"Belt and Road" Opens Golden Age of Sino-British Cooperation

Britain's participation in the "Belt and Road" Initiative is an important opportunity to open the Chinese domestic market and third country markets. China and Britain are highly complementary in trade structure. By strengthening the docking of development strategies, and promoting mutually beneficial cooperation in trade, investment, finance and energy, they may lay a solid foundation for the "Belt and Road" cooperation.

The "Belt and Road" initiative will create massive RMB denominated assets in overseas areas, and promote the internationalization of RMB. The huge financing requirements for projects along the lines will prompt the issuance of offshore market dim-sum bonds and other types of bonds. London can provide diversified international investors for Chinese enterprises and customers, actively involve global capital markets in the process, and connect capital pools of different currencies, so as to establish a sustainable financing mechanism for the offshore market. For instance, China's policy banks and international multilateral development agencies may take advantage of offshore markets such as London, and increase issuance of long-term bonds related to the "Belt and Road", to improve the yield curve, expand the development of the secondary offshore bond market, and improve the "Belt and Road's" long-term financing mechanism.

In terms of Britain, the Northern Economic Growth Area strategy can completely dock the "Belt and Road" initiative, to share China's capital, infrastructure construction technology and experience, and realize in-depth complementation between the two countries with regards to cooperation and investment. Northern England has become increasingly important to the economy of the entire UK. Many large multinational groups are investing for development there. It will quickly become a global innovation enterprise investment center. China's development path and infrastructure experience may provide high-speed rail technology and finance, and stimulate Northern England's economic vitality.

In the field of cooperation with a third country, British companies may complement their Chinese counterparts with technological advantages on international infrastructure projects. They may also carry out international cooperation in project management, financing, design, planning and environmental protection. Britain could serve as a support point at the western end of the "Belt and Road" with its expertise in professional services. The advantages of engineering design and consulting, financial services, and legal services will provide significant opportunities for the United Kingdom's professional services to participate in the infrastructure projects.

Following Brexit, Britain's export situation has worsened. Accelerating the development and operation of China-Europe freight trains, and strengthening Britain's engagement with other global trading partners, will help British products to go global.

Zhang Guoping, Postdoctoral Researcher, CDI

New Amber Route in Northern Europe

The proposal of the Amber Route has clearly defined the potential of complementary industries in the future between China and the Nordic countries, and will expand and deepen economic and trade cooperation between China and the Nordic and Arctic region.

Arctic region has weak infrastructure but the enormous potential needs. The construction of Arctic transport will bring the world a more efficient transportation system, and substantial increase for local economic opportunities. The "Belt and Road" initiative has brought a large amount of investment to infrastructure in Nordic and Arctic region. For example, the Silk Road Fund, with a $40 billion investment, has bought 9.9% shares of the Yamal liquefied natural gas project that is worth $27 billion. Meanwhile, three-dimensional traffic pattern project of Finland has begun to form through the "Belt and Road" initiative. The freight trains from China, Zhengzhou (or Xi'an) to Kouvola will be opened which will bring a new branch to the China-Europe freight train service. COSCO has also designed and built a world leading general cargo vessel to regularly sail northward and berth in Finland. In aviation, Finland Airlines currently operates six direct flights to China.

In terms of bilateral economic and trade cooperation, Nordic countries, with a range of traditional competitive industries such as shipping, agriculture, paper making and marine fishery, agree and complement with China that raises requirements in emerging industry development. Emerging

advantage areas including green energy, high-end precision instruments, environmental protection, health care and creative design also attract Chinese capital to northern Europe. At present, small and medium-sized enterprises (SMEs) are the main forces in Nordic developed countries to absorb social employment and promote technological innovation, with strong technical superiority and innovative ability. These enterprises are lack of funds and markets in exploiting the overseas market while China's capital and markets just make up such demands. By encouraging China's financial institutions and environmental technology, bio-pharmaceutical enterprises to issue bonds and test venture investment in Nordic countries, we may explore and promote the SME Development Fund to provide financing, market information sharing and other facilities for SME cooperation between the countries, and give play to the role of Silk Road Fund.

Zhang Guoping, Postdoctoral Researcher, CDI

Based in Shenzhen and founded in 1989, China Development Institute (CDI) is a non-governmental think tank that develops solutions to public policy challenges through broad-scope and in-depth research to help advance China's reform and opening-up. Based on rigorous research and objective analysis, CDI is committed to providing prospective, innovative and pragmatic reports for governments at different levels in China and corporations at home and abroad. In December 2015, CDI was designated as one of top 25 national leading think tanks in a pilot project of central government which is aimed at promoting the building of new-type think tanks with Chinese characteristics.

CDI Online
For more information, please visit our website:
http://en.cdi.org.cn/
Editor-in-chief: Carol Feng, Sophie Li
Email: carolf@cdi.org.cn, Sophieli@cdi.org.cn Tel/Fax: +86-755-8241 1011

CDI
China Development Institute
NEWSLETTER
www.cdi.org.cn 2017 volume 4

Insights >

more on page 02

International Industrial Transfer: Sino-African Cooperation

The Sino-African cooperation in production capacity and equipment manufacturing has developed rapidly following the rules of market under the "Belt and Road" initiative. Meanwhile, Africa's infrastructure and industrial systems have been improved.

Positive Trends in Trade and Investment Cooperation between China and Pacific Islands

The development in trading between China and the Pacific Island countries has developed rapidly. China should strengthen research on these countries to promote extensive, efficient and pragmatic collaborations.

Stronger product and service alignment crucial to promoting China-Belarus cooperation

To ensure successful construction, implementation and operation of China-Belarus Industrial Park, Chinese enterprises should formulate policies, regulations and processes in Belarus and promote the alignment of China's and local standards.

"Belt and Road" Opens Golden Age of Sino-British Cooperation

Britain's participation in the "Belt and Road" Initiative helps to open the Chinese domestic market and third country markets, meanwhile, to lay a solid foundation for Sino-British mutually beneficial cooperation.

New Amber Route in Northern Europe

The proposal of the Amber Route between China and the Nordic countries, has clearly defined the potential of complementary industries in the future, and will expand and deepen economic and trade cooperation.

Topic >

Cooperation between China and Countries along the "Belt and Road"

Events >

South Pacific Night: Opening a New Chapter in Cooperation between China and Pacific Island Countries

In June 2017, the Chinese government released a document entitled "Vision for Maritime Cooperation under the Belt and Road Initiative" which promotes the partnership between the nations along the Maritime Silk Road. To promote economic, trade and cultural between China and the Pacific Island countries, the event was held during which a Memorandum of Understanding (MOU) was signed between CDI and PTI.

Event Highlights >

"China and the Pacific Island countries have vast potential in cooperation on economy, trade, investment and sustainable development."

Under the Vision for Maritime Cooperation under the "Belt and Road" Initiative released by the Chinese government, China and the Pacific Islands shall promote the blue economy cooperation to address climate change, enhance economic performance, improve people's livelihood, and combat the backlash against globalization.

FAN Gang, President, CDI

"It requires China, South Pacific Islands and other countries to work together to build a sustainable, blue economy in the era of globalization."

Partnership and cooperation is not easy. It calls for practical steps that deliver on the needs of all partners, for mutual benefit. The Maritime Silk Road proves to be a sound platform for practical cooperation in building the infrastructure and connectivity that will bring China and the Pacific Islands closer. The Pacific Islands Trade and Investment will work together with CDI to observe what works and to explore practical steps to build the Maritime Silk Road.

David Morris, Trade Commissioner, PTI (China)

Insights >

International Industrial Transfer: Sino-African Cooperation

With the concept of mutual benefit and win-win cooperation in the "Belt and Road" initiative, the cooperation between China and Africa in production capacity and equipment manufacturing has developed rapidly following the rules of market. Meanwhile, it has also improved Africa's infrastructure and industrial systems.

Since the implementation of the reform and opening up policy in 1978, China has experienced rapid development as it makes full use of its labor force, resources and market advantages in the past 30 years.

With the optimization and upgrading of China's industries, China's industry has begun to move on to oversea. Africa has gradually become a key destination of China's capital and technology exports. For the further Sino-African cooperation under the "Belt and Road" initiative, China should follow the rules of industry transfer and focus on investment economics and social efficiency.

In recent years, China has built a number of railways and industrial parks in Africa through the cooperation between international capacity and equipment manufacturing. The railways China builds in Africa connect the continent's ports and resource-rich inland cities. Such a "railway-port" mode provides Africa with advanced transportation basis for industrial development and stimulates the export of China's steel, locomotives, cement and communications equipment. The overseas economic and trade cooperation zones that China has established in Africa are all based in the cities along the railways built by China. They are solid industrial bases for the host countries, meanwhile; further the development of Sino-African capacity cooperation and China's industrial transfer.

With the development of Sino-African cooperation, China's industrial layout in Africa has gradually unveiled with the combination of railways, ports and industrial parks. There is still room for improvement. First of all, to ensure the sustainability of the "Belt and Road" projects, we should utilize the railway network to prop up the industrial network. Secondly, we should promote the smooth development of industries transferred from China to Africa. Thirdly, as more enterprises settle down in overseas economic and trade zones, we should gradually enhance the combined effect among enterprises for the cooperation of industry chains.

Huang Rui, Postdoctoral Researcher, CDI

Positive Trends in Trade and Investment Cooperation between China and Pacific Islands

The Pacific Island countries are faced with significant environment pressure and pressing needs for development at present. While growth in global trade has slowed down, development in trading between China and the Pacific Island countries has developed rapidly. Thus, China should strengthen research on the Pacific Island countries so as to promote extensive, efficient and pragmatic collaborations with them.

The Pacific Islands, including 27 nations and regions in the Pacific Ocean except Australia and New Zealand, is a part of the 21st Century Maritime Silk Road. Affected by natural disasters and increasing temperature, the Pacific Islands are exposed to significant environmental pressure and pressing needs for development. China's proposal of establishing a "community of human shared destiny" is well-received by the island nations.

Due to disparity in resources, uneven developments exist among the Pacific Island countries. Although Papua New Guinea holds comparative advantages in territory size, total economic output and natural resources, its GDP per capita remains at a relatively low-level due to outdated technology and equipment. With an abundance of tourism resources and accessible transportation, Fiji has emerged as a key tourism spot in the Pacific. Other island countries such as Niue, Cook Islands and Palau also post GDP per capita above USD 10,000.

Though growth in global trade is currently bogged down in a slump, trading between China and the Pacific Islands has shifted into high gear, with total volume of

import and export surging from USD 4.3 billion to USD 7.5 billion, a jump of 73% and an annual growth rate of approximately 15%. Main exports goods to the island countries include machineries, electronics, automobiles, ships and light industrial products, while items imported to China from the Pacific Islands are comprised mainly of fish products and natural resources. China's primary trade partners in the Pacific Islands region are Marshall Islands, Papua New Guinea and Solomon Islands. In 2015, trade volume between China and the three major Pacific trading partners amounted to USD 6.7 billion, accounting for over 90% of trade between China and all Pacific Islands. In addition, due to Fiji's strategic importance, its trade relations with China has blossomed and Fiji is now China's number four trade partner in the Pacific Islands region. Since the proposing of the Maritime Silk Road concept, economic and trade development between China and the Pacific Islands has been climbing by leaps and bounds.

Yet, obstacles are in the way of deeper cooperation between China and the Pacific Islands. It would be necessary for China to conduct further research on the politics, economy and culture of the Pacific Island countries, so as to promote extensive, efficient and pragmatic collaborations with them.

Hu Zhenyu, Director, Department of Sustainable Development and Maritime Economy, CDI
Zhou Yuyi, Research Associate, Department of Sustainable Development and Maritime Economy, CDI

Stronger product and service alignment crucial to promoting China-Belarus cooperation

The mutual recognition and alignment of the standards for product and services at national strategic level and in the form of bilateral agreements is crucial to ensuring successful construction, implementation and operation of China-Belarus Industrial Park. As they participate in the Belt and Road projects, Chinese enterprises should participate in the formulation of policies, regulations, standards and processes in the host country of the projects, and actively promote the alignment of China's standards with the local standards in the host country.

In recent years, major projects of China-Belarus cooperation have been pushed forward in the process of Belt & Road construction. China-Belarus Industrial Park is a signature project in China and Belarus' joint effort to build the Silk Road economic belt. According to planning objectives, China-Belarus Industrial Park will attract over 200 high-tech enterprises and create 120 thousand jobs, as it is integrated into a new international airport city with a population of 200 thousand.

The major projects of China-Belarus cooperation have won policy support from the government of Belarus, providing favorable conditions for China-Belarus cooperation. However, the lack of mutual recognition and alignment of China's standards and the local ones in Belarus has hindered the development of cooperation projects between the two countries. The lengthy certification process has severely affected the schedule. Moreover, the lack of alignment in service standards between China and Belarus poses a potential policy risk, potentially reducing the efficiency of construction and operation of the park. In addition, the lack of mutual recognition and alignment in management processes has added unnecessary daily operation costs for Chinese businesses.

The practical experience of China-Belarus Industrial Park and other cooperation projects testify to the necessity of standard alignment between China and the host country at a national strategic level in a bid to raise the overall efficiency. Here are three proposals: first, incorporate the mutual recognition of standards into bilateral cooperation, and sign detailed bilateral agreements to fully align China's standards and the local standards. Second, conduct research on the development strategies, laws and regulations, standard systems and access management systems of countries and regions along the belt and road, so as to provide intellectual support for Chinese businesses going global. Third, encourage Chinese businesses and institutions to participate in the drafting of international standards, and work towards higher levels of international standardization.

Wang Guowen, Director, Department of Logistics and Supply Chain Management
Zhang Yiju, Research Associate, Department of Logistics and Supply Chain Management