SHANGHAI STOCK EXCHANGE 上海證券交易所

Think Ahead ACCA

The Belt and Road Initiative:

Reshaping the global value chain

About SSE

The Shanghai Stock Exchange (SSE) was founded on 26 November 1990 and began operations on 19 December of the same year. It is a non-profit organisation directly governed by the China Securities Regulatory Commission (CSRC). SSE bases its development on the principles of legitimacy, regulation, self-discipline and compliance, in order to create a transparent, open, reliable and efficient marketplace. SSE performs a variety of functions, including providing a marketplace and facilities for securities trading, formulating business rules, accepting and arranging listings, organising and monitoring securities trading, regulating members and listed companies, and managing and disseminating market information. The SSE effectively plays the role of securities market organiser and regulator, and has expanded its service area through its ownership of shares in 21 companies and institutions.

Through the 26 years of its development, SSE has evolved into an exchange with a sound market structure covering four major securities categories: equities, bonds, funds and derivatives. It has put into operation the world's leading exchange system and infrastructure communication facilities, which contribute to the efficient running of the Shanghai securities market. A self-regulatory framework has been put into place for regulating listed companies, through which SSE members and the securities market ensure an orderly market. The scale of the SSE and its investor base has never stopped expanding: by the end of 2015, SSE had 1,081 listed companies with a total market capitalisation of 29.52 trillion RMB. Its total annual turnover in 2015 stood at 133.10 trillion RMB and the average daily turnover reached 545.59bn RMB. The total capital raised in the equities market in 2015 was a staggering 871.30bn RMB. The bond market consists of 4,538 listed bonds with outstanding value totalling 3.44 trillion RMB, and annual turnover standing at 122.85 trillion RMB. So far, 135 funds have been listed on the fund market, with annual turnover of 10.38 trillion RMB. The SSE 50 ETF (exchange traded fund) stock option product was launched in 2015, with the total value of premiums reaching 23.67bn RMB; the registered account of investors reached 135.86m by the end of the same year.

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its **198,000** members and **486,000** students in **180** countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of **101** offices and centres and more than **7,291** Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. It believes that accountants bring value to economies in all stages of development and seek to develop capacity in the profession and encourage the adoption of global standards. ACCA's core values are aligned to the needs of employers in all sectors and it ensures that through its range of qualifications, it prepares accountants for business. ACCA seeks to open up the profession to people of all backgrounds and remove artificial barriers, innovating its qualifications and delivery to meet the diverse needs of trainee professionals and their employers.

More information is here: **www.accaglobal.com**

This report provides an overview of China's ambitious Belt and Road (B&R) initiative, drawing from various sources internationally as well as from within China, including authoritative official accounts and Chinese research. It breaks down the various elements of B&R, and provides an analysis of the economic implications to the Chinese, regional and global economies. The case studies bring the concept to life with an insightful look at how seven leading Chinese enterprises planned, executed and learned from their B&R experiences.

The English report is translated from the Chinese report released on 23 May 2017. Where any discrepancy arises between the English translation and the original Chinese version, the Chinese version shall prevail.

Project background

The Belt and Road (the Belt and Road Initiative, or B&R) research project was jointly initiated by ACCA and Shanghai Stock Exchange (SSE). This report is the result of Phase I of the project.

The B&R research project was conceived in August 2016. It explores the opportunities and challenges for B&R countries (including China) in politics, economics, society and culture through desk research, roundtable conferences and workshops. This approach considers local experiences and international vision, historical achievements and future development.

The research was divided into three phases. The first phase focused on desk research and an exhaustive review of B&R-related policies. The second phase takes a case study approach based on interviews with seven enterprises that are deeply engaged with B&R: China Communications Construction, Power China, Bank of China, Sany, Shanghai Electric, Conch Cement and Changjiang Electronics Technology. We also leveraged ACCA's strong presence in countries along the B&R, and carried out field interviews with a number of overseas enterprises. This helped us to understand how they have partnered with Chinese enterprises on B&R-related business Initiatives, how they have realised the value of B&R Strategy, and their experience of working with Chinese enterprises constructing and developing the B&R. Finally, the third phase explores the integration and innovation of B&R. These findings are based on roundtable and workshop discussion with those who are working close to the B&R Initiative.

This B&R project is led ACCA China with support from th Asia Pacific Markets and the ACCA global headquarters in the UK. The SSE's efforts are directed by the Capital Market Institute, with Pan Miaoli, the assistant director, spearheading the collaboration. We would like to extend our gratitude to Professor Huang Jun of Shanghai University of Finance and Economics (SUFE) and his research team for their support, and we are grateful to the seven listed companies for their enthusiastic contributions.

Finally, we hope that enterprises and other organisations from around the world that are engaged with or interested in the B&R Initiative will work with us to share experience, promote exchanges and build a common future.

Introduction: SSE

The internationalisation of the Shanghai Stock Exchange (SSE) serves the national strategy of China and is a critical move in accelerating the SSE to increase its global influence. SSE has stepped up its internationalisation programme in recent years. In 2014, it launched the unprecedented Shanghai-Hong Kong Stock Connect, a convenient, controllable, expandable cross-boundary investment channel that connects the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Later, SSE, together with Deutsche Börse Group and China Financial Futures Exchange, established the China Europe International Exchange (CEINEX) in Frankfurt, the first joint-venture trading platform for authorised Renminbi-denominated trading outside Mainland China. So far, SSE has signed memoranda of understanding (MoUs) with 44 exchanges around the world. At the beginning of this year, SSE, the China Financial Futures Exchange (CFFEX) and the Shenzhen Stock Exchange jointly invested in the Pakistan Stock Exchange. This is another key move towards materialising the B&R Initiative and the China–Pakistan Economic Corridor construction plan.

The B&R research project jointly initiated with ACCA is a proactive attempt by SSE to serve the B&R Initiative in an integrated way, with a view to promoting the cooperation and communication among enterprises engaged in the B&R construction. This report is the result of the first phase study of the B&R research project and domestic case studies in the second phase, which was carried out by the research teams of both sides on the basis of the initial research findings of SSE coupled with ACCA's resources from its global network. The report elaborates on the responses and corresponding plans of the B&R countries and regions, on the construction progress and successful experience of the Chinese enterprises involved in the B&R Initiative, and on the challenges they face. The research findings are not only a valuable experience for those following to draw upon, but also provide very useful data for decision-makers.

In the future SSE will, under the guidance of the B&R Initiative, accelerate its internationalisation and contribute its knowledge, as a large country exchange, to the B&R Initiative.

Shi Donghui
Director
Capital Market Institute,
Shanghai Stock Exchange

Introduction: ACCA

ACCA has a long and distinguished history of connecting the world through common high international standards. As the first international professional accountancy body to establish operations in China nearly 30 years ago, we are proud of the role our members have played in the evolution of its powerful and highly-regarded national profession.

Today, we have an unrivalled network of 198,000 members and 486,000 students across 181 countries, supported by 100 ACCA offices and centres globally. Our commitment to global development and a collaborative accountancy profession is without equal, anywhere in the world.

ACCA has operations in 57 countries around the world and 24 of these countries sit directly on the B&R footprint, including India, Indonesia, Kazakhstan, Pakistan, Russia, Singapore, UAE and Turkey. This makes us and the members we support ideally placed to reap the rewards from this new area of economic cooperation. With the development of the B&R, we look forward to continuing our global contribution to international trade and understanding, which lead to sustainable growth for all.

As this new trade route develops, it will enable economies within it to explore exciting opportunities – providing ACCA members and their companies and clients with fresh possibilities. This report will help those not already on the B&R journey both appreciate its scale and understand how to take advantage of this New Silk Route themselves.

This new research has benefited from active contributions from all our markets along B&R routes, reflecting both global and local perspectives on this landmark Initiative. I would like to thank the Shanghai Stock Exchange sincerely for partnering with us on this important research, as well as all those companies that have contributed their valuable insights to this report.

Helen Brand OBE
Chief executive
ACCA

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PHASE I.
LITERATURE REVIEW

Today, as the global economy continues its path of recovery from the financial crisis of 2008–9, countries all over the world are seeking out mutually beneficial partnerships, and regional cooperation plays a vital role in the development of the world economy.

1. HISTORY OF THE BELT AND ROAD INITIATIVE

More than 2,100 years ago, Zhang Qian made a trip as imperial envoy to the regions west of the Han Dynasty. Afterwards, Chinese merchants began to trade with people of the western regions by following his route, which was later called the 'Silk Road'. About a century later, another silk road, the oceanic trade route, also came into being. The two roads connected the countries of the Eurasian continent by land and sea, and along these routes ancient China traded and made cultural exchanges with them. Objectively speaking, the development of the Silk Road and the Maritime Silk Road has promoted the friendly exchanges between people along their routes and strengthened the intermingling of Eastern and Western civilisations.

Today, as the global economy continues its path of recovery from the financial crisis of 2008–9, countries all over the world are seeking out mutually beneficial partnerships, and regional cooperation plays a vital role in the development of the world economy. Against this background, during his visit to central Asia and South-East Asia in September and October of 2013, President Xi Jinping of China proposed a plan for jointly developing the Silk Road Economic Belt and the 21st-century Maritime Silk Road (the 'Belt and Road' or B&R), which immediately attracted wide attention from all over the world. The B&R Initiative supports current international and regional development trends, since it helps countries in similar situations to co-develop and collaborate in an open economic system and the global free trade system. As such, the Initiative has profound strategic significance which will open up a wide range of new opportunities for countries and regions along the B&R routes or 'corridors', and their people.

2. THE INITIATIVE IN DETAIL

The B&R Initiative has five aspects:

- policy coordination
- connecting infrastructure
- unimpeded trade
- financial integration
- people-to-people bonds.

> The Initiative has profound strategic significance which will open up a wide range of new opportunities for countries and regions along the B&R routes or 'corridors', and their people.

i. Policy coordination
Policy coordination is vital to the implementation of the B&R Initiative. This requires close intergovernmental cooperation and a multilevel intergovernmental mechanism for macro policy exchange, in order to strengthen interest in the project, enhance mutual political trust and reach a consensus for cooperation.

ii. Connecting infrastructure
Infrastructure connectivity is a priority for the B&R Initiative. While respecting each other's sovereignty and security concerns, countries along the B&R should actively plan ways of connecting their infrastructure and bringing technical standards into line, working together to build international passageways and an infrastructure network that, step by step, will connect all sub-regions in Asia and link Asia, Europe and Africa together. This means making improvements to – or entirely new construction of – transportation infrastructure, energy infrastructure, and cross-border cable and other communications networks. At the same time, efforts should be made to promote green and low-carbon construction, operation and management.

iii. Unimpeded trade
Investment and trade are major elements of the B&R. The aim is to remove barriers for investment and trade and create a sound business environment for countries and regions along the route – this should include active efforts among countries to build free trade zones jointly, to improve cooperation.

The objective is to expand areas of trade, improve trade structures, explore new areas of growth and promote balanced trade. New trading channels, such as cross-border e-commerce, will consolidate and expand conventional business. Investment and trade are seen as complementary: one drives the development of the other.

Barriers will be removed for investment, and bilateral investment protection agreements will be negotiated and signed to avoid double taxation and to protect the legitimate rights and interests of investors.

iv. Financial integration
Financial integration is vital to the B&R Initiative. Stable currencies, an investment and financing system and a credit system in Asia will all contribute to closer financial cooperation. Countries along the B&R will expand the scope and scale of bilateral currency swaps and settlements, the bond market in Asia will be developed, and there will be a joint effort to support the Asian Infrastructure Investment Bank and BRICS New Development Bank. Work will continue to establish a Shanghai Cooperation Organisation (SCO) development bank and support the Silk Road Fund. The China-ASEAN Interbank Association and SCO Interbank Association will carry out multilateral cooperation in the form of syndicated loans and bank credit. Governments of the countries along the B&R, and their companies and financial institutions with a good credit rating, will be permitted to issue RMB-denominated bonds in China. Qualified Chinese financial institutions and companies are encouraged to issue bonds in both RMB and foreign currencies in these countries, and to use locally raised funds locally in countries along the B&R. Countries will cooperate in financial regulation, make good use of the Silk Road Fund and sovereign wealth funds, and encourage commercial equity investment funds and private funds to take part in the construction of key projects under the B&R Initiative.

v. People-to-people bonds
People-to-people bonds underpin the B&R Initiative. The Silk Road's spirit of friendly cooperation will be encouraged through the promotion of extensive cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges and volunteer services. Student exchanges between countries along the B&R will also increase. Together, these programmes will help to win public support for deepening bilateral and multilateral cooperation.

Figure 1.1: Five priorities for cooperation

China is working with countries along the B&R routes to plan six economic corridors, encompassing the central cities along the international routes and the economic industrial parks.

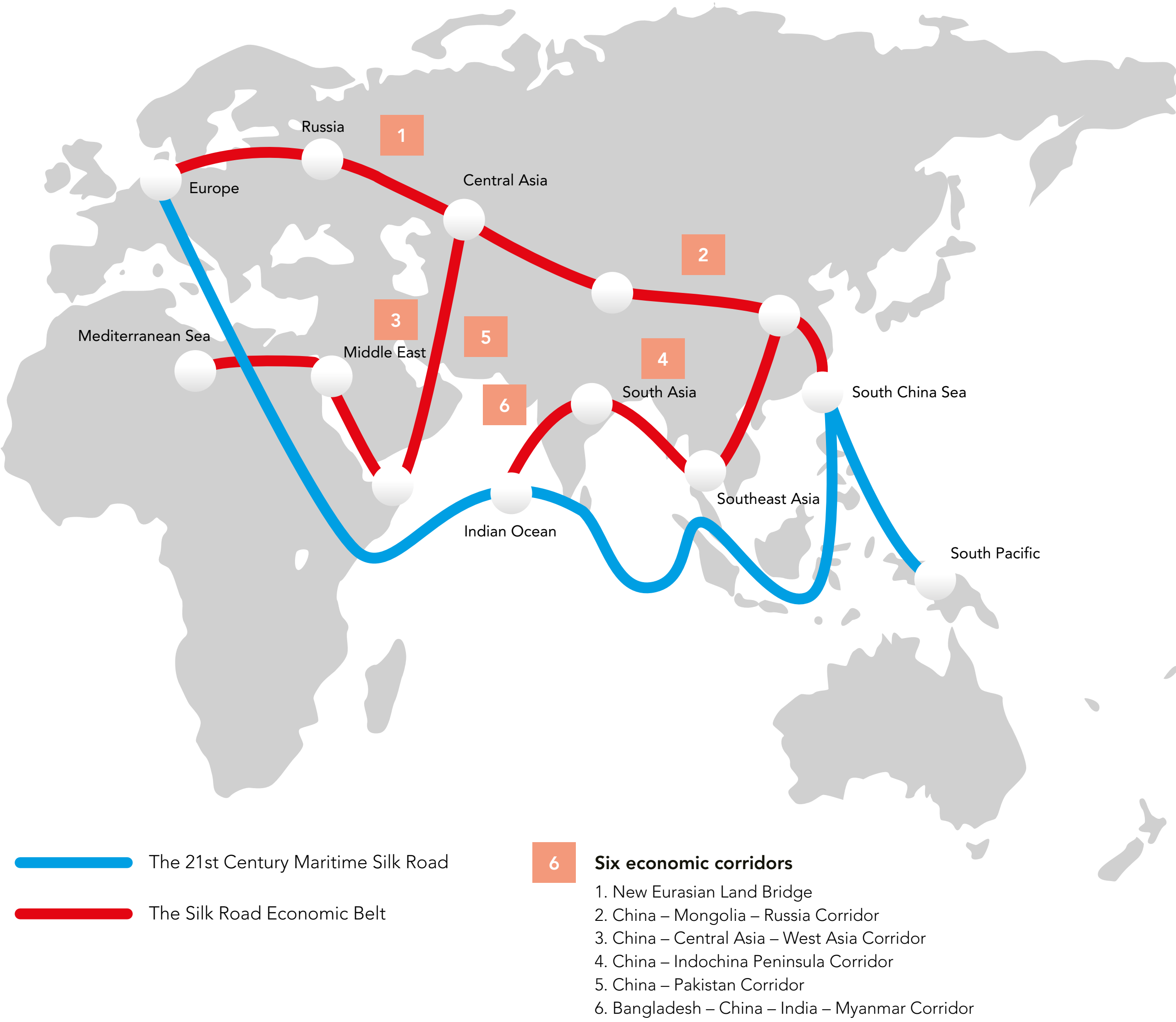
3. SIX ECONOMIC CORRIDORS

The B&R run through the continents of Asia, Europe and Africa, connecting the vibrant East Asia economic circle at one end with the developed European economic circle at the other, and mobilising the vast economic potential of the inland countries. According to the B&R blueprint, China is working with countries along the B&R routes to plan six economic corridors, encompassing the central cities along the international routes and the economic industrial parks (as cooperation platforms) (see Figure 1.2).

They are:

- the China–Mongolia–Russia Corridor
- the New Eurasian Land Bridge
- the China–Central Asia–West Asia Corridor
- the China–Indochina Peninsula Corridor
- the China–Pakistan Corridor, and
- the Bangladesh–China–India–Myanmar Corridor.

Figure 1.2: The routes of the various parts of the B&R



The B&R Initiative will open up China's economy across the country.

4. THE ROLE OF CHINA'S PROVINCES AND MUNICIPALITIES

The B&R Initiative will advance China's economic opening up across the country. *Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road*, jointly issued by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce, sets out how China has selected 18 provinces that will build the framework of the Initiative, with Xinjiang SAR and Fujian Province as two core zones. The functional positioning of each region is shown in Figure 1.3.

Figure 1.3: The 18 provinces selected as builders of the new Silk Road

> '[This] should be a chorus by all countries along the B&R rather than China's alone'.
> President Xi Jinping.

5. SIGNIFICANCE OF THE B&R INITIATIVE

'[This] should be a chorus by all countries along the B&R rather than China's alone', said President Xi Jinping. The B&R Initiative, he added, puts an emphasis on the mutual benefit for the countries concerned; the aim is to build a community of shared interests and common destiny, development and prosperity. The B&R Initiative is not about one-way exporting; it takes into account the fact that countries along the B&R have their own unique and valuable resources, which are highly complementary to one another and create vast potential for cooperation. The B&R Initiative emphasises the spirit of sincerity and honesty. It encourages countries to jointly collaborate, share and exchange to a larger, higher and deeper content in an equal and mutually beneficial way. This is a major innovation in international cooperation.

For China in particular, the B&R Initiative will have an impact on politics and diplomacy as well as creating opportunities for economic development.

A commonly understood benchmark for the level of influence a country holds within the international community is whether its ideology and values, and the policy recommendations it pursues, are appreciated and understood by other countries, and whether these ideas are fully accepted and supported. Using this benchmark, many in China believe that its voice within the international community remains at a low volume. The B&R Initiative gives China the opportunity to raise its voice.

Although China may not be willing to attach the label of any particular model to itself, its path will undoubtedly inspire those developing countries that have failed to benefit from the Western development model (the so-called Washington Consensus).

The construction of the B&R reflects the global trends of multi-polarisation, economic globalisation, cultural diversity and the rise of the Information Age. It not only helps the people along the B&R routes to realise the 'Chinese Dream' (the renewal of the Chinese nation first envisioned by President Xi Jinping in a speech in 2013), but also establishes China's strategic approach of 'prioritising peripheral diplomacy'. At the same time, the Initiative provides new strategic opportunities for the countries and regions along the B&R (Barton 2015).This is not only China's own cause and strategy, but the common endeavour and development strategy of the three continents of Asia, Europe and Africa.

Section 2: Economic implications of the Belt and Road

Under the B&R Initiative, China will build railways and highways, aviation links, oil and gas pipelines, transmission lines and telecommunication networks that will bring together more than 60 countries in Europe and Asia and benefit 4.4bn people.

1. ECONOMIC IMPLICATIONS FOR CHINA

i. A changed role in international trade

Under the B&R Initiative, China will build railways and highways, aviation links, oil and gas pipelines, transmission lines and telecommunication networks that will bring together more than 60 countries in Europe and Asia and benefit 4.4bn people. Economic corridors will take shape, bringing with them comprehensive development of construction, metallurgy, energy sources, finance, telecommunications, logistics and tourism. Improved power and water supplies, rail and road transport, and telecommunications will help to improve trade and investment, and more in-depth economic and technological cooperation and the establishment of free trade areas will ultimately give birth to a hyper Afro-Eurasian market. Throughout the process, China's role in international trade will gradually change from 'Made in China' to 'Built by China'.

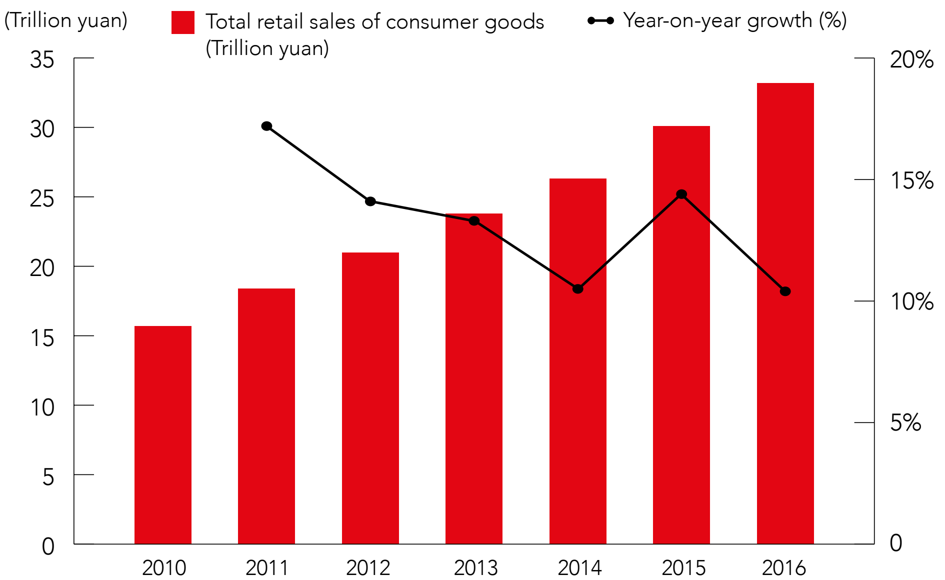
According to China's Ministry of Commerce Report, *Business Characteristics of China's ODI Cooperation January–October 2016*, engineering projects have boomed across the B&R countries. Between January and October 2016, Chinese enterprises signed 6,877 new contracts for projects related to the B&R Initiative in 61 countries, with a total contract value of USD 84.39bn. This represents a 30.7% increase year on year, accounting for 51% of China's total foreign contract projects in the same period (MOFCOM 2016).

ii. Increased consumer demand

The B&R's connection of Africa, Europe and Asia will greatly improve trade, expand China's consumer demand and create new consumer 'hot spots'. The B&R countries need to grow by USD 246 trillion to lift their per capita GDP to the global average, this highlights the huge potential for development and consumption along the extent of the routes. For China in particular, the construction of the B&R will create a huge consumer market converging on China; it will stimulate exports and increase external demand as a result, as well as encouraging closer domestic cooperation and more mature regional economic integration.

Investment and export have been the dominant factors in China's economic development for a long time but the situation changed in 2014 when consumption became the primary driver of the national economy, and this has continued for the past three years. This change shows that the country's economic structure is in the middle of an historically critical transformation towards further expansion of domestic demand. The year 2016 saw double-digit growth in total retail sales of social consumer goods, and final consumption accounted for 64.6% of economic growth, 4.9 percentage points higher than the previous year. Consumer momentum is still growing (Gao 2017) (Figure 2.1).

Figure 2.1: China's total retail sales of consumer goods 2010–2016



Chinese capital is actively seeking out overseas markets.

iii. Outbound investment

Chinese capital is actively seeking out overseas markets. According to the *Statistical Bulletin of China's Outbound Direct Investment 2015*, China's outbound investment flow was the world's second highest in 2015, outstripping the foreign direct investment (FDI) absorbed in the same period. In 2015, global FDI outflow was USD 1.47 trillion, up 11.8% over the previous year, while China's outward direct investment (ODI) hit a record high of USD 145.67bn, an increase of 18.3% year-on-year, allowing China to overtake Japan and become the second largest investor country. Investment in B&R countries is rising fast, increasing to USD 18.93bn. That accounts for 13% of the total annual flow, an increase of 38.6% year-on-year. More than 80% of investment stock (83.9%) was distributed in developing economies, while 14% was invested in developed economies and 2.1% in transition economies.

The B&R strategy begins with the Asian market and connects the world's important economies, which will bring huge investment and development opportunities to the relevant sectors and businesses. At the moment, many countries in south Asia (typically India), South-East Asia (typically Indonesia) and central Asia (typically Kazakhstan) are plagued by a lack of funds, technology and experience, especially in manufacturing and infrastructure. When it comes to infrastructure, high-speed rail, nuclear power, culture, tourism, trade and finance, China, on the other hand, has the funds, technical means and construction experience, as well as a lower cost price. So one should expect China's domestic industries and enterprises to seize this opportunity for increasing corporate profitability and international competitiveness through government cooperation, trade and cross-border mergers and acquisitions (Cai et al. 2015).

According to the *Statistical Bulletin of China's Outbound Direct Investment 2015*, by the end of 2015 China's ODI covered all sectors of the national economy, and there was a substantial rise in the money invested in manufacturing, finance, and information transmission/software and information services (up 108.5%, 52.3% and 115.2% respectively). The leasing and business services, finance, mining, and wholesale and retail sectors together accounted for 75.9% of the total stock.

iv. Industrial upgrading

Overcapacity has always been a development bottleneck across China's traditional industries, such as steel, cement and textiles, and especially in the heavy chemicals sector. According to *China's Current Situation of Overcapacity and Policy Recommendations for De-capacity*, issued by the State Information Centre, China surpassed the US to become the world's largest manufacturer in 2010. Currently, of the more than 500 types of major industrial products in the world, China ranks first in more than 220 by output.

International measures of capacity use concur that a rate ranging between 79% and 90% is normal, while any figure above 90% or below 79% means under capacity or overcapacity. If less than 75% of capacity is used, this is defined as severe overcapacity. On this basis, China's industry as a whole is at overcapacity, while some sectors are suffering severe overcapacity. In 2014, around 78.7% of China's overall industrial capacity was in use, a relatively low level in the past four years, with a worrying low level in many sectors. Statistics show that 19 Chinese manufacturing sectors use less than 79% of their capacity, while seven use less than 70%, suggesting a considerable surplus. Low capacity use has extended from the conventional steel, coal, cement and electrolytic aluminium industries to photovoltaic, polysilicon, wind power and other emerging industries.

When expanding domestic consumer demand is a challenge, one way of coping with excess capacity is to look for a new export market. The construction of the B&R expands the scale of outbound investment, liberating resources from some industries that can be channelled into more advantageous sectors, and bringing with it the opportunity for industrial restructuring and upgrading (Leer and Yau 2016).

President Xi Jinping stressed that the AIIB's main purpose would be to promote economic integration across Asia and added that interconnectivity within the region would be essential for achieving this.

v. Internationalising the RMB

The construction of the B&R provides a new opportunity for accelerating the internationalisation of the RMB currency – aided by four current developments:

- the impact of multilateral trade
- the impact of infrastructure construction
- the existence of an improved financial platform, and
- the use of the RMB as an official reserve asset

(a) The impact of multilateral trade

At the annual meeting of the Boao Forum for Asia 2015, President Xi Jinping, talked about China's intention of increasing its annual volume of trade with the B&R countries to more than USD 2.5 trillion in a decade. According to the *RMB Internationalisation Report 2016* published by the International Monetary Institute (IMI 2016), the amount of RMB-settled cross-border trade and direct investment has been continually rising. The B&R scheme covers a population of about 4.4bn in more than 60 countries. If the majority of the bilateral and multilateral trade between China and the B&R countries is denominated and settled in the RMB currency, RMB will certainly circulate widely and rise in both status and influence. In fact, to avoid exchange rate risk and reduce transaction costs, RMB would become the prime choice as a settlement currency.

(b) The impact of infrastructure construction

China has made concerted efforts in investing and developing local and overseas infrastructure construction. China is expected to help improve the transport, power and communication infrastructure in the B&R countries in the coming decades, which will, through the interconnection of high-speed rail, highways, waterways and other transport infrastructure, promote and ultimately achieve greater integration of the Asian and European economies. This infrastructure construction programme will generate a huge flow of funds; China Development Bank estimates that there will be more than 900 projects under construction in the B&R plan, with the amount of investment exceeding USD 800bn. The outflow of infrastructure construction funds will spread the RMB to the B&R countries, where the use of RMB will become routine. This regionalisation of the RMB will contribute to the RMB's further internationalisation.

(c) An improved financial platform

President Xi Jinping first proposed the notion of building an Asian Infrastructure Investment Bank (AIIB) in October 2013. He stressed that the AIIB's main purpose would be to promote economic integration across Asia and added that interconnectivity within the region would be essential for achieving this. On 29 June 2015, China, India and other 48 countries signed the Asian Infrastructure Investment Bank Agreement, marking the official inauguration of the AIIB and the beginning of the further expansion of RMB internationalisation.

The offshore RMB financial centres and a number of RMB settlement banks built in recent years provide a guarantee mechanism for the internationalisation of the RMB, and so will also help to enhance the regional and international influence of the RMB currency.

The RMB currency has already been adopted as an official reserve asset in some countries.

(d) The RMB as an official reserve asset
The RMB currency has already been adopted as an official reserve asset in some countries, including Belarus, Cambodia, Malaysia, Nigeria, the Philippines, South Korea and Russia, although generally accounting for only about 5% of their total foreign exchange reserves. At the end of April 2015, the RMB currency in foreign official reserve assets totalled 666.7bn yuan. At around the same time, the People's Bank of China was reported as having signed bilateral currency swap agreements with the central banks of 36 countries and regions, with a total agreed amount of over 3.3 trillion yuan ([AUTHOR A] 2017).

The IMI's *RMB Internationalisation Report 2016* shows a slow upward trend in the RMB internationalisation index from the beginning of 2014 to the end of 2015 (IMI 2016) (Figure 2.2).

In 2016, however, internationalisation began to slow, the result of a mounting expectation of RMB depreciation against the US dollar, dwindling interest margins and a reduction in cross-border arbitrage. SWIFT data shows that the use of RMB in global trade fell from 2.45% to 1.68% during 2016 (Figure 2.3).

Figure 2.2: The RMB internationalisation index

CURRENCY	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
USD	53.58	53.47	54.78	54.17	55.66	55.91	54.56	54.97
EUR	26.57	25	24.3	24.69	24.09	22.39	24.68	23.71
JPY	4.44	4.4	4.11	4.33	4.12	4.08	4.1	4.29
GBP	5.58	4.56	4.54	4.25	4.79	4.74	4.83	4.53
RMB	**2.3**	**2.36**	**2.1**	**2.52**	**2.48**	**2.76**	**3.87**	**3.6**
Total	**92.47**	**89.79**	**89.83**	**89.96**	**91.14**	**89.88**	**92.04**	**91.1**

Figure 2.3: Percentage of RMB use in global trade

YEAR	JAN 2012	JAN 2013	JAN 2014	JAN 2015	JAN 2016	JUL 2016	OCT 2016	JAN 2017
Share	0.25%	0.63%	1.39%	2.06%	2.45%	1.90%	1.67%	1.68%
Rank	20	13	7	5	5	5	6	6

The B&R Initiative reflects the changing relationship between the Chinese economy and that of other countries.

2. IMPLICATIONS FOR THE REGIONAL ECONOMY

The B&R Initiative reflects the changing relationship between the Chinese economy and that of other countries. In other words, China is hoping to change the existing growth pattern by building a new system of regional economic growth.

In the past, the main driver of China's economic growth and development has been the external economy. Today, as China's economic strength has reached a certain level, the relationship between the external and internal economies is gradually shifting from one-way support to two-way assistance. Take ASEAN as an example: at the ASEAN–China Summit held in October 2013, China reaffirmed that, 'a united, prosperous and dynamic ASEAN is in line with China's strategic interests', while ASEAN stressed that, 'China's development is an important opportunity for the region, and ASEAN supports China's peaceful development'. The B&R was proposed in the context of China's expansion of its own growth by focusing on regional growth – illustrated by three developments. It is possible and likely to happen that the B&R will continue to drive this trend and contribute to the regional economic growth.

First, the Chinese economy itself is adjusting as annual GDP growth falls from 10% to 7%. The country is no longer in the pursuit of rapid economic development but is embracing a 'new normal' growth stage. China's need for external support is declining, while its ability to support neighbouring countries is on the rise.

Second, China's existing regional system of industrial division of labour is changing. As its manufacturing sector continues to grow, some industries are beginning to transfer into neighbouring countries through outbound investment. If this trend continues, it is likely that the division of labour in the regional production network will begin soon.

Third, China's surrounding countries and regions are undergoing drastic changes in economic growth and structural transformation and need funds and technology. China can provide both; regional cooperation will continue to grow.

3. IMPLICATIONS FOR THE GLOBAL ECONOMY

i. Revising the existing international economic order

In the current model of international division of work, technical, knowledge-intensive, high-value-added sectors such as design are mainly dominated by developed countries, while developing countries are engaged in manufacturing and other labour-intensive, low-value-adding sectors. This tends to create an unequal relationship, where developing countries are dependent on developed countries. The B&R routes run mostly through developing countries and regions, which means that the B&R Initiative will help them to carry out economic and trade exchanges on their own. The B&R Initiative's infrastructure construction projects are a further bonus that will help change the status of developing countries in the international division of labour. These countries will be able to grow, thrive and benefit.

The B&R Initiative also challenges certain aspects of international trade that may not be equitable. For instance, some developed countries push for developing countries to open up their industrial and service product markets while simultaneously putting in place policies that restrict imports from those developing countries. B&R is not meant to replace the existing regional cooperation mechanism, but to help the countries concerned determine their development strategy in a way that works for them, as well as encouraging more free and equitable bilateral and multilateral trade. The B&R Initiative encourages developing countries to come together to alter the old international trade order.

The B&R Initiative is also encouraging a rethink of the international financial system and in particularly the imbalance between income and risk and the status of financial organisations in developed and developing countries (Ye 2015) . The AIIB will extend financial cooperation along the B&R and expand the scope and scale of bilateral currency swaps and financial integration, while the B&R Initiative itself will encourage monetary stability.

The B&R will become the world's third-largest trade axis (after the Atlantic trade axis and Pacific axis), covering more than 60% of the world's population and accounting for about one-third of the world's total GDP.

ii. Rebalancing the global economy

The B&R will become the world's third-largest trade axis (after the Atlantic trade axis and Pacific axis), covering more than 60% of the world's population and accounting for about one-third of the world's total GDP. According to World Bank statistics, the average annual growth rate of global trade and cross-border direct investment stood at 7.8% and 9.7% respectively in 1990 and 2013, while that of the 65 countries along the B&R reached 13.1% and 16.5% respectively during the same period. During the post-financial crisis years between 2010 and 2013, the annual growth rate of foreign trade and net inflows of foreign capital reached 13.9% and 6.2% respectively under the B&R Initiative, 4.6 percentage points and 3.4 percentage points higher than the global average (Zhang 2015) .

The B&R Initiative is a 'flying geese' model; ie one country's economy leads and paves the way for other economies to flourish. The Asian model of industrial division of labour and industrial transformation, led by Japan, has been affected by Japan's weakening economic performance in recent years. The upgrading of China's industrial structure has begun to shift labour-intensive and capital-intensive industries from China to countries along the B&R, driving industrialisation and development in those countries.

iii. Actively promoting globalisation

The sluggish global economy has triggered a wave of anti-globalisation sentiments worldwide, reflecting certain issues that globalisation may have raised, including uneven development and insufficient drivers of growth.

The B&R Initiative will create new opportunities for cooperation between countries to further global economic growth. It will also cover many developing countries, advocating equality and cooperation for mutual benefit and in pursuit of a common destiny. The B&R Initiative has energised the globalisation debate, as well as the prospect of helping to alleviate the imbalance in economic development between developing and developed countries.

Section 3: Implementation challenges

To achieve widespread success of the Belt and Road initiative, a few implementation challenges will need to be overcome.

1 EXTERNAL ISSUES

i. The impact of geopolitics

(a) The US's New Silk Road strategy

In June 2011, the then-US Secretary of State, Hillary Clinton, announced that from 2014 onwards, once the US had begun to withdraw its military forces from Afghanistan, the US would seek to maintain its interest in central Asia through a 'New Silk Road' Initiative. The US's New Silk Road strategy, when proposed, was seen to have the potential to compromise China's interests in the region in certain aspects.

Mrs Clinton said the Initiative should seek to build: 'an international web and network of economic and transit connections. That means building more railway lines, highways, and energy infrastructure, like the proposed pipeline to run from Turkmenistan through Afghanistan through Pakistan to India. It means upgrading the facilities at border crossings. And it certainly means removing the bureaucratic barriers and other impediments to the free flow of goods and people'.

This plan seems to have been revitalised recently by the Trump administration, which announced the US's intention of funding two major infrastructure projects in Southeast Asia as part of its budget proposal.

(b) Russia's Eurasian Economic Union strategy

In October 2011, Vladimir Putin, then Russia's prime minister, put forward the idea of establishing a 'Eurasian Union' in his article 'A New Integration Plan For Eurasia—The Future Was Born Today'. He advocated that by 'merging the existing organisations (the Customs Union and EURASEC) we could gradually establish a Eurasian Union', a supranational consortium similar to the European Union, and a bridge between Europe and the

> The diverse countries along the B&R routes bring with them a diverse collection of problems, and this includes national trade protection.

Asia-Pacific region for communication and cooperation. Russia's Eurasian Economic Union and China's B&R Strategy overlap in many ways. Although China emphasises that it will not seek to dominate regional affairs during the implementation of the B&R, Russia, which sees central Asia as its own sphere of influence, may not be willing to see another country expanding its influence in the region. As a result, China and Russia must agree a way to a comprehensive strategic partnership between them and find the convergence of interests between the Eurasian Economic Union and the B&R Initiative, so that the two can jointly advance the integration of the Eurasian region.

(c) India's Project Mausam

India has shown its support for China in the development of the AIIB and BRICS National Development Bank, but its reaction to the B&R Initiative has ranged from muted to negative. In what has been seen to be its strategic response to China's growing influence in the Indian Ocean region, India has put forward its own Project Mausam.

Project Mausam would allow India to re-establish its ties with its ancient trade partners along the shores of the Indian Ocean to develop marine resources jointly and foster economic and trade exchanges, backed by the time-honoured history of trade in the region. Although it is unclear whether India's Project Mausam has a competitive relationship with China's B&R Initiative, there are many similarities. So, if the B&R plan is to work, China will need to convince India and seek convergence between the two Initiatives.

ii. Turmoil in B&R countries

Economic development needs a stable political system and a peaceful environment. The B&R runs through Afro-Eurasia, where many countries – such as Kyrgyzstan, Tajikistan and Uzbekistan in central Asia, Afghanistan in south Asia, and Syria, Iraq, Iran, Lebanon and Palestine in west Asia – have long seen chronic political turmoil, ethnic conflicts or wars. In high-risk countries, the authorities are clearly more concerned about the stability of their regime than building construction projects. Given that the success of the B&R depends on connected infrastructure, the ability of high-risk countries to maintain policy stability and keep facilities secure is a concern. The challenge for the B&R Initiative is to avoid involvement in disputes and prevent terrorism from spreading along the routes. Some countries are also uneasy about China's growth; the Silk Road across Afro-Eurasia will never run smoothly unless the support of the countries along the route, and the hub countries in particular, can be won.

iii. Trade protectionism and the fragile financial system

The diverse countries along the B&R routes bring with them a diverse collection of problems, and this includes national trade protection. In some central Asian countries (such as Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan) imports and exports need dozens of documents and it can take months to go through export procedures. An added difficulty is that some countries see China as a competitor and frequently launch anti-dumping and counterbalancing duty measures and investigations against China.

Financially, several countries along the B&R routes have high non-performing loans (NPL) and see wide fluctuations in their exchange rate. Countries whose banks have a higher NPL ratio than the universal international safety standard account for over half of the B&R countries; in 2014, the NPL ratio was over 20% in Kazakhstan, Serbia, Albania, Tajikistan and Yemen. Between 2010 and 2014, the exchange rate of the Belarusian currency to the US dollar depreciated to 10,224 from 2,979 rubles per US dollar, while the Burmese currency depreciated to 984.35 from 5.63 Burmese Kyats per US dollar. Without a trade liberalisation policy and a relatively stable monetary system, it is difficult to see how infrastructure construction along the routes could have a positive effect on trade and investment (Yu and Gu 2016).

Except for China, India and Russia, B&R countries are comparatively small. They are slower in economic development and experience higher currency fluctuations and exchange rate risk.

2. OTHER IMPLEMENTATION CHALLENGES

i. Financial market instability

Except for China, India and Russia, B&R countries are comparatively small. They are slower in economic development and experience higher currency fluctuations and exchange rate risk. They are vulnerable to external financial blows caused by other countries' economic volatility and could easily fall prey to international speculators because of imperfections in their financial markets.

ii. Information transparency

Many countries along the B&R suffer from opaque information; according to Transparency International's measurements, the average transparency index in these areas is only 35 points, lower than the global average of 44 points (SSE Capital Market Institute). This means that most companies involved in the construction of the B&R will have to cope with much higher costs in three areas.

- **Project planning.** The lack of information in some B&R countries means that businesses will have to carry out a detailed survey, covering time and labour costs, before taking on a project.
- **Bidding costs.** Businesses may estimate a project cost that is based on the realities of their own market, and bid on that basis, unaware that in the target country their expectations and reality can often diverge significantly.
- **Operational costs.** Projects can be difficult to run in many B&R countries, with companies having to pay close attention to relations with local government, trade unions, non-governmental organisations and religious groups.

In the face of these obstacles, companies may become less enthusiastic in their engagement. It will be important to minimise the impact of information opacity on the construction process.

iii. The effect of competition

B&R countries have much to offer in potential trade. But since many are also on a similar development level and share a similar industrial structure to China, it is possible that they will also become competitors to China in the international market for some products. The roll-out of the B&R Initiative not only opens up the overseas market for Chinese products but also helps the B&R countries to sharpen their technology, improve their products and enhance their competitiveness – which will, in turn, impose greater pressure on China. While the B&R Initiative provides an opportunity for Chinese enterprises to operate globally, it may result in a deterioration of China's manufacturing or industrial sector if domestic businesses fail to keep pace.

iv. Uncertain return on investment for infrastructure projects

Many developing countries along the B&R are desperately in need of infrastructure, but the question remains as to how much of this demand can be financed. Infrastructure typically requires massive investment with a long payback period; private businesses often find no incentive to take on such projects, especially in developing countries where the funds invested in infrastructure usually come from government.

Most of the developing B&R countries find it difficult to guarantee policy stability and investor interests, and some have long been plagued by fiscal deficits. That said, China has the funds, technology, personnel, materials and equipment necessary for infrastructure construction. Its outbound investment can partly solve these problems while promoting export, but total dependence on its domestic resources is not the most efficient way of encouraging investment. It will be important to make sure that investment projects under the B&R Initiative get the expected returns.

v. Disordered competition in China

China has not yet released an overall national plan for B&R implementation, but the provinces and municipalities concerned have acted proactively to get a good start. Nonetheless, without universal and coordinated arrangements and scheduling, their plans have inevitably overlapped and sometimes compete. Shanxi, Henan and Chongqing are competing for the starting point of the Silk Road economic belt, for example, while Fujian, Jiangsu, Zhejiang and Guangdong are all candidates for the starting point of the 21st Century Maritime Silk Road. In the fight for policy concessions, provinces and municipalities need to be careful that they are part of the national development strategy.

PHASE II.
CASE STUDIES: CHINESE ENTERPRISES AND THE BELT AND ROAD INITIATIVE

Chinese enterprises will play an important role in the implementation of the B&R Initiative, especially in areas of infrastructure, finance, machinery and high-speed rail. Their leading technology, rich experience and funding will make them pace-setters, with Chinese products and technology selling globally.

Under the Silk Road Economic Belt and the 21st-Century Maritime Silk Road, China will, together with other countries, build railways and highways, aviation and navigation, oil and gas pipelines, transmission lines and telecommunication networks for more than 60 countries in Asia, Europe and Africa, which will benefit 4.4bn people. This infrastructure will form an integrated, interconnected transport network, linking the industrial agglomerations and their radiated areas into comprehensive economic corridors, which will cover construction, metallurgy, energy sources, finance, telecommunications, logistics and tourism. Efforts made in five areas, namely policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds in the countries along the route, will facilitate trade and investment, deepen economic and technological cooperation, establish free trade areas, and ultimately give birth to a hyper Afro-Eurasian market.

Chinese enterprises will play an important role in the implementation of the B&R Initiative, especially in areas of infrastructure, finance, machinery and high-speed rail. Their leading technology, rich experience and funding will make them pace-setters, with Chinese products and technology selling globally.

There is considerable disparity between the countries along the B&R route in politics, economy, culture and religion; for Chinese enterprises, engagement in the B&R Initiative means symbiotic opportunities and challenges and coexisting risks and returns. To prepare Chinese enterprises more fully for the B&R Initiative, in February and March 2017, ACCA and the Shanghai Stock Exchange carried out an intensive survey of seven representative listed companies to learn about their planning for, and implementation of, the B&R Initiative, summarising their experience in overseas business development, and seeking out successful practices. The survey will be a useful reference for Chinese enterprises that take part in the B&R in the future.

Section 2: How individual companies are meeting the challenge

ACCA and the Shanghai Stock Exchange carried out an intensive survey of seven representative listed companies to learn about their planning for, and implementation of, the B&R Initiative, summarising their experience in overseas business development, and seeking out successful practices.

THE CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

is a leading global integrated infrastructure provider.

SANY HEAVYINDUSTRY CO. LTD

SANY equipment is used globally in the construction of major projects.

BANK OF CHINA

is actively providing credit support for domestic enterprises seeking M&A and investment in the B&R countries.

POWER CONSTRUCTION CORPORATION OF CHINA
is mainly engaged in domestic and international projects for water conservancy and hydropower construction.

CONCH CEMENT
is mainly engaged in the production and sales of cement, clinker and aggregate, and is the largest single brand supplier in the world.

JIANGSU CHANGJIANG ELECTRONICS TECHNOLOGY CO LTD
successfully acquired STATS ChipPAC Ltd and raised the company to the first echelon of the SATS sector worldwide in scale of business, with seven production bases in China, Singapore and South Korea.

SHANGHAI ELECTRIC
is one of the three largest energy equipment manufacturers in China, has business in more than 50 countries and regions along the B&R route.

CCCC claimed over one-third of all the overseas railway construction projects signed and implemented by Chinese enterprises, showing its significant influence in the market.

1.THE CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

i. Company profile

The China Communications Construction Company Limited (CCCC), founded by the China Communications Construction Group (CCCG), was incorporated in 2006. Its 'H' shares were listed on the main board of the Hong Kong Stock Exchange in December 2006. The company is the first extra-large state-owned infrastructure group to enter the overseas capital market. In March 2012, the company made an initial public offering of 'A' shares on the SSE, creating another milestone in the company history. CCCC is a leading global integrated infrastructure provider mainly engaged in investment, construction and operation of transport infrastructure, equipment manufacturing, real estate and HOPSCA (hotels, offices, parking, shopping malls, convention centres and apartments). It provides clients with packaged solutions and integrated services relevant to investment and financing, consulting and planning, design and construction, and management and operations. The company currently has 37 wholly-owned or controlled subsidiaries, and has expanded its footprint across China's provinces, municipalities and autonomous regions, including Hong Kong and Macao, and in more than 140 jurisdictions around the world.

ii. CCCC and the Belt and Road Initiative

The CCCG has long been involved in overseas development and ranked third in *Engineering News Record's* list of the world's top 250 international contractors in 2016. It was also the first Chinese enterprise to appear on the list for 10 consecutive years and the only one among its Asian peers to enter the top 10. Its overseas engineering business includes roads and bridges, ports, railways, airports, subways and other large-scale infrastructure projects. CCCC claimed over one-third of all the overseas railway construction projects signed and implemented by Chinese enterprises, showing its significant influence in the market.

In 2016, as a pioneer and leader of the B&R Initiative, CCCC recorded a number of achievements in key areas such as infrastructure interconnection, capacity collaboration and economic and trade cooperation. The company is closely involved in Sri Lanka's harbour city (financial city) investment project, completed Jamaica's North-South Expressway BOT project and won two tenders in the bidding for the third runway at Hong Kong Airport, a contract worth USD 2.2bn in total. A consortium under the CCCC's leadership has also won the bidding for the design project Phase I for the deep-water port in Venice, the first

Good products and services help to shape a good image of a company, and a country in turn.

time for the company has succeeded in the EU market in a bid for a spot exchange infrastructure project and the first Chinese company selected by a developed EU member country in this category. The overseas contract value signed by CCCC in 2016 totalled around USD 29.7bn.

(a) Integrated services
CCCC has a well-established industrial chain covering infrastructure and related fields, and as a result is able to provide integrated solutions in the implementation of the B&R Initiative. This provides the company's primary comparative edge. Specifically, CCCC offers a one-stop service, ranging from project planning and design, project investment, engineering construction, equipment manufacturing and installation to operation services. CCCC aims to optimise top-level design in its five roles, namely as a global leading engineering contractor, a HOPSCA developer and operator, a distinctive real estate developer, an integrated infrastructure investor, and an integrated marine heavy industry provider. In competing for international projects, CCCC has completed its transition from the pursuit of construction quality alone to establishing overall capacity for construction, design, financing and government public relations. It has transformed from a service and engineering contractor to an integrated service provider.

(b) Promoting China's image
The image of Chinese businesses overseas is essential to the overall development of the B&R blueprint. It has become an integral part of China's national image and a window through which the international community views China. Good products and services help to shape the good image of a company, and its country in turn. Operating abroad for more than three decades, CCCC has nurtured its public image. Its basic strategy is one of upholding the commercial code of ethics and ensuring the safety, quality and advanced nature of the infrastructure it builds. To achieve this, CCCC strengthens the sense of social responsibility, fulfils its corporate social responsibility and surveys public opinion in order to gain public support. Then, step by step, it builds its government-centred network of social public relations and actively maintains its corporate public image, telling an outstanding 'China story' through foreign media.

It has been more than 10 years since SANY began its global expansion; today its sales cover more than 120 countries and regions.

2. SANY HEAVY INDUSTRY CO. LTD

i. Company profile

Founded in 1994, SANY Heavy Industry Co. Ltd is one of the world's leading equipment manufacturers. SANY's 'A' shares were listed on the SSE in 2003 and it became the first to achieve full tradability through the successful reform of non-tradable shares in 2005. The company was listed in the *Financial Times Global 500* in July 2011 with a market value of USD 21.584bn, the only listed construction machinery manufacturer from China. SANY's product lines include concrete, excavation, lifting and road construction machinery, and its leading products, such as pump trucks, excavators, crawler cranes, rotary drilling rigs and complete sets of roadbed equipment, have become well-known and successful brands. SANY equipment is used globally in the construction of major projects including the Burj Khalifa in Dubai, the Olympic venues in Beijing and London, the World Cup venues in Brazil, the Shanghai Tower, the International Financial Centre in Hong Kong and the Goldin Finance 117 in Tianjin.

ii. SANY and the Belt and Road Initiative

It has been more than 10 years since SANY began its global expansion; today its sales cover more than 120 countries and regions.

Over the past few years, in the face of a domestic industrial downturn, SANY has blazed a trail through mergers and acquisitions and overseas investment – an approach that is closely aligned with the B&R objectives. Following the successful acquisition of the German concrete pump maker Putzmeister in 2012, SANY channelled the Silk Road on land from Xinjiang to Russia, Turkey and on to Germany. SANY has established plants in the coastal areas of Shanghai, Zhejiang, Jiangsu and other southeast coastal cities, invested in Indonesia, and set up its Asia-Pacific headquarters in Thailand – forming a complete maritime Silk Road.

In recent years, following the launch of the B&R Initiative, SANY's international business has obtained access to a new source of power. As Chinese enterprises undertake projects and invest in the countries along the B&R route, SANY equipment also takes a ride offshore, expanding its international presence. Moreover, in addition to the export of engineering and machinery equipment to more places, SANY is also looking at the feasibility of direct engagement in overseas projects, such as residential industrialisation schemes and investment in local manufacturing parks.

In approaching its global operations, SANY has adhered to proprietary intellectual property rights and branding based on the philosophy that 'quality changes the world'.

iii. Shaping the corporate brand

In approaching its global operations, SANY has adhered to proprietary intellectual property rights and branding based on the philosophy that 'quality changes the world'. SANY allocates between 5% and 7% of its annual sales revenue to research and development and is committed to world-class product upgrading. For example, SANY Germany followed strict quality controls from R&D inception through to the construction of its sales channels, plants and production lines, as well as to the introduction of team members. This has enabled the company to be accepted as a member of the Mechanical Engineering Industry Association (VDMA).

iv. Adapting to the market

Infrastructure is a priority for the B&R plan and this will boost exports of China's engineering machinery. In response to the Initiative, SANY has actively transformed its operations in some markets. In Africa, for example, it is creating a full-value industrial chain, evolving from a simple equipment vendor to becoming an overall solution provider, which allows it to participate more fully in local construction and development. Thanks to its decade-long operation in Africa, SANY has acquainted local customers with 'Made in China' and changed a wait-and-see attitude into trust. With the economic growth in Africa and the advancement in the B&R Initiative, SANY expects to see even greater prospects in the African market.

As China's most internationalised bank, the BOC spares no effort in supporting infrastructure projects that are part of the B&R Initiative.

3. BANK OF CHINA

i. Company profile

The Bank of China (BOC) was established in February 1912 following the approval of Dr Sun Yat-sen, the first president of the People's Republic of China. Between 1912 and 1949, the Bank served consecutively as the country's central bank, international exchange bank and specialised international trade bank. During China's reforms, the Bank seized the historic opportunity presented by the government's strategy of capitalising on foreign funds and advanced technologies to boost economic development, and became the country's key foreign financing channel by building up its competitive advantages in the foreign exchange business. In 1994, the Bank was transformed into a wholly state-owned commercial bank. The Bank was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, becoming the first Chinese commercial bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets. As China's most internationalised bank, the BOC provides a comprehensive range of financial services to customers across the mainland of China as well as 51 countries and regions worldwide. The Bank's business scope includes commercial banking, investment banking, insurance, investment, fund and aviation leasing.

ii. Bank of China and the Belt and Road Initiative

As China's most internationalised bank, the BOC spares no effort in supporting infrastructure projects that are part of the B&R Initiative, actively providing credit support for domestic enterprises seeking mergers and acquisitions and investment in the countries along the route. In 2016, the Bank launched a new credit tranche of about USD 30.7bn for the countries along the B&R route, bringing cumulative new credit nearly USD 60bn. It has followed up about 420 major projects under the B&R Initiative, with total project investment topping USD 400bn, coupled with an intentional support budget of about USD 94.7bn.

The BOC began cross-border RMB business at an early stage and this now accounts for the highest share of its business, vigorously promoting the extensive use of the RMB currency in the countries along the B&R route. Among the 23 authorised RMB clearing banks, the BOC has 11 seats, covering Malaysia and Hungary (both part of the B&R Initiative), creating a good foundation for systematic

> Since 2014, the BOC has successfully held 30 cross-border match-making activities across the globe. Its activities have been widely praised across political and business circles.

RMB clearing services along the route. By the end of 2016, BOC had overseas offices in 50 countries and regions worldwide, including 19 B&R countries.

iii. The first 'cross-border match maker'

The BOC's global SME cross-border matching service is an important innovation. It acts as a platform for exchanges between SMEs worldwide with cross-border investment and trade cooperation needs, and bodies that can help them. The Bank sets up cooperation mechanisms with foreign governments, banks and chambers of commerce to share business information, facilitating remote online communication, on-site one-to-one negotiation and follow-up on-site visits.

Since 2014, the BOC has successfully held 30 cross-border match making activities across the globe, where more than 15,000 Chinese and foreign businesses have agreed on over 5,000 cooperation intentions, of which more than 1,300 have been translated into substantial cooperation, with 90% of the customers matched accurately. The industries involved include high-end manufacturing, environmental protection, information technology, education, health care, modern agriculture and many others, resulting in cooperation arrangements for investment, trade and technology. The Bank's activities have been widely praised across political and business circles.

iv. An innovative approach to financial integration

The BOC has combined domestic and foreign resources to strengthen overseas market development and customer marketing along the B&R route. As part of this, the Bank selects key employees from the head office and domestic and overseas branches and sets up marketing groups to promote the smooth implementation of projects relating to the B&R Initiative. The countries along the B&R route are mostly developing, emerging and transition economies, which have a strong demand for financial integration. In June 2015, the BOC successfully issued USD 4bn B&R bonds in overseas markets, deploying the raised funds in its branches and offices along the B&R route. This bond was the first B&R bond to be issued on international financial markets. It was a unique and innovative step, signalling the BOC's capabilities in cross-border capital coordination and efficient allocation of resources worldwide.

Power China has made the most of its advantages in energy-related construction, actively participating in the research of state grid, energy and infrastructure planning for the countries along the B&R route.

4. POWER CONSTRUCTION CORPORATION OF CHINA

i. Company profile

Established in 2009, Power Construction Corporation of China ('Power China') is a major subsidiary of Power Construction Group of China and a large multinational in its own right. It is one of the world's largest water conservancy and hydropower constructors, listing on the SSE in 2011, and has an influential brand.

The company is mainly engaged in domestic and international projects for water conservancy and hydropower construction, including overall contracting and the related survey, design, construction and supporting services. Its businesses are also involved in the manufacturing, installation and trade of mechanical and electrical equipment and construction machinery, and in the engineering design and construction of electric utilities, roads, railways, ports and waterways, airports and dwellings, municipal public utilities and urban rail traffic. Power China and its predecessor have been responsible for more than 65% of China's large and medium-sized water conservancy and hydropower construction since the 1950s.

ii. Power China and the Belt and Road Initiative

As one of the Chinese pioneer enterprises on the global stage, Power China took on the country's first foreign aid project as early as in 1964. In the first half of 2016, overseas business accounted for about one-third of the company's total new contract value, mainly focusing on Asia and Africa and radiating to the Americas, Oceania and Eastern Europe. Under the B&R Initiative, by the end of June 2016 the company had established 83 representative offices or branches in 36 countries. Power China focused on the China-Pakistan Economic Corridor (CPEC) and the package of projects for Asian railway interconnection in 2015, with a number of overseas major projects successfully signed and under way, including an emergency coal-fired power plant in Pakistan's Port Qasim, the China-Laos Railway and the Jakarta-Bandung high-speed railway in Indonesia.

Power China has made the most of its advantages in energy-related construction, actively participating in the research of state grid, energy and infrastructure planning for the countries along the B&R route. By the end of June 2016, Power

In implementing the Belt and Road Initiative, Power China pursues a strategy of localised operation of international business, gradually localising the construction and management, providing job opportunities for local people, and contributing to the sustainable development of local society.

China had implemented construction projects in 55 countries under the B&R Initiative, primarily water conservancy and power projects (including hydropower, thermal power and new energy power stations), followed by transport, dwelling and other infrastructure projects. The company is also tracking 1,796 projects in these 55 countries, involving a total amount of USD 565.3bn.

iii. Localisation: 'Teach him how to fish'
Power China has adopted a strategy of localised operation of international business during its involvement in the B&R Initiative. In practice, this means gradually localising construction and management in strict compliance with local quality, safety and environmental protection laws and standards and with respect for the religious beliefs, cultural traditions and national customs of the residents of the local community. By protecting the legitimate rights and interests of workers and propelling local employment, the company attracts high-calibre personnel to join its management team and provides job opportunities for local people, contributing to the sustainable development of local society.

The thermal power station at Port Qasim, Pakistan, funded by Power China, is a model of its localisation strategy. During the construction period, the power station directly created more than 3,000 jobs locally. The operation of the power station will create 500 new jobs and there will be training posts available for the local people each year. The power plant project also generates nearly 10,000 jobs indirectly, covering the supply of materials, equipment transport, legal advice, financial audit and other service roles.

iv. Top-level planning
In response to the B&R Initiative, Power China set up special funds for overseas pre-planning, and carries out research of state grid, energy and infrastructure for the countries along the B&R route. It is also involved in special planning for energy sources under the Initiative, including energy planning for the China–Pakistan Economic Corridor and energy cooperation along the Bangladesh-China-India-Myanmar Corridor. In addition, the company has launched renewable energy planning for the five countries in central Asia.

This approach enhances the company's understanding of the economic development, energy planning and construction needs of the countries along the B&R route. It contributes to the local recognition of, and support for, its construction projects and improves its competitiveness in project bidding, while simultaneously helping with local project implementation and improving local economic development. The energy planning research of the China–Pakistan Economic Corridor led by Power China, for example, has been accepted by the Pakistani government and serves as a guiding document for cooperation between China and Pakistan.

Conch Cement has kept in pace with the B&R Initiative in recent years and has actively implemented a strategy for international development.

5. CONCH CEMENT

i. Company profile

Founded on 1 September 1997, Anhui Conch Cement Company Limited was listed in Hong Kong in October of the same year, becoming the first cement company to be listed overseas. In 2002, Conch made an IPO on the SSE. The company is mainly engaged in the production and sales of cement, clinker and aggregate, and is the largest single brand supplier in the world. The company's products are widely used in infrastructure, including railways, highways, airports, water conservancy projects and urban real estate development. The company has built five mega clinker bases each with 10m tons capacity nationwide, and three production lines of 12,000t/d in Wuhu and Tongling, employing the world's most advanced technology. It has more than 100 subsidiaries across 18 provinces, cities and autonomous regions in east China, south China and the central and western regions, some of which are located overseas (including Indonesia).

ii. Conch Cement and the Belt and Road Initiative

Conch Cement has kept in pace with the B&R Initiative in recent years and has actively implemented a strategy for international development. It undertook an investment survey and planning layout of Indonesia, Myanmar, Cambodia, Laos and other peripheral Southeast Asian countries between 2011 and 2014. In 2015, Conch South Kalimantan saw its first clinker production line put into production as well as the completion of a grinding station project in Pelabuhan Merak. Conch Myanmar, where the company is a shareholder, and a project in West Papua, were also put into operation. Construction began on projects by Conch North Sumatra, Conch Battambang and in Luang Prabang, while projects in Volga, Mandalay and West Kalimantan were officially launched, with preliminary work steadily advancing.

As well as its investment in and construction of cement projects, Conch Cement has also driven the overseas expansion of China's large-scale equipment exports, lump-sum engineering contracting, product and labour exports and other related businesses, which contribute to the strategic implementation of the B&R Initiative. Overall, Conch Cement has grown into a large, industrialised international consortium that is more competitive and sustainable than before.

iii. Cultivating international employees

Conch Cement's overseas investment is mainly concentrated in Indonesia, Myanmar, Laos, Cambodia and Russia, where the local languages are barriers for its local operation. To solve this problem, the company decided to engage local

Conch empowered its investment project teams with competent, high-calibre personnel from its head office and subsidiaries, and sent them overseas to work, learn and grow.

language speakers. It not only recruits language graduates from Chinese universities and colleges through the 'milk round', but also recruits graduates directly from local universities and trains them. This has allowed Conch has overcome its language barrier. Conch has also consolidated its technical and management teams by staffing them with competent, high-calibre personnel selected from its head office and subsidiaries, and sending them as investment project teams to B&R countries. Young and skilled workers are able to learn and grow in this way. This is a 'learn-by-practice' approach of training.

iv. Building harmonious relationships

In the overseas development process, companies must inevitably adapt to and converge with other cultures. In line with the principle of 'respect, mutual trust, inclusion and communication', Conch Cement not only brings advanced technologies and equipment to its overseas projects, but is careful to adhere strictly to local laws and regulations and respect local religions and beliefs, customs and cultural traditions. It fulfils its corporate social responsibilities, improves the livelihood of local people and respects the local environment.

For example, Conch Indonesia improved its office and accommodation facilities, enhanced the working environment of its employees, and conducted regular training and exchanges to incorporate Indonesian employees gradually into the Conch management culture. The company shows full respect for local customs and habits, with carefully planned activities for each and every major festival to improve communication and friendship between Chinese and Indian employees. It took an active part in local Ramadan and Christmas events and donated supplies to the local primary schools, churches and surrounding communities, building harmony between the company and local residents.

According to Gartner, an authoritative global IT research and consulting firm, the company was the fourth-largest SATS company worldwide in 2015, accounting for 10% of the global market.

6. JIANGSU CHANGJIANG ELECTRONICS TECHNOLOGY CO LTD

i. Company profile

Jiangsu Changjiang Electronics Technology Co Ltd is one of China's leading semiconductor assembly and test services (SATS) providers. Founded in 1972, the company is one of China's key high-tech enterprises, top-100 electronic manufacturers and leading semiconductor companies. The company has a state-level corporate technology centre, a post-doctoral research station and China's first national engineering laboratory of high-density integrated circuit packaging technology. It was listed on the SSE in 2003, the first of China's SATS companies to do so. According to Gartner, an authoritative global IT research and consulting firm, the company was the fourth-largest SATS company worldwide in 2015, accounting for 10% of the global market. Its clients include high-profile international companies, such as Qualcomm, Broadcom, SanDisk and Marvell. The company also maintains long-term cooperation with high-end domestic customers, such as HiSilicon, Spreadtrum and RDA, and has become their primary supplier.

ii. Jiangsu Changjiang Electronics Technology and the Belt and Road Initiative

In 2015, the company successfully acquired STATS ChipPAC Ltd., a Singapore-based company in the same sector. Through the acquisition, the company improved its business scale, customer base, technical capabilities and international influence. The acquisition raised the company to the first echelon of the SATS sector worldwide in scale of business, with seven production bases in China, Singapore and South Korea. Its R&D, production and sales network covers the major semiconductor markets around the world.

The acquisition of STATS ChipPAC Ltd was the first time a Chinese-listed A-share company had carried out a cross-border acquisition of a world-class SATS company. It was also the world's largest deal in the integrated circuit packaging and testing industry in the previous five years, which had considerable implications. STATS ChipPAC's subsidiaries covered several jurisdictions, including the US, Singapore, South Korea and Taiwan, and the deal involved three companies listed in different regions. It also involved a range of transactions, including material asset restructuring, tender offer, asset divestiture and antitrust review, as well as a complex investment structure.

Changjiang Elec. Tech. made it possible for a small amount of capital to leverage a major acquisition. It was innovative in terms of the M&A process and transaction architecture design, and allowed the company to reach the top ranks of the sector worldwide.

(a) An innovative merger
During the acquisition, two significant strategic investors, China Integrated Circuit Industry Investment Fund Co Ltd (CICIIF) and Semiconductor Manufacturing International Corporation (SMIC), were brought in by Jiangsu Changjiang Electronics Technology. Together, the three investors contributed USD 660m of the total acquisition capital of USD 780m, of which Changjiang invested USD 260m. The design of a three-tier acquirer architecture and the capital arrangements for combined equity and liability ensured that the acquirer took control while also taking into account the co-investors' interests. Through well-designed management arrangements, exit mechanism and other terms, Changjiang Elec. Tech. made it possible for a small amount of capital to leverage a major acquisition. It was innovative in terms of the M&A process, transaction architecture design and other aspects, and allowed the company to reach to top ranks of SATS worldwide.

(b) Integrating the new acquisition
Following the completion of the deal, the company stepped up to integrate the newly acquired target. Its main focus was on optimising integration in order to improve the group's capacity and expand its domestic and foreign markets through full coverage of high, medium and low-end products.

To optimise its production layout, the company took full advantage of the strength of each plant, optimising and integrating the production lines. It made use of advanced technology and connected the production bases at home and abroad, including Shanghai, Jiangyin, Chuzhou, Suqian, South Korea and Singapore, with flexible deployment to make the best use of the existing capacity of the plants. At the same time, Changjiang Elec. Tech. drew on its experience in cost control and modified the operating method of STATS ChipPAC to reduce its operating costs, fundamentally enhancing the company's profitability. In integrating its sales channels, the company expanded domestic and foreign markets through cross-selling, sharing customer resources to drive sales growth synergies. While reinforcing the existing sales scope and market share of STATS ChipPAC, Changjiang Elec. Tech. has been able to maintain its current high-end customers and open up overseas markets through the existing sales channels and high-quality customers of STATS ChipPAC.

As one of the three largest energy equipment manufacturers in China, Shanghai Electric is a major promoter of the globalisation of China's manufacturing industry and is successful in international markets.

7. SHANGHAI ELECTRIC

i. Company profile

Established in 2004, Shanghai Electric Group Co Ltd (Shanghai Electric) is one of the largest equipment manufacturing conglomerates in China. It was listed at the Hong Kong Stock Exchange in 2005 and the SSE in 2008. Its core business segments include high efficiency and clean energy as well as new energy equipment, industrial equipment and modern services, and its products cover thermal power units, nuclear and wind power facilities, gas turbines, transmission and distribution utilities, elevators and so on. Shanghai Electric currently ranks number 98 among the Top 500 Asian Brands, rising from 149th a year earlier and breaking into the top 100 for the first time. New China's first set of thermal power units of 6,000 kilowatts, nuclear power units and a hydraulic press of 10,000 tons, as well as the world's first dual inner water-cooled generator, were all manufactured by Shanghai Electric. Since the beginning of China's reforms, the company has produced a large number of the world's leading innovative products, including the first set of 1,000 MW-level ultra-supercritical thermal power units, master facilities on the second/third generation nuclear and conventional islands, large offshore wind power utilities and high frequency motors for west-east gas transmission.

ii. Shanghai Electric and the Belt and Road Initiative

As one of the three largest energy equipment manufacturers in China, Shanghai Electric is a major promoter of the globalisation of China's manufacturing industry and is successful in international markets. Under the B&R Initiative, Shanghai Electric has targeted more than 50 countries and regions along the B&R route.

In 2016, Shanghai Electric set up a subsidiary in Pakistan and plans to add overseas sales outlets in Malaysia, Turkey and Poland. The company has developed and contracted a series of overseas projects along the B&R route, including large-scale engineering, procurement and construction projects for Vinh Tan 2 thermo-electric plant in Vietnam, the Pelabuhan Ratu in Indonesia and Wassit in Iraq, and several BTG (boiler, turbine, generator) projects in India. In the same year, Shanghai Electric and the Ethiopian Electric Power Corporation signed a lump-sum contract for the design, equipment supply, civil construction and installation of the BDWC-1-LOT3A

In response to the downturn of China's domestic thermal power market, Shanghai Electric turned from passive R&D, which aims to meet market demand, to active innovation, which aims to lead market demand.

substation, with a total contract value of about USD 100m. During the Saudi-China Business Forum 2016, Shanghai Electric and Saudi Electricity signed a memorandum of cooperation in conventional thermal power, new energy sources, smart grid, desalination and other fields.

iii. Innovative research and development

In response to the downturn of China's domestic thermal power market, Shanghai Electric turned from passive R&D (which aims to meet market demand) to active innovation (which aims to lead market demand) in the field of efficient clean energy equipment. In 2015, the 1,000 MW-level supercritical double-reheat thermal power units manufactured by the company passed a performance test successfully; these units have the lowest coal consumption and best overall emission index in the world. Shanghai Electric also made new breakthroughs in the overseas market. The company is developing two 660MW pithead plants at Thar in Pakistan, which will pave the way for Shanghai Electric to break into a bigger overseas equipment market of supercritical coal-fired power generation. In the field of gas turbines, Shanghai Electric purchased 40% of the equity of Ansaldo Energia, an Italian energy firm. The company will work with Ansaldo in the heavy gas turbine market to gain a better command of the core technology, accelerate the proprietary operation of the gas turbine business, and enhance the competitiveness of the company in the global energy equipment sector.

iv. Financial innovation

Shanghai Electric has also innovated in financial services. The company provides a full range of financial services to its overseas institutions, similar to those provided to its domestic member units, including local and foreign currency deposits and loans, and spot and forward currency exchange. Shanghai Electric has also taken advantage of the preferential policy, allowing the Group to achieve cross-border financial integration across its domestic and foreign institutions, with its funds raised overseas allocated to its domestic member units. By the end of 2016, Shanghai Electric had allocated cross-border financing of nearly USD 700m to the Group's domestic and foreign institutions, cumulatively absorbed the deposits of USD 1.18bn from overseas companies, and handled spot and forward foreign exchange settlements of USD 107.93m for its overseas companies.

Appendix 1: Country Cooperation Development Index of the countries along the Belt and Road

In order to objectively assess the progress (and risks) of interconnection and cooperation in the countries along the B&R, ACCA has evaluated each according to the B&R Country Cooperation Development Index (BRCCDI).

CALCULATING THE BRCCDI

The BRCCDI contains two important indicators. The first is the country cooperation level, which refers to the evaluation results generated by the Belt and Road Initiative Big Data Report 2016. This looked at five evaluation dimensions along the route:

- policy coordination
- facilities connectivity
- unimpeded trade
- financial integration
- people-to-people bonds.

This evaluation takes into account both the international and domestic perspectives as well as statistical and non-statistical data.

The second indicator is the country risk level. Since financial institutions evaluate credit risk on the basis of country risk and overseas investors in search of new markets take into account potential threats and operational risk, there is a great deal of information publicly available about country risk, mainly provided by financial regulators, trade association groups and think tanks in the countries concerned. The team referred to the system of indicators used in the Economist Intelligence Unit paper *Prospects and Challenges on China's 'the Belt and Road': A Risk Assessment Report* (EIU), which considers risks across 10 categories: security, political stability, government effectiveness, legal and regulatory, macro-economic, foreign trade and payment, finance, tax policy, labour market, and infrastructure.

The BRCCDI is calculated by dividing the country cooperation level by the country risk level, which visualises the operational and cooperative development indices for Chinese enterprises going out into the B&R countries. The indices take into account the overall level of development in interconnection and cooperation as well as the risks of business cooperation and development in the countries along the B&R. In Figure A1, the 65 countries evaluated are classified into five colours depending on their scores: the darker the colour, the higher the BRCCDI.

On the basis described above, the average BRCCDI for the countries included in the assessment is 1.02, with a median of 0.88. The 10 countries that attained the highest scores in the BRCCDI are Singapore, Malaysia, the United Arab Emirates, Poland, Czech Republic, Qatar, Hungary, Thailand, Vietnam and Russia.

From the regional perspective, the south-east and north-east Asian countries score higher, indicating the closest cooperation and lower country risk, while the countries in west Asia, north Africa, central Asia and south Asia still have to catch up. The north-east Asian countries perform well in country cooperation, while the south-east Asian countries record lower country risk level. In view of the evaluation results, this report provides a country-specific overview of the top-ranked countries.

Figure A1: BRCCDI Map

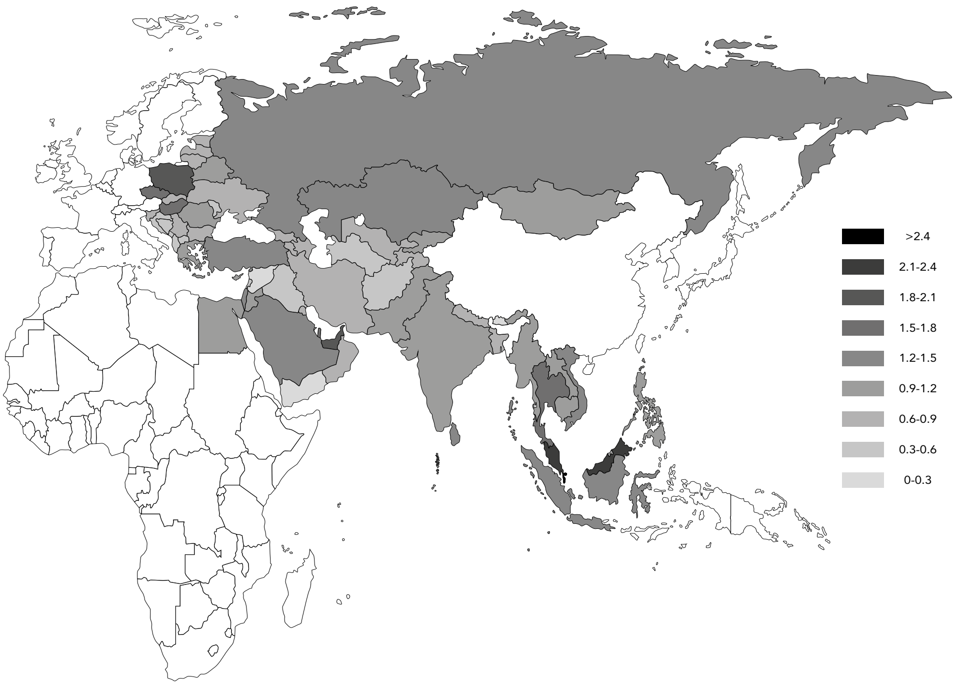


Table A1: BRCCDI evaluation results

COUNTRY	REGION	TOTAL SCORE
Singapore	South-east Asia	6.29
Malaysia	South-east Asia	2.33
UAE	West Asia & North Africa	1.88
Poland	Central & Eastern Europe	1.87
Czech Republic	Central & Eastern Europe	1.68
Qatar	West Asia & North Africa	1.64
Hungary	Central & Eastern Europe	1.61
Thailand	South-East Asia	1.54
Vietnam	South-East Asia	1.44
Russia	North-east Asia	1.44
Indonesia	South-East Asia	1.43
Israel	West Asia & North Africa	1.38
Kazakhstan	Central Asia	1.38
Sri Lanka	South Asia	1.33
Saudi Arabia	West Asia & North Africa	1.29
Turkey	West Asia & North Africa	1.22
Mongolia	North-east Asia	1.19
India	South Asia	1.15
Brunei	South-East Asia	1.15
Laos	South-East Asia	1.14
Belarus	Central & Eastern Europe	1.13
Pakistan	South Asia	1.13
Egypt	West Asia & North Africa	1.07
Cambodia	South-East Asia	1.05
Romania	Central & Eastern Europe	1.04
Myanmar	South-East Asia	1.01
Philippines	South-East Asia	0.95
Kyrgyzstan	Central Asia	0.92
Jordan	West Asia & North Africa	0.91
Cyprus	Southern Europe	0.91
Greece	Southern Europe	0.91
Bulgaria	Central & Eastern Europe	0.90
Georgia	West Asia & North Africa	0.88
Kuwait	West Asia & North Africa	0.88
Bangladesh	South Asia	0.87
Iran	West Asia & North Africa	0.87
Serbia	Central & Eastern Europe	0.85
Slovakia	Central & Eastern Europe	0.85
Slovenia	Central & Eastern Europe	0.84
Lithuania	Central & Eastern Europe	0.83
Estonia	Central & Eastern Europe	0.79
Oman	West Asia & North Africa	0.77
Tajikistan	Central Asia	0.73
Latvia	Central & Eastern Europe	0.72
Ukraine	Central & Eastern Europe	0.72
Bahrain	West Asia & North Africa	0.72
Uzbekistan	Central Asia	0.70
Nepal	South Asia	0.68
Azerbaijan	West Asia & North Africa	0.68
Armenia	West Asia & North Africa	0.61
Bosnia and Herzegovina	Central & Eastern Europe	0.56
Maldives	South Asia	0.55
Turkmenistan	Central Asia	0.54
Croatia	Central & Eastern Europe	0.50
Albania	Central & Eastern Europe	0.49
Macedonia	Central & Eastern Europe	0.47
Palestine	West Asia & North Africa	0.46
Montenegro	Central & Eastern Europe	0.45
Lebanon	West Asia & North Africa	0.44
Afghanistan	West Asia & North Africa	0.43
Iraq	West Asia & North Africa	0.35
Moldova	Central & Eastern Europe	0.33
Yemen	West Asia & North Africa	0.27
Syria	West Asia & North Africa	0.23
Bhutan	South Asia	0.17
Average score		**1.02**

Appendix 2: Major research on the Belt and Road Initiative

China's B&R Initiative has come under the spotlight of many world-renowned think tanks. As the Initiative develops, international and Chinese think tanks have focused more of their research upon it. The table below lists some of the major research projects so far.

President Xi Jinping put forward the B&R Initiative in 2013, which immediately triggered debate among Chinese universities and other research institutions. The design plans were introduced in 2015, and, following Mr Xi's first visit to Russia and the Turkish president's visit to China in July, Russia, Turkey, India and other countries along the route began research into the trade and economic cooperation along the B&R. In the same year, more and more cooperation projects were successfully implemented. Chinese government-funded think tanks published a number of reports elaborating the management model, institutional integration, and investment and financing mechanisms associated with the Initiative.

In 2016 there were major regional conflicts and international events, including escalating tension between the US and Russia on the Syrian issue, the deployment of the Sade anti-missile system by the US and Japan in South Korea, and defrosting of Sino-Indian relations after the Xi-Modi Summit. In this context, think tanks in the UK, the US and Australia carried out monographic studies on various topics such as the geopolitical motives under the B&R Initiative and its diplomatic implications See Table A3.1 below.

In 2017, given President Trump's inauguration and the aftermath of Brexit, the smooth progress of the B&R Initiative became a hedge against, if not a cure for, anti-globalisation sentiment. At the beginning of the year, President Xi presented to the world at the Davos Forum the expanding partnership and economic achievements under the Initiative. In response, think tanks in the Eurozone and the US increased their research and paid more attention to the influence of the AIIB, seeking the possible changes it can bring to the existing financial system.

Table A2: Research papers by international think tanks

DATE OF RELEASE	THINK TANK NAME	COUNTRY/ CATEGORY	RESEARCH FOCUS AND TOPICS ON THE BELT AND ROAD INITIATIVE
April 2016	Lowy Institute for International Policy (LIIP)	Australia	China 's military strategy for the coastal zone in the Asia-Pacific region in the new age
September 2016	Lowy Institute for International Policy (LIIP)	Australia	Sino-Indian relations and India's response to the B&R Initiative
December 2015	Centre for the Analysis of Strategies and Technologies (CAST)	Russia	Trade Opportunities across the China–Pakistan Economic Corridor (CPEC)
	Central & Eastern Europe	Poland	Central & Eastern Europe
December 2015	Centre for the Analysis of Strategies and Technologies (CAST)	Russia	China-Pakistan investment plans for energy infrastructure
October 2015	European Union Institute for Security Studies (EUISS)	France	Economic and diplomatic effects of the "New Silk Road"
March 2016	Peterson Institute for International Economics (PIIE)	US	China's B&R Initiative: Motives, Scope and Challenges
June 2016	Peterson Institute for International Economics (PIIE)	US	The role of globalisation and the B&R Initiative in poverty alleviation
October 2016	Peterson Institute for International Economics (PIIE)	US	Strategic focus and investment risks of the CPEC
March 2016	Centre for Strategic and International Studies (CSIS)	US	The trap of the B&R Initiative and the US recommendations on the development of global infrastructure
	South-East Asia	Indonesia	South-East Asia
January 2017	Centre for Strategic and International Studies (CSIS)	US	Potential conflicts of interest between countries along the Silk Road
January 2017	Centre for Strategic and International Studies (CSIS)	US	The impact of the Asian Development Bank (ADB) on the existing financial system
January 2016	Carnegie Endowment for International Peace (CEIP)	US	Regional and political motives and social prejudice regarding the B&R Initiative
April 2016	Carnegie Endowment for International Peace (CEIP)	US	The financing channels, investment focus, investment outcome and purpose under the B&R Initiative

DATE OF RELEASE	THINK TANK NAME	COUNTRY/ CATEGORY	RESEARCH FOCUS AND TOPICS ON THE BELT AND ROAD INITIATIVE
September 2016	Carnegie Endowment for International Peace (CEIP)	US	Sino-Indian Relations in the new era
December 2016	Carnegie Endowment for International Peace (CEIP)	US	Cooperation and risks in the China-Pakistan Economic Cooperation Zone
November 2016	Brookings Institution	UUS	China's RMB policy, the relations between China and Latin American countries
January 2017	Brookings Institution	US	The diplomatic and economic challenges in Sino-US relations: AIIB, North Korea and the South China Sea issue
May 2015	Council on Foreign Relations (CFR)	US	The economic expansion roadmap of China and the US
May 2016	Council on Foreign Relations (CFR)	US	New Geopolitics of China, India, and Pakistan
March 2015	Institute of Defence and Strategic Studies (RSIS) cooperating with Nanyang Technological University	Singapore	The international attention paid to the B&R Initiative and the difficulty of its implementation
April 2016	Institute of Defence and Strategic Studies (RSIS)	Singapore	China's development observation and the layout of Asian countries
November 2015	Indian Council for Cultural Relations (ICCR)	India	The Influence of the Silk Road on the Sino–Indian relations and ecology
November 2015	Indian Council for Cultural Relations (ICCR)	India	Sino–Indian relations and India's security Issues
October 2015	Observer Research Foundation (ORF)	India	India's diplomacy towards the B&R Initiative
October 2015	Centre for Land Warfare Studies (CLAWS)	India	China–Pakistan and Sino–Indian military relations
October 2015	International Institute for Strategic Studies (IISS)	UK	The diplomatic significance of China's Silk Road
April 2015	International Institute for Strategic Studies (IISS)	UK	AIIB and China's comprehensive national strength
May 2016	International Institute for Strategic Studies (IISS)	UK	Conflicts in Asia and the Pacific
June 2015	European Council on Foreign Relations (ECFR)	UK	Return on investment of the Silk Road and political risks at home and abroad
November 2015	European Council on Foreign Relations (ECFR)	UK	The rise of India as a new economy in the B&R Initiative
July 2016	Royal Institute of International Affairs (Chatham House)	UK	The influence of the B&R Initiative on China's central and western regions and trade by roadway and seaway between China and Europe
January 2017	Royal Institute of International Affairs (Chatham House)	UK	RMB internationalisation and the London market
February 2017	Royal Institute of International Affairs (Chatham House)	UK	China's important transformation over the next five years
August 2015	PKU International Institute for Strategic Studies (IISS-PKU)	Chinese university think tank	The Silk Road's layout for and access to Greece
November 2015	PKU International Institute for Strategic Studies (IISS-PKU)	Chinese university think tank	How to establish the Asia–Pacific security architecture
June 2016	PKU International Institute for Strategic Studies (IISS-PKU)	Chinese university think tank	The B&R Initiative and collective security
October 2016	PKU International Institute for Strategic Studies (IISS-PKU)	Chinese university think tank	China's strategic deployment of geopolitics in the east–west and north–south directions
May 2014	Chongyang Institute for Financial Studies at Renmin University of China (RDCY)	Chinese university think tank	Important anti-corruption rules and clauses of the International Chamber of Commerce (ICC)
June 2014	Chongyang Institute for Financial Studies at Renmin University of China (RDCY)	Chinese university think tank	The construction and future of the Silk Road Economic Belt
October 2015	Maritime Silk Road Institute at Huaqiao University (MSRI)	Chinese university think tank	Country study on the political risk in investment under the B&R Initiative
December 2015	PKU Institute of Ocean Research (IOR)	Chinese university think tank	Countries along the B&R seek improvement in the Infrastructure (power and water supply, rail and road transport and telecommunications) index

DATE OF RELEASE	THINK TANK NAME	COUNTRY/ CATEGORY	RESEARCH FOCUS AND TOPICS ON THE BELT AND ROAD INITIATIVE
August 2015	China Academy of 'the B&R' Strategy (CAB&RS)	Chinese university think tank	Positive implications of the B&R Initiative for tourism openness
January 2017	National Academy of Development and Strategy (NADS)	Chinese university think tank	Political risk assessment of investment in energy resources
April 2015	China International Engineering Consulting Corporation (CIECC)	Chinese university think tank	The B&R Initiative and the public-private partnership (PPP) model
April 2015	China International Engineering Consulting Corporation (CIECC)	Chinese university think tank	Applications of the PPP Model in AIIB and international cooperation
May 2016	CASS National Institute of International Strategy (NIIS-CASS)	Chinese university think tank	Cooperation in energy sources between China, Mongolia and Russia
August 2016	CASS National Institute of International Strategy (NIIS-CASS)	Chinese university think tank	The new positioning of China 's international role
November 2015	China Institute of International Studies (CIIS)	Chinese university think tank	A study on the strategic docking between the B&R Initiative and the European debt crisis
July 2016	China Institute of International Studies (CIIS)	Chinese university think tank	The Impact of China's B&R construction on the world economy
November 2016	China Institute of Contemporary International Relations (CICIR)	Chinese university think tank	Sino-Russian cooperation model regarding the Silk Road
August 2015	Development Research Centre of the State Council (DRC)	Chinese university think tank	A study on investment and financing mechanisms for infrastructure
April 2015	Chinese Academy of International Trade and Economic Cooperation (CAITEC)	Chinese university think tank	The domestic and international situation, key issues and development proposals under the B&R Initiative
September 2015	Horizon Research Consultancy Group	Chinese university think tank	Accreditation for the B&R Initiative among South-East Asian countries
October 2015	Horizon Research Consultancy Group	Chinese university think tank	Turkey's public attitude towards China and the B&R Initiative
November 2015	Centre for China and Globalisation (CCG)	Chinese university think tank	A study on the status quo and characteristics of China's outward investment 2014–2015
December 2014	Pangoal Institution	Chinese university think tank	China's H-shape strategy and large free trade zone strategy under the B&R Initiative
October 2015	Pangoal Institution	Chinese university think tank	The relations between Arab countries and Sino-Turkish relations
March 2015	GRANDVIEW	Chinese university think tank	Country investment value under the B&R Initiative
November 2015	GRANDVIEW	Chinese university think tank	Pakistan's investment environment, industries and investment opportunities
Not Available	China Going Global Think Tank (CGGT)	Chinese university think tank	List of the outbound investment transactions of Chinese enterprises
Not Available	China Going Global Think Tank (CGGT)	Chinese university think tank	List of the failed/questionable outbound investment transactions of Chinese enterprises
August 2015	The B&R 100	Chinese university think tank	Report on the industrial cooperation between China and 64 countries along the B&R, first big data action guide on industrial cooperation
January 2016	The B&R 100	Chinese university think tank	A study on the government and politics, businesses and the economy, culture and humanities, and media and communication under the B&R Initiative
September 2016	Liaowang Institute	Chinese university think tank	The investment risk and research needs under the B&R Initiative

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