Borderless win-win cooperation in building the Belt and Road

April 2019
The joint multinational B&R construction opens a new journey for building "five major goals"

2.1 China - Japan: from competition to cooperation, from rivals to partners

2.2 China - France: building a benchmark for cooperation with a focus on Asia and Africa

2.3 China - UK: breaking the barrier and complementing each other

Development and prospect of third-party market cooperation
After five years of significant advancement of the Belt and Road Initiative (BRI), its link with the development strategies of Belt and Road (B&R) countries and regions has increasingly become a key driver for economic globalization and regional integration while achieving the “five major goals” of the BRI.

We are pleased to see more countries and international organizations are participating in B&R construction, especially in third-party market cooperation – a new model of cooperation between two countries in third-party markets – which has been actively promoted by the Chinese Government last year and has been gaining traction and attracting participation among many developed countries and leading multinational corporations (MNCs). Looking forward, the BRI will see stronger and deeper links between China and B&R countries while promoting mutual trust in politics, economic, social and cultural interconnection and eventually, benefitting people along the route.

The year 2019 marks the 70th anniversary of the founding of the People’s Republic of China. China will continue to push forward B&R construction and globalization. With many upcoming diplomatic events in 2019 such as the 2nd Belt and Road Forum for International Cooperation (BRFIC) and the 2nd China International Import Expo (CIIE), we believe the BRI will reach higher standards and higher-level of development, providing momentum in boosting mutually beneficial cooperation and prosperity.

We hope this issue of Navigator will inspire Chinese investors and MNCs to participate in third-party market cooperation in the future. EY will help Chinese companies continue to expand their presence in the B&R markets, accelerate internationalization and pursue high-quality development in the global marketplace.
Executive summary

The BRI offers huge potential for third-party market cooperation. In accordance with the BRI’s principle of achieving shared growth through discussion and collaboration, third-party market cooperation is an effective way to make it happen. As such, China will build closer relationship with developed countries to identify new opportunities arising from economic globalization and explore new areas of cooperation through government and enterprise partnership, thus providing Chinese solutions to international cooperation.
In the past five years, the BRI has not only received positive feedback and worldwide participation, landed many large projects, but also demonstrated China’s commitment and determination to enhance international cooperation. As a new way of international cooperation, “third-party market cooperation” links the competitive production capacity advantages from China, the advanced technology from developed countries and the vast development needs from developing countries. As a result, "win-win" outcome can be achieved: (i) help China export its production capacity and industrial products to international markets; (ii) help developed countries explore new economic growth drivers; and (iii) boost industrialization and economic development of developing countries.

This issue of Navigator focuses on the development and prospect of “third-party market cooperation” under the BRI. With the challenges of current imbalanced global economic development, rising unilateralism and protectionism, “third-party market cooperation” is an innovative model to boost B&R construction, which is in line with the principle of achieving win-win results through collaboration. To move closer to the vision of building a community of shared future for mankind under the BRI, “third-party market cooperation” also plays an active role in strengthening international cooperation and upholding multilateralism and free trade.

In this issue, we will highlight the third-party market cooperation between China and the following countries:

- China - Japan: from competition to cooperation, from rivals to partners
- China - France: building a benchmark for cooperation with a focus on Asia and Africa
- China - UK: breaking the barrier and complementing each other
The joint multinational B&R construction opens a new journey for building “five major goals”

**Policy coordination**
Deepen and refine policy coordination to promote the BRI

**Along B&R countries in 2018**

<table>
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<tr>
<th>China non-financial outward direct investment</th>
<th>Chinese disclosed value of M&amp;As</th>
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<tbody>
<tr>
<td>US$15.6 billion, 13% of total, up 8.9% YOY</td>
<td>US$16.5 billion</td>
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<th>China’s EPC projects completed contracts turnover</th>
<th>Trade value totaled</th>
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<tr>
<td>US$89.3 billion, up 4.4% YOY</td>
<td>US$1.3 trillion, up 16.3% YOY</td>
</tr>
</tbody>
</table>

| China signed 170 cooperation documents with 122 countries and 29 international organizations |

**Source:** China Ministry of Commerce, China National Development and Reform Commission (NDRC)

Supported by all parties, the BRI has been incorporated into the outcome documents of international institutions such as the United Nations, the Forum on China-Africa Cooperation, the Shanghai Cooperation Organization and the Asia-Europe Meeting, etc. B&R construction is expected to enter a new stage of pursuing high-quality development based on the principle of achieving shared growth through discussion and collaboration.

The BRI has been highly commended by developed economies that have been actively involved in the construction while China is building interconnection with developing countries. In March 2019, Italy just signed the Memorandum of Understanding (MOU) to Jointly Advance the Construction of the BRI with China, making it the first G7 member to sign an MOU on the BRI. Other developed countries including Portugal, Greece, Hungary and New Zealand, etc have also signed B&R cooperation agreements with China. Furthermore, a number of developed economies are expecting to participate in B&R construction and work with China to expand third-party market cooperation. In collaboration with China, these economies will tap into their respective advantages to create mutually beneficial cooperation. China has officially signed third-party market cooperation documents with countries such as Japan, France, Canada, Singapore, Spain, the Netherlands, Belgium, Italy and Australia, etc.

Meanwhile, China has strengthened cooperation with international organizations, for example, the Development Research Center of the State Council signed a MOU with the United Nations Industrial Development Organization, for joint B&R construction; the Ministry of Environmental Protection of China and the United Nations Environment Programme jointly released recommendations on establishing the International Coalition for Green Development on the Belt and Road.

We look forward to the high-profile events such as the 2nd BRFIC and the 2nd CIIE in 2019, which can further promote policy communication and coordination among countries and pave the way for further BRI development.

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1. Source: China Ministry of Commerce
2. Source: State Council Information Office of China
3. Note: According to the World Customs Organization (WCO) framework of standards to secure and facilitate global trade, an authorized economic operator (AEO) is “a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national customs administration as complying with WCO or equivalent supply chain security standards. Authorized Economic Operators include inter alia manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors”
4. Source: Xinhua.net
5. The RECP is initiated by the 10 ASEAN countries, invite China, Japan, South Korea, Australia, New Zealand and India to participate (“10+6”), through tariff reduction and non-Tariff barriers, establishing a free trade agreement for a unified market for 16 countries.
Trade is an important engine for economic growth. With the rapid development of the Chinese economy in recent years, China has become the world’s largest trading nation, and the global influence of its foreign trade is also growing. China and B&R countries continuously deepen their economic and trade cooperation, establishing a road of opening-up for a mutually beneficial and win-win outcome. In 2018, China’s total trade value was US$4.6 trillion, up 12.6% YOY. The total trade value with B&R countries reached US$1.3 trillion, up 16.3% YOY, which was 3.7 percentage point higher than the overall growth rate. This indicates that the B&R trade starts becoming a new driving force for China’s trade development.

**Top 10 B&R trading partners of China in last five years**

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<tbody>
<tr>
<td>1</td>
<td>Vietnam</td>
<td>547</td>
<td>12%</td>
</tr>
<tr>
<td>2</td>
<td>Malaysia</td>
<td>491</td>
<td>1%</td>
</tr>
<tr>
<td>3</td>
<td>Russia</td>
<td>424</td>
<td>2%</td>
</tr>
<tr>
<td>4</td>
<td>India</td>
<td>392</td>
<td>6%</td>
</tr>
<tr>
<td>5</td>
<td>Singapore</td>
<td>392</td>
<td>1%</td>
</tr>
<tr>
<td>6</td>
<td>Thailand</td>
<td>392</td>
<td>4%</td>
</tr>
<tr>
<td>7</td>
<td>Indonesia</td>
<td>312</td>
<td>4%</td>
</tr>
<tr>
<td>8</td>
<td>Saudi Arabia</td>
<td>276</td>
<td>-2%</td>
</tr>
<tr>
<td>9</td>
<td>Philippines</td>
<td>244</td>
<td>5%</td>
</tr>
<tr>
<td>10</td>
<td>United Arab Emirates</td>
<td>230</td>
<td>-3%</td>
</tr>
</tbody>
</table>

Source: GACC, EY analysis

In order to promote trade facilitation and security cooperation, as well as enhancing customs clearance mechanism, the General Administration of Customs of China (GACC) issued the Belt and Road Customs Clearance Co-operation Action Plan (2018-2020) (hereinafter referred to as the “Action Plan”) in January 2018. The Action Plan aims to strengthen the establishment of the B&R customs liaison system with surrounding countries, support the BRI comprehensive test area and cross-border economic cooperation zone, and build the B&R customs information exchange and service-sharing platform. Meanwhile, the GACC is actively carrying out the Authorized Economic Operator (AEO) consultation with B&R countries, aiming to complete mutual recognition with B&R countries that are willing to cooperate with China in AEO certification program before 2020. The mutual recognition of AEOs among different customs provides convenience to qualified enterprises. According to statistics, when China’s AEO enterprises export goods to the countries and regions that have already implemented mutual recognition, the inspection rate can be reduced by 60%-80%, and customs clearance time and costs can be reduced by more than 50%.

At the same time, China has reached 17 Free Trade Agreements (FTAs) with 25 countries and regions, and is currently negotiating 13 FTAs with 28 countries. Among them, the Regional Comprehensive Economic Partnership (RCEP) between China and some Asia-Pacific countries is accelerating and it is expected to reach final agreement within 2019, the RCEP will cover nearly one-third of China's trade volume.
Facilities connectivity
A compound infrastructure network is taking shape

By 2018, China-Europe freight trains made > 12,000 journeys reaching 15 countries and 49 cities in Europe.

Chinese enterprises participated in the construction and operation of 42 ports in 34 B&R countries which play a pivotal role in the BRI development.

**New Eurasia Land Bridge Economic Corridor**
- Relying on modern international logistics system, economic and trade development and cooperation in industrial capacity is prioritized and collaboration in energy resources is expanded.
- China-Europe freight trains
  - With its straight-through, scheduled and fixed time operation, China-Europe freight train become the major international transportation in Eurasia.

**China-Central Asia-West Asia Economic Corridor**
- Created favorable conditions to strengthen the cooperation between China, Central Asia and West Asia.
- Generated huge economic and social benefits for B&R countries.

**China-Pakistan Economic Corridor**
- China has become the largest trade partner of Pakistan for 3 consecutive years and the largest inbound investor for the 4th year in a row.
- Gwadar Port
  - Officially opened in November 2018.
  - Became a maritime gateway for hinterland states in Central Asia and is served as a regional transshipping, warehousing and transporting hub.
- Sahiwal Coal-fired Power project & Qasim Coal-fired Power Plant
  - In operation.
  - The annual generation capacity fill 40% of power deficit in Pakistan, providing strong energy support for local economy.

**Bangladesh-China-India-Myanmar Economic Corridor**
- It has great significance for deepening cooperation among China, Bangladesh, India and Myanmar and establishing connectivity between East Asia and South Asia.
- Kyaukphyu port and Industrial zone
  - Under construction.
  - Achieved synergy and promoted a more balanced development in Myanmar.

**China-Mongolia-Russia Economic Corridor**
- 3 countries establish cooperation in 7 areas, ranging from transport infrastructure development and connectivity, port construction and customs, industrial capacity and investment, economic and trade cooperation, cultural and educational exchanges, ecological and environmental protection to local and cross-border cooperation.
- Moscow-Kazan High-speed Railway
  - Expected to complete in 2024.
  - As a pilot project of high-speed transport corridor in Eurasia, the railway is the precursor of railway transport between Beijing and Moscow.
- China-Mongolia cross-border economic cooperation zone
  - In April 2018, an MOU was signed to push forward the project.
  - Both countries expanded and deepened cooperation in economy and trade, investment, finance, culture and education.

**China-Indochina Peninsula Economic Corridor**
- Alongside the land bridge between China and the Indochina Peninsula, it serves as a cross-ration economic corridor between China and ASEAN countries.
- Jakarta-Bandung High-speed Railway
  - Under construction.
  - An important project that allows the BRI to align with Indonesia’s vision of global maritime nexus.
- China-Laos Railway
  - Under construction.
  - As an integrated part of the Pan-Asia railway network, it plays an exemplary and leading role in building a gateway to the Indian Ocean.

Source: Outline of the Plan on Establishing the China-Mongolia-Russia Economic Corridor, China Ministry of Commerce, People’s Daily.
Financial integration
Diversified financing system adds momentum to the BRI

Currency swap: Currency swap plays an active role in facilitating bilateral trade and investment and maintaining financial stability. The BRI promotes the interconnectivity in trade, energy and labor between China and the countries along the route, generating great market demand for expanding RMB swap lines and developing financial products and services.

Securities market interconnectivity: As an important move for interconnectivity between the A-share market and overseas markets, the Shanghai-London Stock Connect program is expected to launch in 2019. The UK is one of the major European countries that have participated in the BRI, as such, the Shanghai-London Stock Connect program will deepen the cooperation between China and the UK in financial service sector and further expands the two-way opening up of China’s capital market. Meanwhile, companies listed in the two countries can issue depositary receipts on each other’s market alongside the two-way stock trading, which is a cross-border attempt to achieve connectivity of the two markets through conversion mechanism between depository receipts and underlying securities. This is not only an important sign of financial integration under the BRI, but also a milestone for opening up China’s capital market.

Chinese-funded banks accelerate overseas expansion: With the BRI advancing further, it is inevitable that there is a growing demand of Chinese-funded banks venturing into unexplored areas. In addition to opening branches, Chinese-funded banks have also been engaging in overseas M&As to expand their network rapidly.

Overseas footprints of major Chinese-funded banks

Source: Annual reports of Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of Communications, China Construction Bank, etc.
People-to-people bond
Promoting non-governmental cooperation and deepening cultural exchanges

It is essential of the BRI to encourage cross-border communication and cultural exchanges. The Confucius Institute is an important platform for the world to get to know China. In 2018, China established 530 Confucius Institutes and 1,113 Confucius Classrooms in 149 countries and regions worldwide, as among such, 144 Confucius Institutes and 134 Confucius Classrooms in primary and secondary schools are located in 53 B&R countries, which is one of the fastest growing regions in the world. Since the BRI was proposed, the Confucius Institutes in relevant countries have continuously trained language talent, carried out cultural activities, and facilitated non-governmental exchanges, becoming an important force of promoting the BRI.

Another measure to promote people-to-people exchange is to promote the visa exemption or landing visa arrangement with B&R countries. For example, the United Arab Emirates granted the visa on arrival fee waiver to China in late 2016. On 1 January 2017, Serbia formally granted China visa exemption. Belarus also exempted Chinese citizens from visa requirement since February 2017. These arrangements have greatly facilitated business exchanges between China and B&R countries, at the same time encourage tourism in B&R countries. Expanding tourism and communication with B&R countries would help cultural exchange, promote cross-cultural dialogue and encourage the people-to-people bond.

Meanwhile, China’s education sector has developed rapidly and has already become the most popular destination in Asia for overseas students. The number of international students has maintained a double-digit growth rate for two consecutive years. In 2017, there were nearly 320,000 international students from B&R countries, accounting for 65% of total, up 11.6% YOY. Among them, the number of students studying engineering, management, science, art and agronomy increased significantly, with a YOY increase of more than 20%. These could help strengthen the understanding and cultural exchange between China and B&R countries, and lay a solid foundation for future economic and trade cooperation.

Friendship, which derives from close contact between the people, holds the key to sound state-to-state relations.

President Xi Jinping
Keynote speech at the 1st BRFIC
Beijing, 14 May 2017

The BRI embarks on a new journey

With the rise of international trade protectionism and geopolitical complexity in recent years, China’s role in the international community is increasingly important. In the past five years, the B&R development has laid a solid foundation and created a road map as its international influence grew. The 2nd BRFIC will be held this year and B&R construction will be also entering the next 5-year phase, we are looking forward to seeing the initiative develop broader, in higher quality and in a more efficient manner.
Third-party market cooperation under the BRI should be based on commercial principles and develop on the premise of win-win cooperation — respecting market rules, maintaining a fair competitive environment, and also adhering to the principle of sustainable economic development.

It is also China’s plan to achieve international cooperation in production capacity, combining the country’s capacity advantage with developed countries’ advanced science and technology, as well as developing countries’ development needs, which will optimize the efficiency of global resources allocation.

Over the past five years, with the gradual deepening of B&R construction, third-party market cooperation has become increasingly prominent. China has signed third-party market cooperation documents with Japan, France, Canada and Singapore, etc. and has also set up third-party market cooperation funds with European Investment and Development Bank and other French financial institutions. Chinese enterprises and their peers in developed countries complement each other with broad prospect for cooperation in infrastructure, energy, environmental protection, finance and other sectors, so as to inject new energy into the BRI development.

2.1 China - Japan: from competition to cooperation, from rivals to partners

Sino-Japanese relations have warmed up since 2018 and the two countries have been strengthening communication and cooperation in various aspects. Most B&R countries are still in the early stage of industrialization. They urgently need to develop infrastructure while facing challenges and lacking technology and capital. Sino-Japan third-party market cooperation is conducive to speeding up the social and economic development of those countries.

China has strong government support, financial strength and production capacity advantages. Japan, on the other hand, has rich overseas experience, developed technology and mature risk management mechanism. China and Japan can take advantage of their own strengths to create a win-win cooperation.

During Chinese Prime Minister Li Keqiang’s visit to Japan, China and Japan signed the Memorandum on Third-Party Market Cooperation and agreed to establish relevant working mechanisms, set up forums to promote third-party project cooperation and exchanges between enterprises of the two countries.

The 12th Sino-Japan Comprehensive Forum on Energy Conservation and Environmental Protection was held in Beijing. During the forum, China and Japan signed 24 cooperation projects involving third-party markets.

The 1st Sino-Japan Third Party Market Cooperation Forum was held in Beijing. A total of 52 cooperation agreements were signed, amounting to over US$18 billion. More than 1,000 representatives from the governments, economic organizations and enterprises of China and Japan attended the forum. Sino-Japan enterprise cooperation mainly focus on areas such as new energy, agriculture, processing and manufacturing, oil and steel refining, and infrastructure, etc.

High-level dialogue was held between China and Japan.

Japanese Prime Minister Shinzo Abe visited China again after 7 years.

Infrastructure construction

In the past, China and Japan were neck and neck in the race for dominance in infrastructure construction in Asia's infrastructure market, increasing the risk in infrastructure projects.

China overseas infrastructure development advantages lie in strong financial strength, short construction cycle, strong government support and high cost-performance ratio. However, the risk management and control mechanism of Japanese infrastructure enterprises are more mature and well-developed. They have obvious advantages in project operation and management, but at the same time, they face the issues such as labor shortage and long construction cycle. Therefore, third-party market cooperation between the two countries in the infrastructure sector is highly complementary and has broad prospects. Not only can they avoid vicious competition, but also optimize project efficiency and income, and set a good example for international cooperation.

Technology

In recent years, China has vigorously promoted the integration of new technologies with the real economy, accelerated the rapid transformation of scientific and technological achievements, and focused on guiding enterprises to invest in science and technology. However, there are still gaps at the level of technological innovation in many high-tech industries compared to developed countries. Japan has advantages in technological innovations, such as health care, artificial intelligence (AI) and advanced manufacturing. However, due to factors such as the aging population, Japan has limited space for domestic economic development. China's technological transformation advantage can be combined with Japan's technological innovation advantage through third-party market cooperation, which would improve experience in various sectors, and also benefit B&R countries.

On 26 October 2018, China and Japan signed the Memorandum on Establishing China-Japan Innovation Cooperation Mechanism. The two governments agreed to establish an inter-departmental “China-Japan Innovation Cooperation Mechanism” under the high-level dialogue to promote specific cooperation in areas such as industrial innovation and intellectual property, etc.

Source: Ministry of Commerce of China
With the advancement of B&R construction, investment demand and financial support increase significantly. Japan's financial institutions have strong financial strength and more overseas experience than their Chinese peers since the former started earlier in their internationalization process. They are more mature in credit and risk management and are more advanced in international business development in guarantee and financing. In recent years, many Japanese financial institutions, such as the three most internationalized banks - Mitsubishi UFJ Financial Group Inc., Mizuho Financial Group and Sumitomo Mitsui Banking Corporation, and many large and medium-sized Japanese banks have also actively participated in B&R construction to support the cooperation projects between Chinese and Japanese enterprises in third-party markets. The statistics show the demand for infrastructure construction in Asia will reach US$2 trillion annually by 2040. Financial institutions of China and Japan will have broad development space and cooperation opportunities in infrastructure and other sectors.

On 26 October 2018, China and Japan restarted currency swaps after five years, with a scale of RMB200 billion. The purpose is to maintain financial stability, support the development of bilateral economic and financial activities, expand mutually beneficial and pragmatic cooperation in the fields of finance, and further deepen Sino-Japanese economic relations. At present, the major third-party market cooperation between China and Japan in financial sector mainly involve China's policy banks and state-owned enterprises, with Japan's three major banks in investment, loans and insurance areas. In the future, we expect more diversified cooperation, and small and medium-sized financial institutions will gradually "go abroad" so that the two countries will broaden their cooperation in a deeper extent.

Although the Sino-Japanese relations have experienced ups and downs, the economic and trade relations and market cooperation between the two countries have great potential and good prospects. After a relatively short period of development, the third-party market cooperation between China and Japan has successfully established a mechanism such as the Sino-Japan Third-Party Cooperation Forum, which set a great example for the cooperation and development of third-party markets between China and other countries.

Japan is willing to follow the principles of openness, transparency and marketization, and work with China to develop cooperation projects in third-party markets, to achieve win-win results and make contributions to regional and world development.

Japanese Prime Minister Shinzo Abe
The 1st Forum on China-Japan Third-Party Cooperation
Beijing, October 2018

Source: Ministry of Commerce of China
2.2 China - France: building a benchmark for cooperation with a focus on Asia and Africa

China and France officially issued the Joint Statement on China-France Cooperation on Third-Party Markets, which for the first time proposed the concept of “third-party market cooperation” and reached the intent to establish a China-France mutual fund. The two countries agreed to cooperate in 8 areas such as infrastructure and energy, transport and agriculture etc., and identified Africa and Asia as focus development areas.

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The 1st Belt and Road Paris Forum was successfully held. There is plenty of room for cooperation for China and France in emerging industries, e.g. agri-food, finance and sustainable development, and in traditional industries, e.g. nuclear energy and aviation, etc.

The 2nd Belt and Road Paris Forum was held. Four issues were discussed - politics and security, China-EU and China-France cooperation, energy and environmental cooperation, and agricultural cooperation.

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Source: Ministry of Foreign Affairs of China, People.com.cn

China has deep roots, rich experience and long ties in Africa, especially the French-speaking countries. In Africa, there are 21 African countries with French as their official language (or one of the official languages), 5 with French as a common language. French-speaking population accounting for 32% of the total African population¹. France has a high level of technology in infrastructure and energy. African countries have rich natural resource in traditional energy and renewable energy, and they have urgent need to improve their infrastructure which has been stalling economic development. On the other hand, China has production capacity advantages, complete manufacturing base and strong financial strength. Therefore, third-party market cooperation with France can help Chinese companies enter the African market whereas China can help French companies enter the Asian market taking its location advantage in Asia. Combining the needs of the three parties, China, France and Africa will create a cooperative and win-win outcome.

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In November 2016, CIC International and Caisse des Dépôts International Capital signed an agreement on the Sino-French third-party market cooperation fund. The agreement was aimed to invest in projects that create opportunities for Chinese and French investors in third-party markets.

Finance

China and France are actively establishing bilateral mechanisms for third-party project investment in accordance with the Joint Statement on the cooperation of third-party markets issued by the Chinese and French governments. First, establish a mutual investment fund to provide financial support for tripartite cooperation. Second, establish a mechanism for dialogue and coordination between the two countries to build a platform to promote communication and participation of various financial institutions, and their participation in project investment. Meanwhile, the NDRC and the French Treasury has established a steering committee and set up a demonstration project list mechanism to identify cooperation credentials.

Source: Ministry of Commerce of China
Energy

France is a traditional nuclear power country. China’s technological advantages in nuclear energy have also been greatly improved in recent years. The French government has recently begun to vigorously develop renewable energy. On the other hand, China is also seeking to transit from fossil to renewable energy, which lays the foundation for the two countries to cooperate in nuclear energy and renewable energy sectors. Meanwhile, African countries have rich natural resource in renewable energy. Looking forward, there is great potential of the cooperation between China and France in energy sector.

In June 2015, China and France signed the Joint Statement on Deepening Civil Nuclear Energy Cooperation, and the two countries would promote nuclear power cooperation in more third countries. China National Nuclear and China General Nuclear signed an agreement with Electricité de France and Areva respectively to develop global cooperation in the entire nuclear industrial chain.

In December 2015, CGN Europe Energy signed a tripartite MOU with EDF Energies Nouvelles and InnoSun to join forces in the clean energy sector in Africa. The three parties would cooperate in the investment development and construction of a 500 MW clean energy power station in Namibia.

In May 2017, Censtar Science & Technology and France’s AAQIUS launched a strategic cooperation to actively expand the application of next-generation green energy under the BRI and would carry out in-depth cooperation. In September 2017, the two companies further identified a hydrogen energy cooperation project.

In March 2019, Schneider Electric signed a strategic cooperation agreement with PowerChina. In the future, the two sides will further expand cooperation in the fields of power and electricity, water resources and environment, infrastructure and real estate. Meanwhile, Schneider Electric will assist the equipment manufacturing enterprises of PowerChina to enhance green and advanced smart manufacturing.

Transport and Logistics

In the joint statement on the cooperation in third-party markets between China and France, it mentions that in transportation, both parties should make full use of their advantages to strengthen cooperation in trunk railways and urban railways, and jointly study and explore cooperation areas and potential. French companies still have the first-mover advantages in high-speed rail technologies, but Chinese companies have been catching up quickly in recent years, gaining competitive advantages in construction period and cost. It is of great potential for the two parties to strengthen cooperation and jointly develop transport infrastructures in third-party markets.

In September 2014, a consortium including Le Groupe CMA CGM, Bolloré Transport & Logistics and China Harbour, won a 25-year concession bid on the container berth of the Kribi deep water port in Cameroon.

In September 2016, CCCC and France’s LafargeHolcim signed an MOU on global strategic cooperation in Kenya. In East Africa, the two parties have closely worked together on the infrastructure projects of the Mombasa-Nairobi Railway Project, the Entebbe Airport Upgrading Project, the Nairobi-Malaba Railway Project, the Ram Port, the Nairobi West Loop Project, the M KK National Road Project and the SM Road Project.

In November 2018, Bolloré Transport & Logistics and the PowerChina jointly won the bid for the Ibom Port Project in Nigeria.

The cooperation between China and France in third-party markets requires both the governments to improve their mechanisms and strengthen guidances. It also requires the enterprises to explore the market, build benchmarking projects and show credentials.

The Belt and Road Initiative can play a major role in structuring the Eurasian region and that it represents a real opportunity to create bridges, through exchange, between countries and civilizations, just as the ancient silk routes once did. It’s very important that Europe and China strengthen their collaboration on the initiative. France is ready to play a leading role in this.

French President Emmanuel Macron
Exclusive interview by the China Internet Information Center
8 January 2018

Source: People.com.cn, Chinanews.com
Source: Xinhua.net, the Guardian
2.3 China - UK: breaking the barrier and complementing each other

China and the UK will have the opportunity to become closer partners through the BRI. When President Xi Jinping visited the UK in 2015, he mentioned the cooperation between China and the UK on the BRI: “The Chinese and British industries are highly complementary, and the concepts of jointly promoting open markets are similar. The willingness to promote free trade and expand two-way investment is the same.” The development of third-party market cooperation between China and the UK is not only a great historic opportunity, but it has also garnered the support of both Chinese and British governments and policies.

Infrastructure construction

China and the UK has its own strengths in the field of infrastructure construction and are complementary. The UK has advantages in design, law, consulting and management in the engineering field. China is strong at construction efficiency, engineering technology innovation, cost control, supply chain management and cost performance. The cooperation between the two countries can achieve a win-win outcome and meet the development needs of third-party countries.

- **Energy and Power**
  - In October 2014, China Petroleum Engineering & Construction (CPECC) signed a contract with British Petroleum (BP), amounting to US$420 million. CPECC undertook the construction of the Iraqi Rumaila power plant project invested by BP in Iraq and it was already completed in December 2017.

- **Transport**
  - In July 2015, China Communications Construction Company (CCCC) and Bangladesh signed an agreement for the construction of the Kanapuri River Tunnel, with a total investment of US$710 million and a total length of 3.5 kilometers. Arup from the UK cooperated with CCC in to carry out research on the economic and technical feasibility of the Kanapuri River Tunnel.

- **Other fields**
  - In July 2016, both the Chinese Embassy and the British Embassy in Uganda signed an agreement on strengthening infrastructure cooperation.

Source: Ministry of Commerce of China, Xinhua.net

Source: CNPC, www.thepaper.cn, HKTDC, Xinhua.net
The Belt and Road Initiative has far-reaching global influence, hope Britain and China can cooperate in this regard to boost global and regional economic growth.

**Finance**

Compared with China, the UK has a long history and rich experience in international finance service. As a traditional international financial center, the UK has a well-established system and has a history of cooperation and close relationship with many B&R countries.

The China-UK development has a good momentum in green finance. Green development also plays an important role of China’s economic transformation and the B&R sustainability.

**Banking**

- During British Prime Minister Teresa May’s visit to China in January 2018, the CDB and Standard Chartered Bank signed the Memorandum of Loan for the Credit of RMB10 billion B&R project of China Development Bank and Standard Chartered Bank. The two sides will strengthen cooperation, drive the RMB internationalization, and jointly support B&R project cooperation. They also agreed that the amount of cooperation in the above-mentioned areas in the next five years will be equivalent to RMB10 billion.

**Capital Markets**

- In March 2016, CMST Development, China-Britain Business Council, Mercuria, Henry Bath and China Merchants Securities jointly signed a Strategic Cooperation MOU in London to promote LMEshield’s new inventory system in the B&R regions in China. LMEshield is a new inventory system launched by the London Metal Exchange that provides metal holders with a safe and robust warehouse receipt management mechanism in multiple countries.

- In October 2018, regarding China’s first overseas stock connect - “Shanghai-London” Stock Connect, China Securities Regulatory Commission (CSRC) officially issued the Trial Rules on Depositary Receipt Business in the Shanghai-London Stock Connect Program. As of January 2019, the CSRC has approved Barclays Bank, China International Capital Corporation (UK), Haitong International Securities (UK) and CITIC CLSA Securities as UK cross-border global depositary receipt conversion institutions under the stock connect program.

**Other fields**

- In March 2016, Sinosure and the UK Export Finance signed a framework agreement to strengthen reinsurance cooperation to further expand the channels for China-UK exports. The agreement is aimed at the cooperation projects between Chinese and British companies exporting to the third countries. Sinosure and UK Export Finance Department will use their business advantages and strengthen cooperation to provide risk sharing and market support for Chinese and British companies in the third countries.

- In December 2017, at the China-UK Economic and Finance Forum, China and UK promised to continue to strengthen their comprehensive cooperation and partnership under the AIIB framework. Both parties will set up the first US$1 billion bilateral investment fund to support the BRI; UK Export Finance also announced its support for new business with a size of no more than £25 billion in the B&R projects in Asia.

The B&R financial cooperation between China and the UK has been at the forefront of other Western countries, and has set a number of precedents. The UK is the first applicant to join the AIIB, the first to invest in the AIIB Special Fund², and also the first to sign the Guiding Principles on Financing the Development of the Belt and Road.⁹

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² Source: Ministry of Finance of China

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The Belt and Road Initiative has far-reaching global influence, hope Britain and China can cooperate in this regard to boost global and regional economic growth.
Summary and outlook

In the past five years, the BRI has been linked to the development strategies of the respective countries and regions. With the “five major goals” development thriving in the vast territories, the BRI epitomizes China’s active participation in opening up to the world - promoting mutual development and prosperity, and building a community of shared future for mankind.

In recent years, with the rise of international trade protectionism and the complexity of geopolitics, the importance and potential of the B&R third-party market cooperation has become more prominent. At present, China has officially signed third-party market cooperation documents with Japan, France, Canada, Singapore and other international organizations, while promoting the establishment of third-party market cooperation funds with some countries. Chinese enterprises and MNCs in developed countries have complementary advantages and have broad cooperation prospects in infrastructure, energy, environmental protection and financial sectors, of which inject vitality into B&R construction.

In a symposium marking the fifth anniversary of the BRI in 2018, President Xi Jinping delivered a keynote speech emphasizing deeper implementation of B&R construction in the future. By the end of 2018, 269 projects proposed from the 1st BRFIC had either been completed or become routine work, while 10 of the proposed projects were being put forward. The implementation rate has reached 96.4%. With the upcoming 2nd BRFIC held in April 2019, B&R construction will also enter the next five-year phase of in-depth development: pragmatic, cooperative, inclusive and win-win.

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The National Development and Reform Commission of China
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