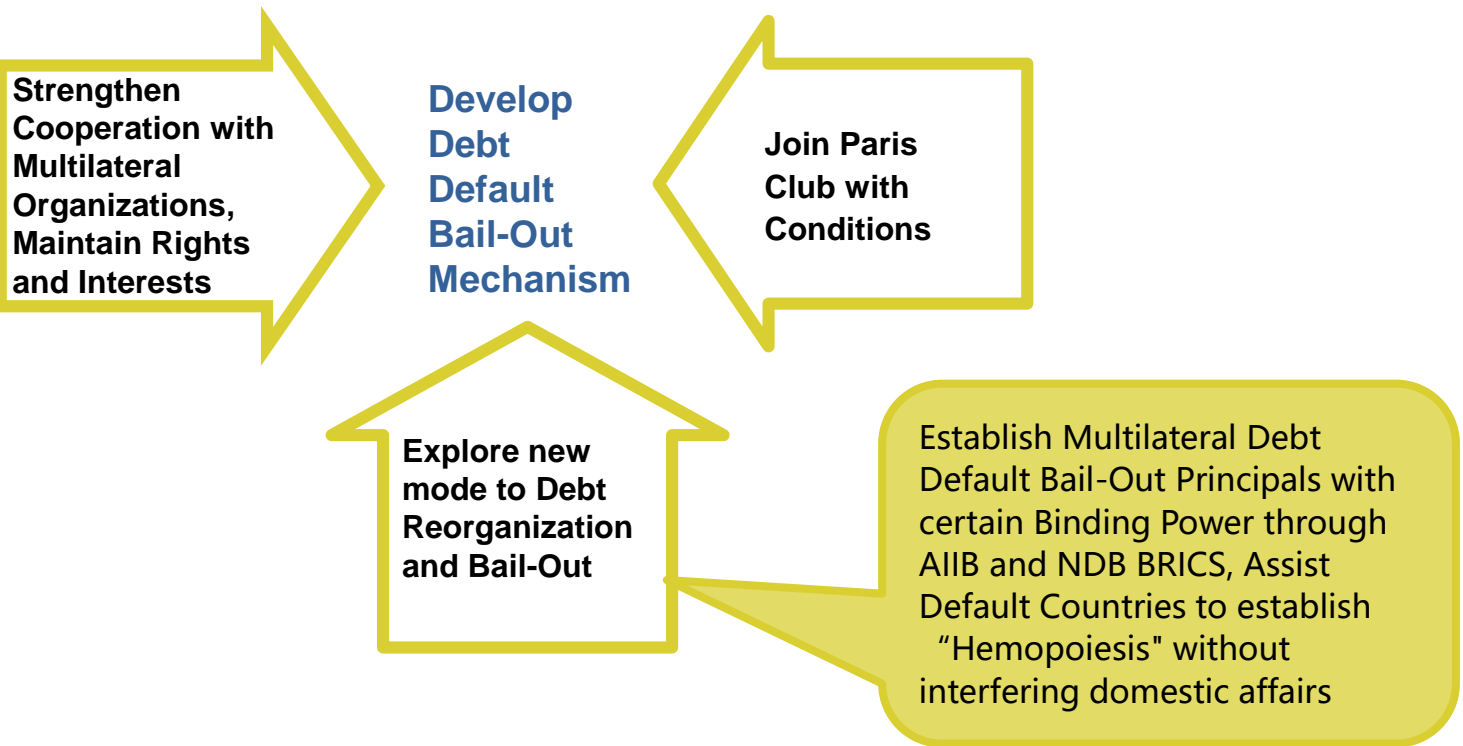
1. Enhance Risk Perception, Focus on Country Risk along the Initiative
2. Formulate Risk Mitigation & Management Plans

Enhance Response Abilities

1. Top-level Design on B&R Country Risk Warning and Evaluation Mechanism, form Delicated Multilateral Research Institution
2. Construct B&R Country Risk Database
3. Construct B&R Country Risk Evaluation System which fits Investment and Finance Demands(Multilateral, Independent)



D. Develop B&R Debt Default Bail-Out Mechanism



Problem

Multilateral not responsive, Bilateral "ad-hoc",
Limited resource



E. Strengthen anti-corruption and anti-bribery

Accelerate Anti-Corruption Legislation and Strengthen Regulations on Overseas Investment and Operation

Strengthen Government Guidance, Warning and Regulations, Establish Blacklist on Corruption and bribery

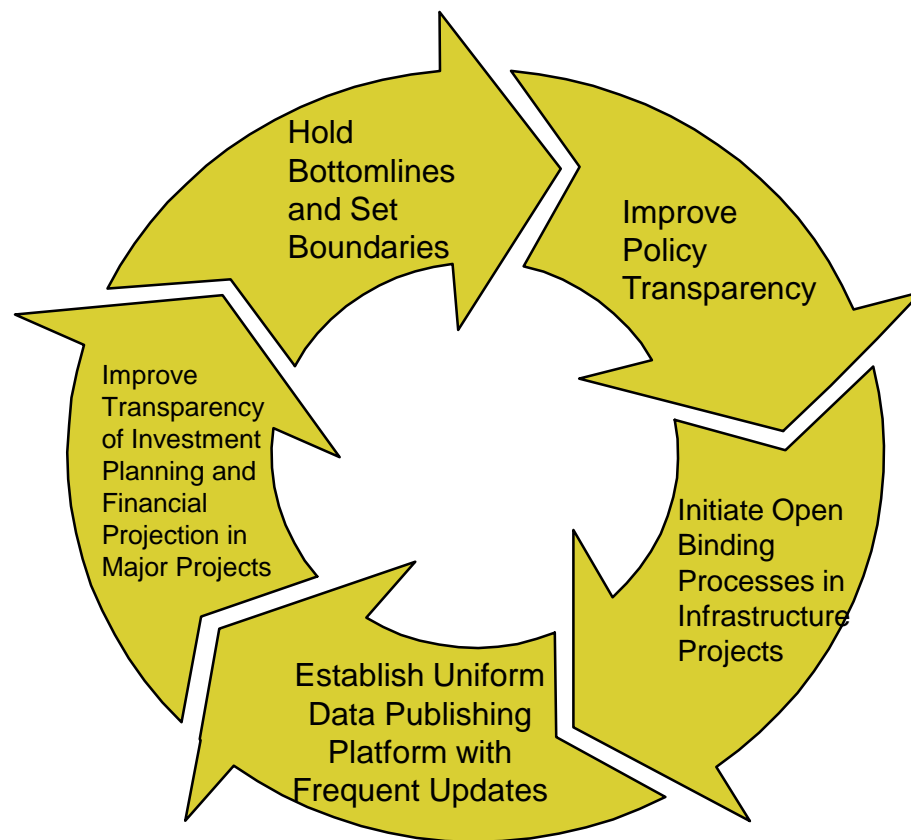
Effective Methods shall be adopted by Financial Institutions, to constrain, prevent and strike down corruption and bribery

Strengthen Enterprises' Subjective Consciousness, Improve Self-Compliance and Corruption Prevention Capacity

Construct Inter-Governmental Anti Corruption Contact & Cooperative Mechanisms through International Platform



F. Achieve Openness and Transparency in B&R Investment and Finance



G. Other Related Works in Soft Environment

Labour and Social
Responsibilities

Peripheral Services

Tax and Anti-Tax Evasion

Bridge Technical Standards



Thank you!
Your kind Thoughts &
Comments

