POLITECNICO DI TORINO

Corso di Laurea Magistrale

in Engineering and Management

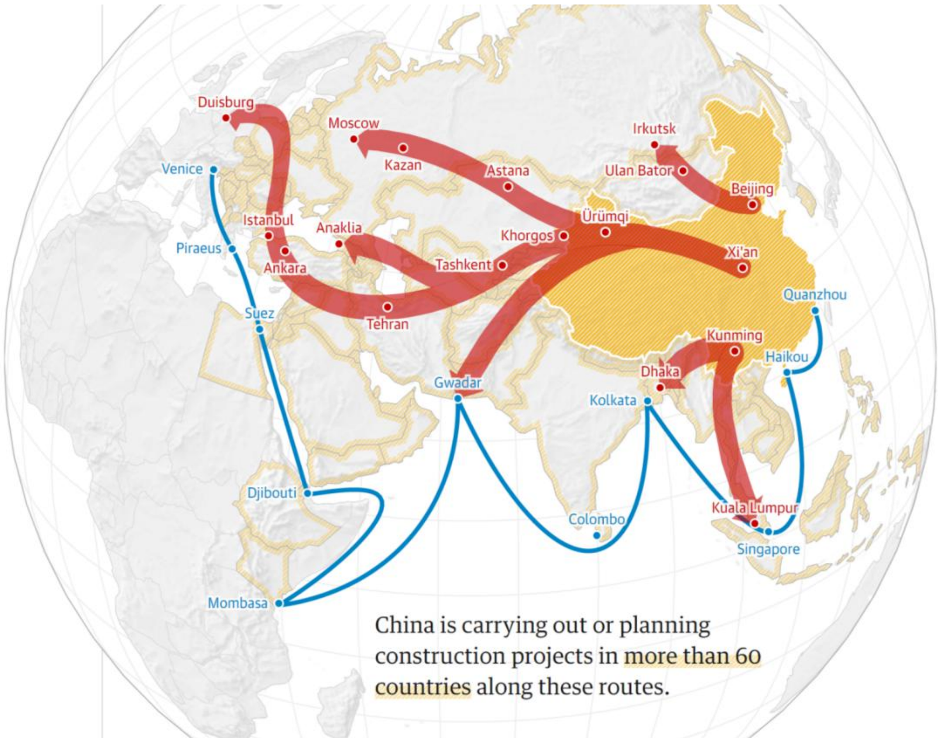
Analysis of China's foreign investment: The Belt and Road Initiative

Relatore: prof. Luigi Benfratello

Candidate: Zhang Xin (s251831)

Contents

Abstract:



Graph 1, --------- Silk Road Economic Belt;
--------- 21st Century Maritime Silk Road;

Chinese President Xi Jinping proposed The Belt and Road initiative strategy (B&R) in 2013 with the goal of connecting the Eurasian countries and promoting economic cooperation, the route mainly includes People's Republic of China (PRC), onshore Silk Road Economic Belt(SREB) and Ocean Shipping Maritime Silk Road (MSR).

Silk Road Economic Belt: The new economic corridor formed on the basis of the ancient Silk Road concept began in Xi'an, China, and through Central Asia and West Asia. It will lead to the European continent and develop economic partnerships between China and countries along the line.

21st Century Maritime Silk Road: Through the maritime interconnection and port city cooperation mechanism, we will jointly build a safe and efficient transportation channel. Key cooperation directions include crossing the South China Sea to the Indian Ocean from China's coastal ports, extending to Europe, and crossing the South China Sea to the South Pacific from China's coastal ports.

China's“Belt and Road”will be one of the most important and influential innovations in the world, at least for the next decade.It is expected that by 2022, China will invest about 350 billion U.S. dollars in the “Belt and Road” project, and the reasons behind it can be seen. More than 1,700 projects have been completed or under construction at this initiative.

The“Belt and Road”designated partner countries are located in South Asia, East Asia, Central Asia, the Middle East, East Africa and Eastern Europe. For these countries, the ability to finance infrastructure development will bring huge benefits.

But this is only the beginning. With more projects completed, the construction of transportation and communication networks along the “Belt and Road” corridors has been continuously strengthened. It is expected that Chinese private enterprises will become more active in the “Belt and Road” countries, thus creating a large number of employment for local and international partners in various industries.

1. Introduction

1.1 Why China propose the Belt and Road Initiative?

Nowadays， US dollar is the international settlement currency， China used to be a country in urgent need of development, so it must require a lot of capital investment，and the international investor will bring the US dollar for the investment, but US dollars can not be used in China, so the China bank have to Issue the equivalent RMB to instead US dollars, meanwhile China has to use US dollar as the settlement currency to buy materials, technology from other countries, these will lead to an inflation caused by excess RMB. The belt and road is a method to solve this problem, China hopes to use belt and road to build an economic circle with those countries along the way while can use RMB as settlement currency to solve the domestic inflation.

China hopes to use excess capital to build this road to alleviate domestic inflation.Because of over-developed manufacturing has led to a phenomenon of oversupply in China, China needs to use this strategy to increase its export, and it will guarantee the GDP growth.

1.2 Cooperation focus :“Five links”.

The "One Belt, One Road" cooperation focuses on enhancing policy communication, facility connectivity, trade smoothness, financial communication, and popular support among the countries along the route, referred to as the "five links."

Policy communication

- Strengthen intergovernmental cooperation and establish communication mechanisms along the route.
- Jointly develop development plans and measures to promote national/regional cooperation.
- Negotiate and resolve problems in cooperation and provide policy support

Smooth trade

- Countries cooperate to solve the problem of investment trade facilitation
- Eliminate trade and investment barriers. Reduce trade investment costs
- Building a good business environment in the region

Hearts linked

The cultural history of the countries along the Belt and Road Initiative is different. R&B can enhance cultural, academic and talent exchanges, media and tourism cooperation to increase mutual understanding and friendship among peoples.

Facility linked

- Focus on the smooth construction of infrastructure along the route, including roads, railways, ports, oil and gas pipelines, fiber optic networks, etc.
- Form a tightly connected, convenient and efficient transportation and logistics information network

Financial intermediation

- Deepen multilateral financial cooperation
- Promote the Asian bond market
- Expanding currency swaps and RMB cross-border trade settlements along the route
- Establish and promote the AIIB, Silk Road Fund, BRICS Development Bank, etc., to fund the plan.

1.3 Economic background of China.

From the perspective of the domestic economic situation, changes in the demographic structure, lack of ability to pay for consumption and relative contraction, overproduction, traditional industrialization to the end, to the stage of industry and capital "going out"; from the history of the international economy and the current pattern, the industries and capitals of developed countries have been transferred and exported to developing countries. This is an objective trend of global industrial structure changes. The United States pursues a trade-investment policy and a game of China's economic development, plus Japan, South Korea and The homogeneity of China's economic structure has made China's choice of the "Belt and Road" economy open to the west. From the perspective of international economic relations, many countries along the "Belt and Road" are in the process of industrialization, urbanization, marketization and informationization at different stages. Need to help promote the construction and formation of infrastructure, the introduction of different levels of industry, the need for external funding, technology, management, talent input. China's "One Belt, One Road" initiative is also a useful action to meet the needs of the development of these developing countries, cooperation and mutual benefit, and promote the common development of mankind.

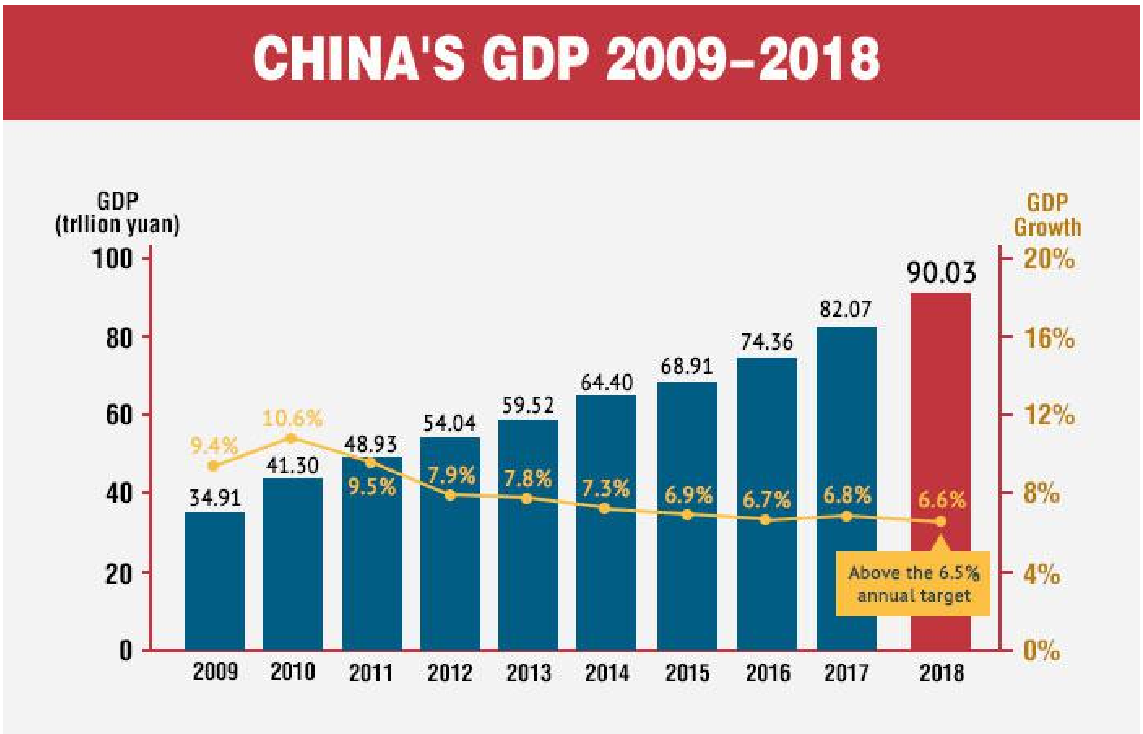
① The lack of economic growth

Since 2010, China's GDP growth rate has continued to decline, the economy is weak and we need to find new economic growth points.

Invest in infrastructure in underdeveloped countries along the Belt and Road, and then use investment to drive growth of trade. It's a process of creating demand.

Encourage citizens to invest overseas and turn GDP into GNP.

For example: Japan's GDP is very low, but the cumulative amount of overseas investment is very large, and the income from overseas assets is also national income.



Graph 2, China's GDP 2009-2018

② Excess capacity and huge foreign exchange reserves

There is serious overcapacity in some areas, and it is urgent to digest the capacity. The investment of 4 trillion offset the negative impact of insufficient external demand caused by the economic crisis in Western countries, but it also caused repeated investment and severe local overcapacity. Overcapacity is not only a surplus of products, but also a surplus of production equipment, technology, and even labor. These excess production capacity may become high-quality production capacity in underdeveloped countries along the Belt and Road. Some countries have surplus mineral resources, so that everyone can take what they need and create new wealth together.

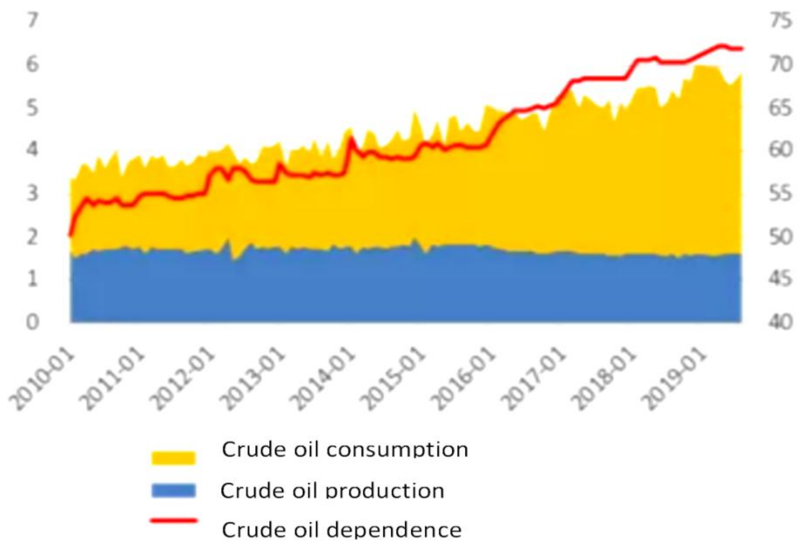
At present, my country's foreign exchange reserves are about US$3 trillion, which is equivalent to more than one-third of my country's annual GDP and 1.5 times that of neighboring India's GDP in a year.Foreign exchange reserves mainly buy US Treasury bonds. The advantages are high security and strong liquidity, but the yield is low. The one-year Treasury bond yield is only 0.1%.

Overseas investment is risky, but when one project fails, the other project can be profitable, and the comprehensive rate of return is guaranteed to be higher than 0.1%. Although investment sacrifices the liquidity of foreign exchange investment, it is of strategic significance.

③ Energy and minerals are highly dependent on foreign sources

High dependence on oil imports, and need open up new energy import channels.For

example, the One Belt One Road project: China-Myanmar oil and gas pipeline
The China-Myanmar oil and gas pipeline is China's fourth largest energy import channel after the Central Asia oil and gas pipeline, China-Russia crude oil pipeline, and offshore oil and gas pipelines. It includes crude oil pipelines and natural gas pipelines, with a total length of about 2,380 kilometers. It is possible to transport the original spice from the southwest region to China without passing through the Strait of Malacca.
It mitigates China's dependence on the Strait of Malacca and reduces the risk of importing crude oil at sea; It will have a huge boost to the chemical, light industry, textile and other industries in Yunnan Province. The petrochemical industry will become a new important industry in Yunnan Province, and it will effectively mitigate the tension in Myanmar's power supply and promote the development of the local economy.



Graph 3, China's crude oil dependence

④ Imbalance between East and West of China

There is a big gap of wealth between eastern and western of China. From an economic point of view, its direct bad effect is insufficient consumption and no original development momentum, which ultimately limits economic growth.
The construction of the “Belt and Road” is developing to the west, and the western region has geographical advantages. It will create the core area of the Silk Road economy, promote economic development, increase local income, and narrow the gap of wealth.Further improve and strengthen infrastructure construction;Actively transform regional traditional industries;
Scientifically and rationally adjust the regional economic structure;Promote the balanced development of East and West.

1.4 Background of world

Although the economic strength of developed countries is declining, their ability to dominate and influence the world economy has not changed in the short term. They are still controlling the formulation of international trade rules and are also the main force of global governance. At the same time, Europe, the United States, and Japan are constantly strengthening their right to speak in the new round of rules, which will pose new challenges and threats to our country. Competition and contradictions among international and major countries are becoming increasingly fierce, and new changes are constantly being produced. We must have a long-term philosophy of peaceful coexistence with them, and constantly improve our country's position in the international market.

Due to the differences in geographical location, climate temperature, history and culture of various countries, each country has different resources. Countries should strengthen cooperation and trade with other countries to realize the rational allocation of resources and promote common development. The following introduces the main types of imports and exports of each country.

Graph 4,main types of imports and exports of each country.

- **Central and Eastern Europe**: Poland, Ukraine, Hungary, Belarus, Czech Republic
  Main export areas: mineral products, machinery products, electrical and electronic products, steel products, fossil fuels, organic chemicals, furniture
  Main import areas: fossil fuels, mechanical and electrical products, medicines, transportation, plastic products

- **Mid-Asia**: Five Central Asian countries (Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan)

Main export areas: fossil fuels, mineral sands, steel and non-ferrous metals, lint, grains, etc.

Main import areas: machinery and equipment, electronic appliances, clothing, transportation, medicine, chemical products,

- **East Asia:** Japan and South Korea

  Main export areas: machinery and equipment, electronic appliances, transportation, steel and its products, organic chemicals, plastics and its products, etc.

  Main import areas: fossil fuels, ore ores, non-ferrous metals and their products

- **West Asia**: Turkey, Iran

  Main export areas: mechanical and electrical products, textile products, fossil fuels, non-ferrous metals and products

  Main import areas: machinery and equipment, vehicles, plastics and their products, electronic products, organic chemistry

- **Southeast Asia**: Singapore, Malaysia, Thailand, Indonesia

  Main export areas: mechanical and electrical products, animal and vegetable fats and oils, rubber and its products, fossil fuels, vehicles and accessories, plastic products

  Main import areas: organic chemistry, steel and non-ferrous metal products, machinery and equipment, electronic appliances, jewelry and precious metals

- **Africa**：Kenya, Nigeria

  Main export areas: Energy and mineral products, crops such as cocoa, tobacco, sesame

  Main import areas: Computers and other electronic products; auto parts; medical products; mobile phones; stationery.

2. The basis and conditions of the implementation of the Belt and Road Initiative

2.1 China-Pakistan Economic Corridor

As early as May 2013, Chinese Premier Li Keqiang during the visit to Pakistan, in order to further strengthen China-Pakistan all-weather strategic partnership, promote all-round cooperation, promote common prosperity, and propose to build a China-Pakistan economic corridor. The China-Pakistan Economic Corridor is 3,000 kilometers long. It runs from Kashgar in Xinjiang in the north to Gwadar Port in the Indian Ocean, which was built by China. The planned construction includes roads,

railways, oil and gas pipelines and the “four-in-one” channel covered by optical cables. .
In September and October of the same year, the Chinese government successively put forward the strategic concept of “One Belt, One Road” and clearly stated that the construction of the two economic corridors of China, Pakistan, Bangladesh, China and Myanmar is closely linked with the construction of the “Belt and Road” and further promote cooperation. Make more progress.
In addition, Chinese President Xi Jinping chose Pakistan in his first stop in 2015 to emphasize the important role of the China-Pakistan Economic Corridor for China. The China-Pakistan Economic Corridor is regarded as the “opening song” and “flagship project” for the “Belt and Road” construction.

Chinese President Xi Jinping arrived in Islamabad at noon on April 20 and started a state visit to Pakistan. The leaders of China and Pakistan held talks and witnessed the signing of cooperation projects. Many of the agreements signed by the two countries are related to the construction of the China-Pakistan Economic Corridor. With a capital of up to US$46 billion, it has set off a new upsurge in China-Pakistan friendship and has become the focus of attention in Asia and even the world. The construction of the China-Pakistan Economic Corridor is not only related to China and Pakistan, but also plays an important role in guiding and demonstrating cooperation throughout South Asia, China and South Asia, Central Asia and West Asia. At present, China is striving to build an all-round open economy system and implement a more proactive strategy of opening up to the outside world. The “One Belt, One Road” strategy proposed by the Chinese government is an important manifestation of this kind of thinking. Within the framework of the “Belt and Road”, China and The neighboring countries should actively build a number of economic corridors, of which the China-Pakistan Economic Corridor is an important way for China to increase its opening to the Indian Ocean. Due to the construction of the China-Pakistan Economic Corridor, the future transportation route in western China will extend to Pakistan and further extend to Gwadar Port, which means that the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road” will be The intersection of Gwadar Port in Pakistan forms a three-dimensional, comprehensive, land-sea combined transportation network that will help China strengthen its foreign exchanges and cooperation. On the other hand, it will also bring development opportunities to Pakistan. At present, Pakistan has a population of 170 million, but its economic development level is low, infrastructure is not perfect, energy supply is relatively scarce, and industrial development mainly depends on labor-intensive industries such as textiles and clothing. With the construction of the China-Pakistan Economic Corridor, Pakistan will gain valuable development opportunities and integrate into the regional and even global economic development to create conditions for its own development. The construction of the Gwadar Port, the end of the China-Pakistan Economic Corridor, will add a new seaport to Central Asia, creating conditions for Central Asian countries to move towards maritime transport and achieve economic ties with the rest of the world. From this level, The construction of the Pakistan Economic Corridor will also promote the development of regional and sub-regional cooperation in South Asia.

Pakistan is at the intersection of the “Belt and Road”. After the China-Pakistan Economic Corridor is connected, it can closely link the Gulf States of South Asia, Central Asia and North Africa. Pakistan’s strategic position of connecting Europe and Asia and the African continent has been strengthened. The construction of the Belt and Road Initiative is of great significance. Gwadar Port is not only the end of the China-Pakistan Economic Corridor, but also a key node of the “21st Century Maritime Silk Road”. In a sense, Gwadar Port can be regarded as the seaport in western China, and in the future, the oil and gas in the Gulf region. Resources can be transported directly to the western part of China via Gwadar Port without going through the Straits of Malacca. The China-Pakistan Economic Corridor has begun planning and construction. With the close and unique relationship between China and Pakistan, the China-Pakistan Economic Corridor is regarded as the first pilot of the “Belt and Road” initiative. When Chinese Foreign Minister Wang Yi visited Pakistan, he even referred to the China-Pakistan Economic Corridor as the “flagship project” of the “Belt and Road” and will establish a strategic framework for pragmatic cooperation between the two countries.

2.2 Asian Infrastructure Investment Bank

In October 2013, Chinese President Xi Jinping put forward an initiative to prepare for the establishment of the Asian Infrastructure Investment Bank (referred to as the Asian Infrastructure Investment Bank). After more than 800 days of preparation, the AIIB, which was initiated by China and jointly prepared by 57 countries, was announced in Beijing on December 25, 2015. On January 16, 2016, the AIIB held an opening ceremony. Chairman Xi Jinping attended and delivered a speech. The AIIB is an inter-governmental regional multilateral development institution that focuses on supporting infrastructure construction. It is the first multilateral financial institution initiated by China. As of December 19, 2018, there are a total of 93 members, second only to the World Bank in total membership, covering 5 of the Western G7, 16 of the G20, and 4 of the permanent members of the UN Security Council. A. The AIIB’s initial investment focus areas include energy and power, transportation and telecommunications, rural and agricultural infrastructure, water supply and sewage treatment, environmental protection, urban development, and logistics. The first loan plan was approved in June 2016.

2.3 China established Silk Road Fund

In November 2014, China invested 40 billion U.S. dollars to establish the fund.
This fund will be used for long-term investment in infrastructure, the development of natural resources, as well as the development of regional industries and the development of financial enterprises.

Zhou Xiaochuan, Governor of the People's Bank of China, said that the funds needed for the Silk Road Fund came from China's gold currency reserves, the capital reserves of the Export-Import Bank of China, the China Development Bank, and the shares of China Investment Corporation. According to him, as previously predicted by experts, all investments in the fund will be made in foreign currencies, not in RMB.

The main purpose of this new development system will be to help China realize the strategic vision of the "Silk Road" and "Maritime Silk Road" economic belt.
The “Silk Road” concept will be the construction of a road and rail transportation network connecting Asia and Europe and the Middle East. The “Maritime Silk Road” concept includes the construction of regional port infrastructure. This construction project makes Asia’s Business ties have been greatly strengthened, and at the same time, Asia’s position as the world’s new economic center has been consolidated.

2.4 The desire and foundation of cooperation among countries along the route

Exploring the way of economic growth: "One Belt One Road" is in the post-financial crisis era, China, as the world's economic growth locomotive, transforms its own production capacity, technology and capital advantages, experience and model advantages into market and cooperation advantages, and implements all aspects A big innovation of opening up. Sharing the dividends of China's reform and development and the experience and lessons of China's development through the construction of the "Belt and Road". China will work hard to promote cooperation and dialogue among countries along the route, establish a more equal and balanced new global development partnership, and consolidate the foundation for the long-term stable development of the world economy.

Realize the re-balance of globalization: The “Belt and Road” encourages opening to the west, promotes the development of the western region and the development of inland countries and regions such as Central Asia and Mongolia, and promotes the concept of inclusive development of globalization in the international community; at the same time, the “Belt and Road” initiative It is China's initiative to promote China's high-quality production capacity and comparative advantage industries to the west, which will benefit the countries along the route and coastal areas first, and promote the establishment of a harmonious world of lasting peace, universal security and common prosperity.
Create a new type of regional cooperation: "One Belt One Road" as an all-round opening strategy, is using economic corridor theory, economic belt theory, 21st century international cooperation theory and other innovative economic development theories, regional cooperation theories, and globalization theories. The "Belt and Road" emphasizes the principles of extensive consultation, joint construction, and sharing. It goes beyond the Marshall Plan, foreign aid, and the strategy of going global, and brings new ideas to international cooperation in the 21st century.

3.The source of funds for the Belt and Road

- **B&R's grand vision requires huge financing support.**

The transformation tone is spread across BRI and is redefining the way Chinese companies finance their large investment projects, foreign direct investment and M&A transactions, creating a demand for more advanced financing solutions. As the government continues to re-enact regulations on capital flows and debt, Chinese companies face some pressure at home. At the same time, as they enter new markets, there is an increasing need to explore and understand more sophisticated risk management products to effectively manage risks, including exchange rate and interest rate volatility, political and regulatory uncertainty, and project delays.
In addition, in terms of export contracts, trade finance in non-investment-level B&R countries also has specific challenges. Companies in these countries have no or no risk of delivery, and their profitability may become a problem. Reducing risk is key, but ensuring safety is not easy. Challenges vary depending on the specific investment channel, but these issues cannot be ignored.
According to the 2015 report of Moody's Investors Service, 45 Asian countries (important components of B&R) will need a total of $11.7 trillion in power generation projects between 2016 and 2030, and transportation infrastructure projects will require 7.8. In trillions of dollars, the telecommunications infrastructure needs $2.3 trillion.
At the same time, it is estimated that the cost of addressing Africa's infrastructure deficit in the next decade will be approximately $90 billion annually5. While most of the investment will come from many countries, China's BRI goals will have a transformative impact on the whole. In 2016, China received $126 billion in new infrastructure contracts from BRI countries, accounting for approximately 52% of the country's total global engineering, procurement, and construction (EPC) contracts. Although the total still lags behind the United States and Europe, the trend is self-evident.

3.1 Sources of funds

So far, B&R-related projects have relied heavily on Chinese financial institutions, including EIBC(Export-Import Bank of China), CDB(China Development Bank), China Export Credit Insurance Corporation, and commercial banks such as ICBC and Bank of China. By the end of 2016, CDB had granted more than US$110 billion in loans to the BRI project, accounting for 35% of the bank's international loans, while the Export-Import Bank of China approved approximately US$90 billion in loans, accounting for 25% of the bank's total loans.

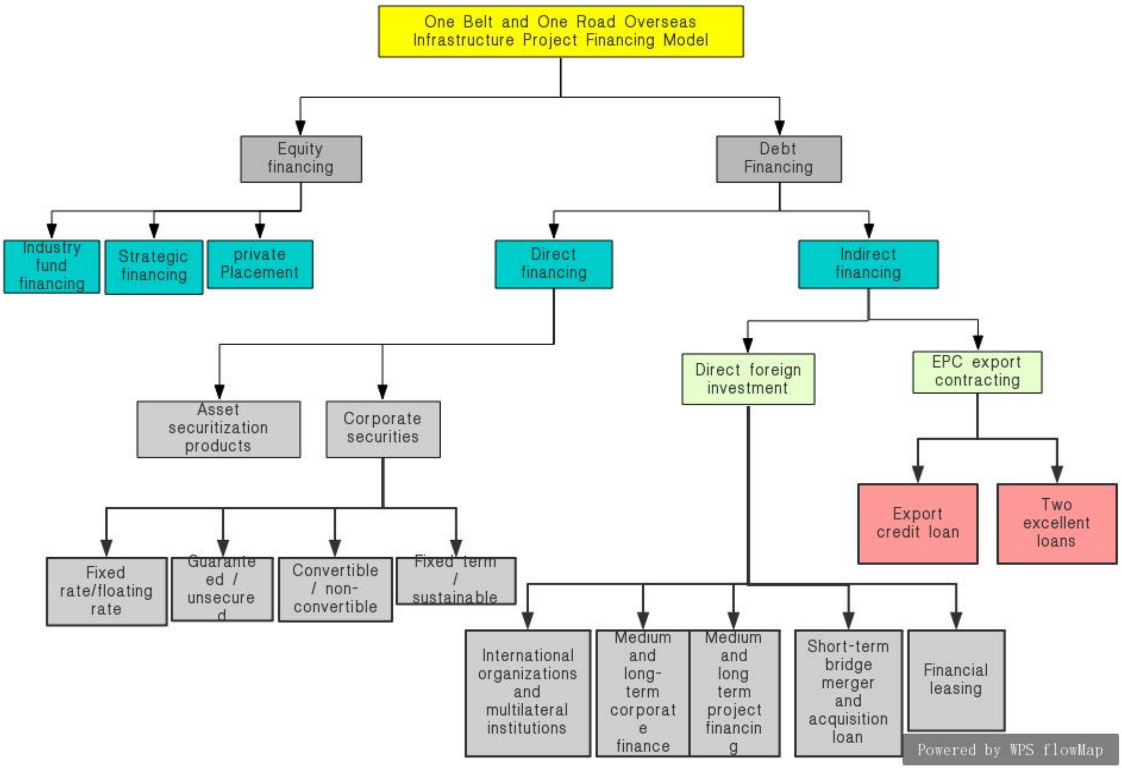
International financial institutions such as the Asian Infrastructure Investment Bank (AIIB), the Silk Road Fund and the Asian Development Bank have also provided considerable financing for the project. However, with double-sided financing in China

and overseas, this means that as BRI progresses, international commercial banks, especially those that offer a full range of financing options in their international banking networks, will complement the funding channels in mainland China. Play a bigger and bigger role. This expertise of international commercial banks is particularly important in the case of non-public market financing. Investors' perception is the focus of attracting investment. Many companies are unable to successfully raise funds in the open market because they are too small or inexperienced. In addition, non-public market financing is often faster, simpler, and helps build a stronger investor base by leveraging a broad network of consultants to match their needs to the needs of companies seeking financing opportunities.
Commercial bank expects that the private placement financing of BRI projects will increase significantly in the next few years, especially now that the environment in mainland China is to promote more companies to raise funds overseas. For Chinese companies, the concept of BRI financing is consistent with the government's efforts to reform large enterprises, reduce corporate debt and stabilize the economy. According to Bloomberg News, China's corporate debt accounted for 159% of GDP in 2016.

At the same time, the default rate of enterprises is rising, of course, the current absolute level is still very low. In addition, although the Chinese government's previous implicit support to some companies has affected the onshore bond market to a certain extent, leading to market concerns that the true health of these companies has been concealed, this implicit support has gradually begun to adjust.

3.2 The "One Belt, One Road" overseas infrastructure project financing types

The "One Belt, One Road" overseas infrastructure project financing types are summarized in the following table, and will be elaborated one by one in the following paragraphs.



Graph 5, “One Belt, One Road” overseas infrastructure project financing model

(1) **Debt Financing Analysis – Indirect Financing**

➢ **Two types of Excellent loans**

Bank loans is a common way of indirect financing of infrastructure projects. Among the bank loans, the best cost is the two benefit loans: **concessional loans** and **preferential export buyer's credits**. The concessional loan is an aided medium and long-term low-interest loan provided by the Chinese government to developing countries. The use of the loan is determined by a framework agreement signed between the two governments. The preferential export buyer's credit is a preferential loan for export buyer's credit provided to meet the needs of the country's political and diplomatic cooperation and promote economic and trade cooperation with key regions and countries. The advantages of the two benefit loan are low interest rate and long term; the shortcoming is that the loan operation is carried out on the basis of the government-level cooperation framework, and the approval is not high, the limitation is large, and the process is long.

➢ **Export credit loan**

Compared with the two types of preferential loans, export credit loan is more widely used in financing method. As an effective financing means for China's government to support capacity output and enhance China's international competition, export credits provide loans with lower inte rest rates through interest subsidies and credit guarantees, which have played a major role in promoting Chinese production capacity and overseas investment and financing. effect. There are two types of export credit: buyer credit and seller credit. In terms of export seller credit, the financing procedures are relatively simple and the cost is low, but its relative risk is high, which will increase the debt ratio and risk of the Chinese. Compared with the seller credit, the buyer's credit is more widely used and can effectively help China achieve The purpose of quickly withdrawing funds. At present, export credit plays a major role in the "One Belt, One Road" investment and financing, but its impact on Chinese companies has been quietly changing compared with the past. For example, in the past, the traditional single EPC role of the "One Belt, One Road" strategy, in the traditional single EPC role, the Chinese enterprise does not need to affect its credit, financial statements or capital turnover due to buyer credit; With the promotion of the PPP model in the "Belt and Road" countries, pure EPC project resources are becoming scarcer. Overseas infrastructure projects often require EPC parties to invest as shareholders and participate in the investment and operation of the project company (SPV). Under this circumstance, Chinese companies often assume the dual status of investors and EPCs, and need to complete the transition from engineering contractors to financial investors. In the PPP mode, SPV is responsible for generating cash flow for debt repayment, and as an investor of SPV, EPC companies often have corresponding corporate guarantees and debt repayment obligations. The reason is that SPV companies in overseas infrastructure projects are often short-lived and have no assets that can be mortgaged. Bank borrowings tend to use the credits of powerful group companies behind the project company due to habits, history or financing conditions. Endorsement, which is a traditional corporate loan. Of course, for the project company, it is often more desirable to make a project loan (although the project loan will make the financing rate higher), then we will detail the characteristics of the company loan and project loan.

Direct foreign investment:

Corporate Loans: In the corporate loan model, a company may use its own funds to meet part of the capital needs of the investment, and then use the company's loans to integrate the remaining funds. This kind of company-backed financing depends on the company's overall balance sheet and cash flow status, not the project itself. From the perspective of recourse, it will be traced back to the company level, and the cash flow and assets generated by the company's operations are essentially guaranteed as debt financing. The advantage of this type of financing is that the approval process is faster and applies to projects with higher investment risks. However, its shortcomings are also obvious: it will increase the company's financial leverage and gearing ratio. This type of financing usually applies to companies with strong enough balance sheets. In addition, when it comes to corporate loans for cross-border investment, internal insurance is also a term that everyone often hears. Internal insurance is essentially a variant of corporate loans. The domestic banks usually provide guarantees for the affiliated or shareholding enterprises registered by the domestic enterprises abroad, and the guarantees received by the overseas banks provide the corresponding loans to the overseas investment enterprises. Through internal insurance loans, it is possible to effectively shorten business processes and solve the difficulty of overseas companies directly obtaining overseas credit due to short-term establishment or small scale.

Project loans: For infrastructure projects, project financing is often the most effective financing arrangement. Project financing typically lends to SPV and has limited recourse rights to SPV shareholders. The International Project Finance Association (IPFA) defines “project financing” as follows: “Financing for long-term infrastructure engineering, industrial and public service projects. This financing is based on non-recourse or limited recourse, generated through the project. Cash flow repayment of equity/debt financing."

Project financing usually includes the following characteristics:

- ► The source of income depends on the arrangement of the contract or the charges to the end user, and generally generates revenue when the operation begins after the completion of the construction.
- ► The financing of the project is crucial – the financier will conduct detailed due diligence on the feasibility of the project, and will also carefully review the project risk sharing mechanism and whether the relevant provisions give sufficient protection to the SPV.
- ► The pricing of financing is closely related to the project structure, project contracts, the stability of cash flow, and the credit status of the counterparty. For example, the predictability of project income (whether or not the contractual arrangement of the charge is locked) is supported; how much security redundancy is provided after the cash flow of the project meets the repayment of the principal and interest of the loan; whether the purchaser has sufficient credit capacity and The ability to perform, whether there is sufficient guarantee (including government agency guarantee) to support the payment of the contractual liability of the purchaser, and so on.

Project financing is divided into “no recourse” or “limited recourse” financing. Under normal circumstances, non-recourse project financing projects have strong long-term commercial feasibility and abundant cash flow; the sovereign rating of the country where the purchaser is located and the credit ability of the main project participants are higher; the project has reasonable risk sharing. Mechanisms and mitigation measures, with the intervention of export credit structure and adequate insurance coverage. These conditions have increased the possibility of financing institutions to provide non-recourse financing, but whether it can certainly provide non-recourse project financing, financing institutions need to combine the situation of the capital market, the characteristics of the project, between the bank and the project shareholders Relationships and other factors are considered together.

Financing by international development financial institutions: International development financial institutions usually value the social contribution of the projects they finance. The projects they invest in are mostly energy, housing or medical projects that meet the needs of social development, and provide funds for projects that still have gaps; for example, The World Bank, Asian Development Bank and Asian Infrastructure Investment Bank, of which the Asian Infrastructure Investment Bank focuses more on infrastructure projects and their investment feasibility. Obtaining financing from international multilateral banks has the advantages of low financing costs and long term. It can also use the multilateral nature and political balance capabilities of these institutions to effectively diversify and alleviate the political risks of the investment target countries. Projects that have received financing from international multilateral banks can also more effectively drive the participation of international banks.

In addition, lease financing is another financing method commonly used to supplement liquidity in infrastructure projects:
Lease financing: refers to the lessor leases the items to the lessee within a specified period, and the lessee pays the lease fee through installment payments. Leasing financing can alleviate the pressure of the lessee’s lack of funds, and can often avoid the numerous inspections of imported equipment when signing and entering customs, which not only reduces the financial pressure, but sometimes also reduces the cost of financing.Can be used as a financing method to supplement liquidity.

The above-mentioned various financing methods usually have a life span that matches the relatively long cycle of infrastructure projects. While there is a tight timetable for open bidding for overseas investment, M&A loans are often an effective financing method for companies to quickly obtain acquisition funds.

M&A loans: M&A loans are usually provided by investment banks and are provided for the rapid conclusion of mergers and acquisitions. This loan is often repaid by long-term bonds issued publicly by the acquiring company at a later stage after the completion of the acquisition, or with funds obtained from the sale of part of the assets or business after the completion of the acquisition. M&A loans usually have a limited amount, a short term, and require sufficient effective guarantees.

(2) Debt Financing Analysis - Direct Financing

Corporate bonds: In addition to bank borrowing, companies can effectively use social idle funds in the form of bonds issued on the securities market to supplement their bank loans and form a diversified financing structure. Compared with bank loans, corporate bond issuance requirements are more stringent, approval procedures are more complicated, and the limit of the amount is clearly limited. The advantage is that although the procedures and expenses for issuing bonds are higher than bank loans, the management is not subject to bank restrictions like loans. Under certain

conditions, the issuance of securities does not require mortgage or guarantee, and there are more Types can be selected. From the perspective of guarantees, it can be divided into mortgage bonds, credit bonds, etc.; from the perspective of term, it can be divided into fixed-term or perpetual bonds; from the perspective of interest rates, it can be divided into interest-free bonds, fixed or floating-rate bonds, etc.; It can be divided into ordinary bonds or convertible bonds or exchangeable bonds; and the green securities that have emerged in recent years have provided new bond financing methods for clean energy projects. For the sake of space, the author gave a brief introduction on convertible bonds, exchangeable bonds, and green bonds.
Convertible bonds and exchangeable bonds often provide direct financing of debt with flexible design and lower financing costs:

Convertible bonds: refers to bonds that can be converted into ordinary shares or preferred shares by creditors at a specified price or ratio for a certain period of time. Companies can design convertible securities with different rates of return and conversion premiums to find the optimal capital structure. Due to its convertible nature, its interest rate as a bond will be lower, thus reducing the company's debt costs. The main disadvantage of convertible bonds is the risk of equity dilution.

Exchangeable bonds: similar to convertible corporate bonds, including key factors such as coupon rate, maturity, conversion price and share conversion ratio, and conversion period; the main differences are: a) debt issuer and debt service The main body is different, the former is the shareholder of the listed company, the latter is the listed company itself; b) the source of the changed shares is different, the former is the shares of other companies held by the issuer, and the latter is the new shares issued by the issuer itself; c The former will not cause changes in the total share capital of the underlying company, nor will it have the effect of dilutive returns. Compared with ordinary bond financing, exchangeable bonds have low interest costs and can be reduced at a premium.

Green securities can provide new bond financing options for clean energy projects:
Green bonds: There are a lot of new energy and clean project opportunities in the "Belt and Road" investment. In recent years, green bonds that have appeared in people's eyes can provide high-quality financing for such projects and reduce financing costs. In 2015, Goldwind successfully issued 300 million US dollars of green bonds overseas, becoming the first green bond of Chinese-funded enterprises. Subsequently, the Agricultural Bank of China, as the first Chinese-funded financial institution, also issued green bonds on the London Stock Exchange. The vigorous development of the green financial bond market has also provided new financing ideas and channels for the "One Belt, One Road" investment project. There are a wealth of product types to choose from, and you should choose to issue reasonable products based on your financing needs, uses, currency, cost, maturity, and other circumstances. The issuance of bonds often affects the financial statements of companies and increases the debt ratio of enterprises. From the perspective of

financial consolidation, sustainable debt is a worthy choice for companies. Under the premise of meeting the relevant requirements, the permanent debt can be included in the equity, so as not to affect the debt ratio of the enterprise.

Asset Securitization (ABS) refers to the financing of the future generation of certain target assets as a repayment support, credit enhancement through structured design, and the issuance of bonds with fixed-yield bonds to raise funds. the way. Infrastructure projects with foreseeable future earnings and sustained cash flows can be considered for financing overseas using ABS financing. Asset securitization often requires the packaging of multiple assets to achieve risk diversification and asset revitalization.

To sum up, the current financing channels are rich and diverse. In investment projects in the “Belt and Road” countries, companies can arrange debt indirect arrangements based on the characteristics of themselves and the target project, combined with the use of financing, currency, cycle, and repayment. Financing, direct debt financing or equity financing and other diversified financing structures. How to raise funds and how to optimize the financing structure requires each company to tailor its suits according to the characteristics and advantages of itself and the investment target, so as to achieve reasonable funding arrangements and long-term stable investment income.

(3)Equity financing
The capital raised by equity financing does not have a fixed dividend burden, but the financing cost is usually high, which will dilute or transfer the control of the enterprise; at the same time, because the return has a higher risk, equity investors need to conduct sufficient research and research on investment projects. Due diligence. Common equity financing in "One Belt One Road" investment projects includes the introduction of industrial funds, strategic financing, and private placement.

Industrial funds: In theory, when an industrial fund is involved in an investment project as an equity investor, it should share risks and benefits with other investors in the project. It is necessary to conduct sufficient investigation and judgment on the future risks and returns of the project in the process of investment decision-making.
According to our observations on the current participation of industrial funds in the “Belt and Road” investment projects, many funds still require a guaranteed return on their investments. The existence of the guarantee clause makes the investment in famous stocks and real debts, which will also have an impact on the debt-to-asset ratio of major shareholder companies and reduce the company's future financing capabilities. On the other hand, if the guarantee clause is not added, many funds are worried about the possible loss of assets.

Strategic financing: The equity investment of strategic partners, unlike financial financing, usually involves participating in the operation and management of the investment project and enjoying the operating income according to the proportion of shareholding. Therefore, the complementary effects of strategic synergy and the interests of all parties are very important. Take the common PPP highway projects in the “Belt and Road” as an example. Some companies are good at engineering construction, and some are good at maintenance and operation; companies with strong EPC are responsible for road construction, and joint investment with companies that are good at operations can obtain the greatest return. It can also achieve the most effective resource allocation and accelerate the growth of multi-party enterprises. "One Belt One Road" investment projects are also common in the joint investment of Chinese enterprises and enterprises in the target country. The Chinese side provides production capacity and technology, and the local joint venture provides land, development rights or franchise rights. Both parties make shares and provide corresponding equity capital. , To realize the maximization of the synergy effect of investment strategy.

Private placement In addition, if it is a listed company, private placement is also an efficient, low-risk and low-cost financing method. Private placement is often in the face of major shareholders or investment institutions. In addition to bringing precious capital to listed companies, it also often helps companies achieve foreign mergers and acquisitions or introduce strategic investors.

4. Risks and Avoidance Strategies on China's Foreign Investment

Globalization has become a major trend in the current world development. If we do not want to become a state of isolation, communication with other countries is essential. In the new period, we must be good at identifying potential or possible risks around us and formulating relevant avoidance strategies to ensure that your investment risks can be minimized. With the in-depth advancement of the “Belt and Road” initiative, Chinese enterprises can invest in more projects. Finding relatively reliable and low-risk investment projects among many enterprises is a big challenge for Chinese enterprises. Risk aversion strategies can also reduce their own investment risks.

4.1 Risk type

(1) Social risks

Many countries along the route have good resources, but for various reasons, these resources may not be developed. It is precisely because there are many resources that these regions or countries may have various disputes or fighting, which will affect our country’s investment security.

(2) Economic risks

Economic risks are mainly manifested in various aspects. Including national policies or local economic development, etc. During the investment process, it is necessary to pay attention to the economic risks of various regions to ensure that investment risks caused by local policies or economic changes can be avoided when investing.
First, there are macroeconomic risks. The economic development of some countries is not good. In the process of investment by Chinese enterprises, the expected return may be difficult to achieve. If the policies issued by the investing country are not suitable for our economic investment, then our economy will face a huge risk. In addition, my country’s investment projects often involve local personnel. The stability of these personnel is very important for some of our investment projects. If the personnel are unstable, there will be many problems in my country’s economic development. Investment projects cannot proceed smoothly.
Secondly, investment risks. my country's investment along the Belt and Road is mostly in infrastructure construction, and these projects are also areas of national focus. The economic development of the countries along the route is relatively backward, so when our country invests, it may consider more projects, such as high investment, low return, and slow return. These are all risks that can be encountered. Therefore, my country may face risks in investment. There are unpredictable risks and its failure rate is extremely high. And many countries along the route, due to the traditional culture of the country, in some respects may not have a relatively uniform standard that can be referenced by Chinese enterprises. Therefore, if the problems in these countries and their own economic policies are not clear, then In the process of investment, it is inevitable to be subject to various restrictions, which is very detrimental to my country's foreign investment.
Finally, there is exchange rate risk. Due to the volatile international situation and in the process of investment, the countries selected by our country are often countries with weaker economic strength. These countries love complicated currency environments and exchange rates are often unstable. In the process of investment, you may face the risk of changing exchange rates.

(3) Legal risks

Before investing, we may encounter various problems. The law is one of the most important links. If we accidentally violate the laws of other countries during the investment process, it may have a great impact on our investment. However, many countries along the route may not have perfect systems due to their own problems. The imperfect system means that there are deficiencies in many aspects. If these deficiencies are fully reflected in the economy, then it will be important to our country. Investment is very unfavorable. If we are not clear about the laws of other countries, then we may have violated the laws of other countries in some subtle places. In this case, conflicts will inevitably occur, which is very detrimental to our investment.

4.2 Avoidance strategy

(1) Implement the development concept

The concept of sustainable development can be placed on environmental protection as well as economic development. When we invest in a company or a project, we often hope that it can have long-term development, which can also be said to be related to sustainable development. More and more overseas investment companies are aware of the concept of sustainable development, and the concept of sustainable development also has a certain guiding role in overseas investment. If they have this concept before investing, they may be more important when investing. Be cautious. In this way, investment risks can be effectively reduced, and Chinese enterprises must realize that the sustainable development of countries along the "Belt and Road" construction must solve the environmental problems of China's "Belt and Road" initiative for overseas investment. In the new period, we need to consider a variety of risks, and before investing, we should predict these risks, find out the possible potential risks, and analyze how much of the disadvantages these risks bring to our country's investment before investing. In this case , It can reduce the risk of investment in our country, so that the investment has a greater return.

(2) Select investment projects based on risk rating

Since my country's investment along the "Belt and Road" construction has many risks, my country has developed a risk rating. If the investment can be made in accordance with this risk rating during the investment process, many risks can be avoided. If the economic development of a country is relatively stable, then when investing, these countries can be invested as key countries. In this way, some unnecessary damage can be avoided. Moreover, the economic development is relatively stable, and the system construction may also be relatively stable, so that it can be protected from infringement in the process of investment and development. Therefore, selecting a country with a better economy according to the rating is also a content that needs to be paid attention to in the process of foreign investment. In addition, some countries along the "Belt and Road" construction have relatively developed tourism resources, so in the process of investment, you can focus on the tourism industry. In this case, even if there are some risks, wait until the country's risks In the past, these tourism projects can continue to be carried out, thus avoiding investment projects.
In addition, the economic foundation of some countries is relatively stable, and although they occasionally have certain unstable factors, if the unstable factors are overcome, the economy of these countries will still develop relatively stable, then these countries can continue As a key investment object.
Investing in accordance with the risk level can prevent our country from making incorrect and irrational judgments in the investment process. In the process of analyzing risks, we have already stated all the possible problems. Then in investment,

When encountering possible risks, we can also take actions in a timely manner, so that risks can also be avoided. This shows that it is very reasonable to invest in accordance with the rating results.

(3) Scattered areas

“Don't put eggs in the same basket”. China’s foreign investment is often carried out around infrastructure construction, because China’s infrastructure construction capabilities are very strong, so in the investment process, all attention may be placed on infrastructure construction, but Putting all energy in the same basket may cause great losses when risks come. Therefore, in the new era and under new initiatives, companies must make diversified investments and cannot concentrate funds only on In infrastructure projects, it is necessary to diversify one's own investment fields. In this way, if there is a risk, then all investment losses can be avoided, thereby effectively avoiding risks.

For example, when facing a country with a relatively developed tourism industry, key investment projects can be placed on catering and other projects. While introducing China’s catering culture, these projects can also be developed together with the development of tourism. In this way, investment projects can have faster returns and higher returns, and the development of the catering industry or industries related to Chinese elements in countries along the route is also very beneficial to the promotion of China’s traditional culture. In this case, It can well promote the establishment of our country’s image, which is of great benefit to our country’s economic development, and at the same time, it can also avoid certain investment risks.For some countries with relatively rich cultural background, in the process of investment, you can concentrate on the cultural field. For example, there may be many languages in some countries, so we can support the language development of the country, issue language manuals, or establish language schools, etc. Investment in culture and education is often a relatively long-term investment, and these investments are often also There will be a relatively large return. Therefore, according to the conditions of different countries, investing in different languages and educational content can well avoid investment risks.Therefore, do not put all the investments in the same basket, so as to avoid all the eggs being knocked over when the risk comes; Putting investment in different fields can not only avoid risks, but also measure the best investment plan. In this way, the efficiency of investment can be improved.

(4) Familiar with the laws of the investment country

Many countries along the “Belt and Road” may have incomplete legal systems. This requires Chinese companies to fully understand the laws of the countries along the route before choosing investment projects, that is, to study or study relevant materials or works, etc., to avoid conflicts with other countries in investment, etc., because investment and Factors such as policies are closely related to the success of the project. In this process, if good partners can be found, or some local companies can lead the way for my country's investment, then my country's investment can avoid many risks. Therefore, enterprises need to have complete legal bodies and legal consultants, etc., which can promote Chinese enterprises to become familiar with the laws of the investment country, so as to avoid touching the legal bottom line of other countries in investment, and effectively reduce investment risks.

When we are familiar with the laws and related policies of the investment country, we can "go to the countryside as we do" when formulating our economic operation plan or project implementation steps, so that our country's investment can be well protected from external influences. Interference, and in the case of adapting to the local law, you may still be protected by the law. If there is a certain dispute, you can well need local legal aid. In this way, certain risks can be avoided and at the same time, my country The investment becomes more efficient. Therefore, studying local laws is the key to safeguarding their own legal rights.

Under the "Belt and Road" initiative, investment risks in China are quite serious. Therefore, as investors, before investing, they must fully understand the potential risks that may exist in various countries, and they must foresee the timing and opportunities of these risks. Only in this way can investment become safer, and in the process of investment, you also need to pay attention to national or international policies, so as to ensure that investment becomes more secure, and in the process of investment, if you are familiar with each country Only in this way can we promote better economic development in our country, and at the same time promote better exchanges and cooperation between our country and other countries, so that our culture can go out and have a more profound impact in the world.

5 Specific cooperation with countries in various regions

5.1 Southeast Asia

5.1.1 Problems in the economic development of Southeast Asia

The level of integration of finance, trade, and investment in Southeast Asian countries has increased year by year, and their international influence has also increased year by year. However, due to differences in political systems, historical culture, religious and ethnic conflicts, and development levels, the relations between countries are more complicated. There are difficulties in oriented regional economic cooperation, and the improvement of the economic development level of various countries has been blocked. The launch of the "Belt and Road" has brought new opportunities for the development of Southeast Asian countries. The economic cooperation between Southeast Asia and China has been continuously deepened. Southeast Asia has become an important area for the entire "Belt and Road" initiative. At present, the economic development of Southeast Asian countries has the following problems.

(1) The level of economic development is uneven and the overall level is low
According to the indicators of per capita GDP, the 11 Southeast Asian countries can be divided into three levels: The first level is Singapore, with a per capita GDP of more than 60,000 U.S. dollars, ranking first, and also in the top 10 in the world, as high-income countries; Although Brunei's per capita GDP has reached the standards of high-income countries, it has not been listed as a high-income country in the world due to other conditions. Malaysia and Thailand are upper-middle-income countries; the third tier is Indonesia, The Philippines, Laos, Vietnam, East Timor, Cambodia, and Myanmar all have a per capita GDP of less than US$4,000, and the lowest is only more than US$1,000, which belong to lower middle-income countries. It can be seen that the economic development levels of Southeast Asian countries are uneven. Singapore is a high-income country, three countries including Brunei are upper-middle-income countries, and the other seven countries are lower-middle-income countries, and the overall level is low.

Graph 6, GDP, population, and GDP of Southeast Asian countries in 2018

N	Country	GDP (100 million US dollars)	Population (100 million people)	GDP per capita (US dollars)
1	Singapore	3466	0. 056	61893
2	Brunei	147	0. 0043	34186
3	Malaysia	3473	0. 32	10853
4	Thailand	4901	0. 7	7001
5	Indonesia	10053	2. 65	3794
6	Philippines	3317	1. 05	3159
7	Laos	182	0.07	2600
8	Viet Nam	2414	0.95	2541

9	East Timor	31	0.013	2385
10	Cambodia	241	0.16	1506
11	Myanmar	715	0.54	1324

(2) The industrial structure is relatively simple, and the agricultural attributes are biased

Southeast Asian countries have abundant natural resources and human resources, and the overall type is agricultural.
Singapore's service industry and manufacturing industry have developed well, and the industrial structure is relatively reasonable. Thailand is an agricultural country, and tourism has become a national pillar industry in recent years. Malaysia is a producer of oil and rubber. Brunei exports oil. The economies of Vietnam, the Philippines and Indonesia are relatively backward, focusing on tourism, basic manufacturing, agriculture and fishery. Thailand, Vietnam, Cambodia, Myanmar, and Laos are important rice exporters in the world. Indonesia is an important oil exporter and rubber producer. Most Southeast Asian countries are developing countries, with a high proportion of agriculture in the economic structure, a proportion of industrial and manufacturing output value higher than that of the same income level, and a proportion of service industry output value lower than that of the same level of economic development. After the 1960s, Southeast Asian countries have adopted a mode of combining market economy and state intervention. In recent years, the proportion of agricultural output value has shown a downward trend, but the attributes of agricultural countries have not changed. Countries in the Southeast Asian region have problems such as single economic structure, backward technology, low labor efficiency in the primary industry, uneven development of the secondary industry, and slow development of the tertiary industry.

(3) The degree of participation in opening to the outside world is not high, and the opening path is not smooth

According to relevant data from the Southeast Asia Regional Development Report (2016-2017), Singapore's foreign direct investment scale ranks among the top in the world. In 2016, the stock of FDI inflows was US$1,096.32 billion, and its economic development is highly dependent on foreign investment. In 2016, total imports and exports accounted for a large proportion of GDP.
In 2016, Malaysia's FDI inflow stock was US$121.621 billion. From 2006 to 2016, the average annual growth rate of China-Malaysia's import and export volume reached 13.9%. As of June 2017, Malaysia’s import and export volume to China was 1,393.19 billion ringgits, an increase of 109.45% over the same period in 2016. According to statistics from the Malaysian Investment and Development Authority, Chinese

companies were approved for manufacturing in Malaysia in 2016 The total investment is about 1.06 billion US dollars. Thailand's FDI inflow stock in 2016 was US$188.651 billion. In 2016, Thailand's annual trade volume was approximately US$215 billion, and exports achieved a positive growth of 0.45%. Due to the decline in oil and gas production in Brunei, the FDI inflow stock in 2016 was US$5.739 billion, and the economy fell by 2.5%.

In 2016, Indonesia's FDI inflow stock was 234.961 billion U.S. dollars. In 2016, Indonesia's import and export volume of goods was 280.14 billion U.S. dollars, a decrease of 4.4% from the same period in 2015. Among them, exports were US$144.49 billion, down 3.9%; imports were US$135.65 billion, down 4.9%. In 2016, Indonesia's merchandise exports to China only continued to grow, with an increase of 11.6%. The Philippines' FDI inflow stock in 2016 was 64.249 billion U.S. dollars. The Philippines has developed an export-oriented economy and is highly dependent on Western countries, especially the United States. In 2016, its total import and export volume accounted for 64.9% of GDP. In 2016, the stock of FDI inflows into Laos was 5.639 billion U.S. dollars. Laos' investment attractiveness is weak, mainly due to poor infrastructure conditions, which weaken the enthusiasm of foreign investors. Vietnam's FDI inflow stock in 2016 was US$115.391 billion. East Timor’s 2016 FDI inflow stock was US$346 million, Cambodia’s 2016 FDI inflow stock was 16.656 billion US dollars, and Myanmar’s 2016 FDI inflow stock was 22.666 billion US dollars. The FDI inflow stocks of 11 Southeast Asian countries in 2016 are shown in the table below.

FDI inflow stock of 11 Southeast Asian countries in 2016 （billions dollars)

	Singapore	Brunei	Malaysia	Thailand	Indonesia	Philippines	Laos	Vietnam	East Timor	Cambodia	Myanmar	Total
EDI	**10963.2**	**57.39**	**1216.21**	**1886.51**	**2349.61**	**642.49**	**56.39**	**1153.91**	**3.46**	**166.56**	**226.66**	**18722.39**

From the table data, it can be seen that the degree of participation of Southeast Asian countries in the process of regional economic cooperation is not high, and their participation capabilities are insufficient. Among Southeast Asian countries, except for Singapore's higher FDI inflow stock, other countries have less FDI inflow stock. At the same time, limited by the degree of opening to the outside world, the opening path of Southeast Asian countries in economic, political, and cultural aspects is not smooth, which hinders the improvement of the level of regional economic cooperation.

5.1.2 The Path of Economic Cooperation between China and Southeast Asian Countries

(1) Open up the gradient transfer channel of production capacity and enhance the industrial competitiveness of Southeast Asia

With the deepening of the transfer of global industrial chains, Southeast Asian countries are no longer limited to simple industrial transfers, but to create industrial structures and industrial competitiveness with their own advantages. The cost of factors in Southeast Asia is relatively low, but it lacks capital and technology support, and lacks capital and technology output capabilities. China has obvious advantages in capital and technological capabilities, but labor costs have increased year by year, and the demographic dividend advantage has declined. China should strive to open up industrial transfer channels and transfer China's capital, technology and superior excess capacity to Southeast Asian countries through a gradient transfer method to achieve mutual benefit and win-win results.

(2) Create a coordinated regional economic development model and promote regional economic integration in Southeast Asia.

Regional economic cooperation is a way for countries to actively participate in global economic integration. China should learn from the experience of global regional economic integration and implement a more proactive opening strategy. Adopt a differentiation strategy, formulate differentiated policies for different countries and industries in the Southeast Asia region, and promote the process of regional economic integration centered on itself.

(3) Accelerate the construction of regional "five links" infrastructure and promote win-win cooperation in Southeast Asia

China has a long history of friendly exchanges with Southeast Asian countries and has a solid foundation for cooperation. China should speed up policy communication, facility connectivity, unimpeded trade, financing, and people-to-people infrastructure construction with Southeast Asian countries, and seek common development based on the principle of mutual benefit. In-depth cooperation in personnel training, financial investment, infrastructure construction, economic and trade cooperation, cultural exchanges, etc., to achieve win-win cooperation among countries along the "Belt and Road".

5.1.3 Strategies of Economic Cooperation between China and Southeast Asian Countries

In the context of the “Belt and Road” initiative, China’s choice to deepen economic cooperation with Southeast Asian countries is not only to adapt to the needs of the complex and changing world pattern, but also to meet the needs of its own economic development. China's specific strategies for further strengthening economic cooperation with Southeast Asian countries are as follows.

(1) Guided by territorial demand, create competitive projects

According to the characteristics of different countries in Southeast Asia, three levels are divided according to per capital GDP standards and targeted business model designs are carried out respectively. A batch of competitive projects are launched to broaden the industrial chain of the “Belt and Road” projects. For high-income countries, such as Singapore, the smart economic model or other economic models can be implemented; for upper-middle-income countries, such as Brunei, "smart + energy + sweat", "smart + energy" or other economic models can be implemented; Lower middle-income countries, such as the Philippines, can create "energy + sweat", "sweat" or other economic models. In addition, Cambodia and Laos can implement the first strategy of infrastructure and communication facilities.

(2) Focus on economic cooperation and implement the "five links"

Policy communication is the foundation, facility connectivity is the top priority, unimpeded trade is an important part of economic cooperation, and financial connectivity is the guarantee. On this basis, people-to-people bonds are formed. Unblocked trade is the most important part of the “Belt and Road” initiative. China should use unblocked trade to promote facility connectivity and financing, and use the construction of key economic regions and free trade zones as the starting point to optimize trade structure and innovate trade.

Easy cooperation methods, promote trade development through investment, and promote regional economic cooperation. In the early stage, the advantages of the AIIB can be fully utilized and used to meet the urgently needed start-up capital requirements for infrastructure projects in Southeast Asia.

(3) Build a community with a shared future for mankind with the guarantee of system construction

Regional cooperation between China and Southeast Asia has expanded from economic scope to political and cultural aspects. Southeast Asian countries have different development histories, cultural traditions, and ideologies, as well as differences in legal systems and standard systems. The “Belt and Road” initiative will ultimately realize a community with a shared future for mankind. The establishment of a legal system and a system of standards and rules that we abide by is a powerful guarantee for regulating the regional economic order and promoting the construction of the “Belt and Road”.

5.2 European

5.2.1 Status Quo of China-EU Economic and Trade Cooperation

(1) China-EU trade shows a slow growth trend

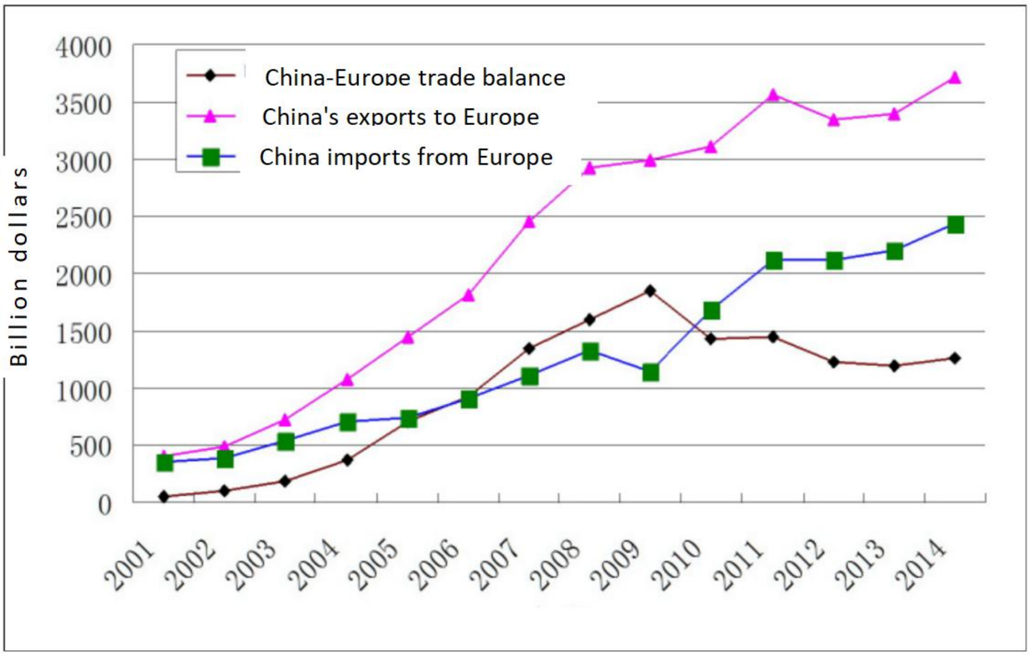
China and the EU have huge economic aggregates, ranking first and third largest economies in the world respectively. China and the EU are each other's important trading partners. The EU is China's largest trading partner, and China is the EU's second largest trading partner. The annual trade volume between the two parties exceeds 500 billion US dollars, accounting for one third of the global economy. From the perspective of the development of economic and trade relations, before the global financial crisis and the European debt crisis, China-EU economic and trade relations were in a stage of rapid development.

From 2001 to 2008, China's total imports and exports to the EU continued to maintain double-digit growth, and China's trade surplus with the EU continued to expand. Since 2009, EU member states affected by the international financial crisis and the subsequent European debt crisis have seen their economic growth almost stagnated, and China-EU trade has fallen sharply. Since 2014, the EU's foreign trade has generally been weak. In the first eight months, its external exports fell by 5% year-on-year and its imports fell by 1%. The bilateral trade between China and the EU performed strongly in the overall weakness of the EU. The bilateral trade volume increased by 9.9% year-on-year, far exceeding the 2.1% increase in 2013. However, compared with the previous rapid growth, China-EU trade has shown a slow growth trend in the post-crisis era.

(2) China-EU trade dispute tends to be rational

As the bilateral trade value between China and Europe continues to grow, China's trade surplus with the EU is also expanding, and bilateral trade frictions are also increasing. For many years, China has been the first target country for EU anti-dumping allegations. According to World Trade Organization (WTO) statistics, from 1995 to 2014 (as of June 30, 2014), the EU initiated 115 anti-dumping cases against China, accounting for a quarter of the EU's external anti-dumping cases. However, it can also be seen that in recent years, with the decline of the world economy and the impact of the European debt crisis, the EU is eager to get rid of the debt crisis and the urgent need to recover the economy. The actual number of China-EU trade friction cases has been declining. The reason comes from the fact that China-European trade disputes are more resolved through consultation and negotiation. Although China-European trade frictions are unavoidable, the two sides will more often consider the overall situation of China-European economic and trade relations at a critical moment when the “trade war” is looming. The “friendly” settlement of the photo-voltaic case is an example.

In 2012, the European Union initiated an anti-dumping investigation on photo-voltaic products against China. The amount involved was 21 billion euros. This is the largest anti-dumping investigation initiated in the history of the European Union. However, the case was finally resolved through friendly bilateral negotiations and consultations, achieving a win-win situation. On March 18, 2014, the wine industry in China and the European Union reached a consensus on the wine anti-dumping and countervailing case and reached a memorandum of understanding. This is another positive move to deepen bilateral relations after Europe and China reached a settlement on the poly-silicon case. On May 13, 2014, the European Commission issued an announcement to withdraw the anti-dumping investigation against Chinese artificial stone. The peaceful settlement of trade disputes reflects the objective needs of China-EU economic development to a certain extent. The proper settlement of these cases proves once again that, as the Chinese economy has entered a new normal and the EU has not yet shaken off the impact of the debt crisis, the two sides are more willing to resolve trade disputes through dialogue, consultation and negotiation under the premise of abiding by WTO rules. This is also the best choice to resolve differences.



Graph 7,China-EU trade situation

(3) The product structure of China-EU bilateral trade tends to be adjusted and upgraded

According to the third revision of the United Nations International Trade Standard Classification (SITC Revi sion 3), this article calculates the primary products, capital, and technology-intensive products based on the 2003-2013 China-European bilateral trade data classification of the United Nations Commodity Trade Statistics Database (UN Comtrade). The proportion of products and labor-intensive products can reveal changes in the product structure of bilateral trade between China and Europe. In the EU's export product structure to China, capital and technology-intensive products account for more than 70% of total exports, and they have maintained a stable trend since 2003. The proportion of labor-intensive products in total exports has gradually declined from nearly 20% in 2003, to 16.58% in 2011, and a slight increase in the last two years, of which the proportion in 2013 was 17.64%. This also shows that EU export products have high technological competitiveness and comparative advantages in capital technology.

In China's trade structure with the EU, China's exports of primary products to the EU account for a very small proportion of total exports, and there has been no significant fluctuations in recent years, maintaining a stable trend. Another obvious feature is that China's exports of capital, technology-intensive products and labor-intensive products to the EU account for almost 95% of the total exports, and the proportions of the two are very similar. Since 2003, the proportion of capital-intensive product exports has remained at around 50%, and has shown a slight upward trend. The labor-intensive products gradually dropped from 46.92% in 2003 to 42.63% in 2013. The proportion of capital-intensive products exports is even higher than that of labor-intensive products, which seems to go against the fact that China’s labor factor endowment is greater than capital technology factor endowments. This aspect shows that with the in-depth adjustment of China’s economic structure, the structure of China’s export products is constantly transforming and upgrading, and the competitiveness of capital and technology-intensive products is gradually improving. On the other hand, it should be noted that it is China’s developed The processing trade in China has pushed up the export proportion of capital and technology-intensive products.

Therefore, China should continue to promote the adjustment and upgrading of the economic structure, improve the technical content of export products, and continue to optimize the structure of export products.

(4) The scale of bilateral investment between China and Europe continues to expand

With the in-depth implementation of the "Going Global" strategy of Chinese enterprises, China's foreign direct investment has grown rapidly. According to statistics from China's Ministry of Commerce, China's direct foreign investment reached US$102.9 billion in 2014, surpassing US$100 billion for the first time, a year-on-year increase of 14.1%, and continued to rank third in the world. In 2014, China's investment in developed countries increased rapidly year-on-year,

investment in the United States increased by 23.9%, and investment in the EU increased by 1.7 times, which was much higher than the overall growth rate, of which non-financial direct investment in the EU reached US$9.77 billion.
The EU is China's fourth largest source of actual investment in cumulative terms. According to statistics from the "Statistical Bulletin of China's Foreign Direct Investment", as of the end of 2013, the EU had actually invested a total of US$90.4 billion in China. At the same time, the EU is also China’s largest source of technology introduction. China has introduced 45,756 technology projects from the EU, with a contract value of US$172.54 billion. The EU member states have invested in 1,446 newly established companies in China, a year-on-year decrease of 17.4%; actual investment amount US$6.52 billion, a year-on-year increase of 21.9%. Among them, the United Kingdom, France, the Netherlands and Germany are the main EU countries investing in China.
In general, the scale of bilateral investment between China and Europe has been expanding. Especially in recent years, as the overall strength of Chinese companies has increased, coupled with the economic downturn caused by the European debt crisis, Chinese companies have gradually increased their direct investment in the EU and acquired large foreign brands. The number of successful business cases continues to increase. The direct investment of Chinese companies in the EU is mainly concentrated in manufacturing, financial, wholesale and retail, leasing and commercial services, transportation and warehousing. But on the other hand, we have also seen that the total amount of bilateral investment is staggering, but the proportion of each other's absorption of foreign capital is declining. Since 2007, the EU's direct investment in China as a proportion of China's total foreign direct investment has remained at a level of 4-6%, a sharp drop from the 2000 average of 10%. In 2012, the flow and stock of China’s direct investment in the EU only accounted for 7% and 5.9% of the total that year. This indicates that the regions and scope of Chinese companies’ outbound investments are more dispersed, and it also shows that there is still a large amount of bilateral trade and investment between China and Europe.
Looking at it in the opposite direction, despite the overall weakening of European foreign investment, European companies are still keenly aware of the business opportunities contained in China's comprehensive deepening of reforms and other strategic plans, and actively come to China to participate in China's economic development and share the results of reforms. Relevant data show that from January to February 2015, French and German actual investment in China increased by 366.7 percent and 59% respectively.

5.5.2 The "One Belt One Road" strategy brings new opportunities to China-EU economic and trade relations

(1) The “Belt and Road Initiative” shortens the spatial distance between China and Europe and realizes trade facilitation.
The limitation of bilateral trade between China and Europe lies in the geographical

distance between the two parties. Therefore, shortening the spatial distance between China and Europe and reducing the time required for exchanges between China and Europe are the main means to enhance China-EU relations. The “Belt and Road” initiative provides the possibility to create this condition. With the planning and implementation of the“Belt and Road”strategy, China-Europe freight trains have gradually entered a period of rapid development and normalization. As of August 1, 2014, there were a total of 239 domestic container trains bound for Europe. The opening of many "X New Europe" trains such as Yu New Europe, Zheng New Europe, Yi New Europe, etc. will shorten the transportation cycle by at least 15 days compared with the traditional sea transportation in the past. For merchants engaged in China-European import and export trade, the shortening of the transportation cycle has greatly reduced the transportation cost on the unit value of the commodity, and will increase the utilization rate of funds and the turnover period. Among the products exported from China to Europe, electromechanical products account for more than half. Among them, electronic communication and information products are small in size, high in value, and short in delivery period. Due to their zsensitivity to unit transportation costs,China-Europe freight train transportation can better meet the immediate needs of the market.

It can be seen that the “Belt and Road” is essentially a geo-trade network that spans Europe and Asia. It is dominated by China and based on the ancient Silk Road. It forms a global trade pattern that is different from the traditional Atlantic and Pacific trade. On the whole, with the adjustment of US power and the shrinking of the situation, the euro zone’s rejection of the US, China-EU economic and trade cooperation has more common interests in the context of the “Belt and Road” initiative.

(2) "One Belt One Road" promotes China-EU infrastructure construction and energy cooperation

The Silk Road Economic Belt has a vast territory and is rich in natural, mineral, energy, land and tourism resources. However, the transportation in this area is not convenient and the natural environment is poor. There is a phenomenon of "high on both sides and low in the middle". Due to the low population density and low industrial density in Northwest China and Central Asia, it is difficult to form an economic belt that conforms to the standard concept, which directly restricts the trade exchanges between China and Europe. The “Belt and Road” initiative provides a way of thinking and a platform to solve this problem. Europe has already had a large number of aid programs in Central Asia, and China has also invested in the region through the SCO cooperation framework.

More than 10 billion U.S. dollars in loans and unpaid assistance. The US$40 billion Silk Road Fund proposed by China will greatly promote China and Europe's infrastructure construction and cooperation in Central Asia.

China's energy consumption is gradually increasing. At the same time, there are problems such as a relatively simple energy structure, low utilization rate, and

serious environmental pollution. Europe's energy problem faces another dilemma. From the perspective of Europe itself, the ore reserves in Europe are almost exhausted, and energy sources are highly dependent on external sources. For example, 30% of Germany's energy demand comes from Russia.
China and Russia differ greatly on issues such as oil and gas resource prices and pipeline laying. Therefore, in this field, China and Europe are not competitors, but partners with common goals. There are unanimous demands. If they can cooperate on energy issues in the construction of the Silk Road Economic Belt, both parties can share greater energy cake.

(3) "One Belt One Road" promotes the economic and cultural integration of Eurasia

The "One Belt One Road" strategy is the integration and deep integration of regional economies on a global scale. It breaks the original traditional point-shaped and block-shaped regional development model and realizes belt-shaped development, thus enabling China and the EU at both ends of the strategy to gain With a larger market, China-EU economic and trade cooperation will also achieve more in-depth development. The fundamental significance of the "Belt and Road" strategy is to support the economic development of neighboring countries through the construction of the Silk Road and the Maritime Silk Road, while at the same time accelerating the economic integration between China and these countries to form a new long-term growth engine. This area covers a population of approximately 4.6 billion and a total economy of 21 trillion US dollars, accounting for 63% and 29% of the global total respectively. Most of them are developing countries, with imperfect infrastructure and at the same time facing the bottleneck of shortage of development funds. China has both high-quality production capacity and financial support. In addition to the cash technology of many developed countries in the EU, it has developed into a comprehensive, three-dimensional, network-like network covering infrastructure, rules and regulations, and human capital exchanges through early interoperability. The fundamental importance of the "Belt and Road" is to realize the real economic integration of the Eurasian continent.
The "One Belt, One Road" strategic concept involves dozens of countries and billions of people. These countries have created civilizations of different forms and styles in history. Building the "Belt and Road", on the basis of inheriting and carrying forward the "Silk Road Spirit", fully explore the profound historical and cultural resources of the countries along the route, actively play the role of cultural exchanges and cooperation, and promote the common development of different civilizations. This will vigorously promote the formation of a grand occasion of contemporary civilization exchanges of "five colors and complement each other; eight-tone ensemble, final harmony and peace", and create a good environment for the peaceful development of China and the world.

(4) "One Belt One Road" creates a new situation in China-EU financial cooperation

China-EU bilateral financial cooperation has a sound foundation. On October 9, 2013, the People's Bank of China and the European Central Bank signed a China-European bilateral local currency swap agreement with a scale of 350 billion RMB (approximately 45 billion euros), which aims to provide support for bilateral economic and trade exchanges and maintain financial stability This also marks new progress in bilateral cooperation in the monetary and financial fields. In recent years, London's offshore RMB business has boomed. With the exception of Mainland China and Hong Kong, 62% of RMB payments are made in London. Luxembourg, Paris, Frankfurt and Zurich are also actively working to become RMB offshore trading centers.

In addition, with the establishment of the Asian Infrastructure Investment Bank and the active participation of many EU member states, it shows that European investors have begun to actively explore the deeper and broader financial cooperation with China. With the further differentiation of global monetary policy, the global deployment of foreign exchange funds based on eliminating foreign exchange stock and incremental risks will surely become an important consideration for future China-EU financial cooperation. The reason why European countries actively participate in the Asian Infrastructure Investment Bank not only hopes to take a share in Asian infrastructure construction, but also is optimistic about the prospects of RMB internationalization, hoping to seize the opportunity in the financial market of RMB internationalization. EU member states join the AIIB to build a two-way investment channel, which is conducive to promoting the development of RMB offshore business in their financial markets. This deeper cooperative relationship is more conducive to improving market infrastructure, while also providing convenient conditions for Chinese companies to invest in Europe, go public, and issue bonds.

5.2.3 Policy recommendations for deepening China-EU economic and trade cooperation under the background of the "Belt and Road Initiative"

The “Belt and Road” strategy is a double-edged sword for China-EU economic and trade relations, but overall, the opportunities outweigh the challenges. How to make good use of the good opportunities provided by this great strategy to promote the further development of China-EU economic and trade cooperation, this article puts forward the following suggestions:

(1) Bilateral cooperation should pay equal attention to culture and economy and trade

The proposal of the One Belt One Road strategy expresses China's vision of deepening cooperation with countries along the route, but it will take some time for other countries to realize this strategy. Therefore, we should not give too much political meaning to the “Belt and Road” and the current hot Asian Infrastructure Investment Bank. For both China and Europe, it is a smarter choice to develop bilateral economic and trade relations with the integration of the same long-standing Eastern civilization and Western civilization as the starting point. This is the most correct interpretation of the "Belt and Road" strategy. Because the attraction of the historical Silk Road includes not only Chinese products, but also Chinese ideas and Chinese civilization. The Silk Road has not only silk, tea, and porcelain, but also Chinese value and Chinese culture. The Silk Road Economic Belt can also be developed into a Silk Road tourism belt, thereby driving the growth of China-Europe bilateral service industries. Through the “Belt and Road” strategy, China can learn and draw lessons from the high-tech and sophisticated technologies made in Europe, and establish a corporate brand awareness. For example, the German Mercedes-Benz was born in 1886 with the slogan "We don't need to make up a nice story, we have written history since 1886". It can be seen that the greatest wealth of the "hundred-year-old shop" is time accumulation and trust accumulation.

Therefore, Chinese companies committed to the “Belt and Road” must have an international perspective, have brand awareness, be a culturally-oriented Chinese company, and be a socially responsible Chinese company.

(2) Focus on building a silk road tourism belt

On March 28, 2015, the National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce jointly issued the "Vision and Actions for Promoting the Joint Construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road". The document pointed out that it is necessary to strengthen tourism cooperation and expand tourism scale. Jointly create international boutique tourist routes and tourist products with the characteristics of the Silk Road, and improve the level of visa facilitation for tourists from countries along the route. The vast number of cities along the Silk Road in China can focus on development and deep integration on the basis of their own historical sites and cultural heritage, and strive to create leisure and health tours.

At the same time, China and Europe can negotiate to simplify the approval of bilateral visa procedures. For example, “touring visa” (Touring Visa, visa holders can stay in each Schengen country for one year, but during any 180-day period, they cannot stay in the same country for more than 90 days). At the same time, China can actively apply for the "Schengen country visa exemption" treatment to maximize bilateral personnel and economic and trade exchanges between China and Europe.

(3) Make full use of the Asian Infrastructure Investment Banking Cooperation Platform

The construction of the “Belt and Road” can form a “three pillars” situation with the European Union and the North American Free Trade Area, accelerate the formation of a new international economic pattern, and then have a profound impact on economic globalization. In particular, the establishment of the Asian Infrastructure Investment Bank, Europe and other countries affected by the United States actively participating in the construction of the Asian Infrastructure Investment Bank, heralded a new direction of global economic governance, that is, Europe will move closer to China's emerging economies, making the balance of global financial politics more balanced. Global economic governance may be entering a new area with more balanced forces and greater emphasis on mutual benefit and win-win results, but it may also be a new era in which the governance situation is very complex. Because as a founding member, EU member states will gain more say in the AIIB, and the cooperation between the two world economies will make the AIIB a powerful "lever" to leverage the US's dominant international financial governance structure after World War II.

(4) Actively promote China-Europe cooperation in urbanization and innovation driving

The first is urbanization. China currently has an urban population of more than 700 million, with an urbanization rate of 52.6%. Compared with China, more than 75% of the EU's population lives in cities. More importantly, the EU has rich experience and advanced technology in urban planning, infrastructure construction, urban services and management. As China's economy enters a new normal, urbanization has become an important engine driving China's economic transformation and upgrading. Smart, green, and low-carbon are the outstanding characteristics and advantages of European urban development, and they are the directions that China needs to learn from and learn from in the future of urbanization. The second is technological innovation cooperation. Both parties should actively carry out cooperation in scientific and technological innovation to promote new energy.

The development of new materials, new-generation information technology, biology, aerospace and other emerging industries. China has a population of 1.3 billion, and the simultaneous development of industrialization, informationization, urbanization, and agricultural modernization determines China's huge energy demand. Europe focuses on energy technology innovation and structural adjustment, and is a world leader in new energy, energy saving and environmental protection technologies. China and the EU can expand exchanges and cooperation in this area, use Europe's advanced technological advantages to change China's energy institutions, and gradually get rid of its heavy dependence on coal. This is also a major strategy to alleviate China's current severe smog.

5.3 West Asia : Pakistan

5.3.1 The basis for China-Pakistan economic and trade cooperation

Since China proposed the “Belt and Road” strategy in 2013, with the continuous deepening of the “all-weather strategic partnership” between China and Pakistan, the bilateral trade cooperation has developed well and has become a model for promoting trade cooperation under the “Belt and Road” strategy. In 2018, Pakistan developed into China's second largest trading partner in South Asia, while China developed into Pakistan's largest trading partner. However, in the face of the continued weak international trade situation, firmly supporting free trade and economic globalization, as well as further deepening and expanding the economic and trade relations between the two countries, have become the consensus of the leaders of China and Pakistan. Therefore, on April 28, 2019, China and Pakistan signed the "Protocol of the Government of the People’s Republic of China and the Government of the Islamic Republic of Pakistan on the Amendment of the Free Trade Agreement" (hereinafter referred to as the "Protocol"). On the basis of the Trade Agreement, the tariff level between China and Pakistan will be further reduced to expand the liberalization of trade in goods between China and Pakistan. The signing of the "Protocol" has injected new strong impetus into the development of trade between China and Pakistan under the "Belt and Road" strategy, which is of milestone significance. Therefore, it is necessary to fully grasp the opportunities brought by the upgrade of the China-Pakistan Free Trade Agreement to China-Pakistan trade cooperation, and at the same time overcome its problems and challenges, so as to promote the development of China-Pakistan trade to a higher quality, and then build the "Belt and Road" strategy New highlights of my country’s foreign economic and trade exchanges and cooperation.

In terms of population, Pakistan’s current population has reached 197 million, making it the sixth most populous country in the world. At the same time, Pakistan has a very obvious advantage in demographic dividend. There are more than 100 million young people under the age of 30, which exceeds the total population. At the same time, Pakistan is a fast-growing market with great potential. In contrast to China, although China is still the most populous country, the population of China has exceeded 1.4 billion in 2020, but there is a very serious population problem in China, that is, China's aging rate is accelerating and China's demographic dividend is disappearing. In terms of geographical location, Pakistan borders my country's Xinjiang and my country's port of exit is Khunjerab. The unique location of the geographical environment of China and Pakistan has opened up a fast channel for trade cooperation between my country and other countries such as South Asia and West Asia.

In terms of political environment, the establishment of diplomatic relations between

China and Pakistan began in 1951, but the relationship between the two countries was not as close as it is now. But between 1957 and 1969, as the international situation and China-Indian relations changed,China-Pakistan relations ushered in a historic spring, opening a new starting point for China-Pakistan friendly and cooperative relations. Afterwards, although the world situation continued to change, the relationship between China and Pakistan has become stronger over time. Especially in recent years, the development of China-Pakistan relations has further deepened. In 2015, President Xi Jinping's first foreign visit to Pakistan was Pakistan, and the results of this visit were fruitful. The relationship between the two countries was designated as an "all-weather strategic partnership." China will continue to support Pakistan's economic development, maintain its peaceful and stable development, and jointly build a China-Pakistan community of shared future. China is the only country in the world that has such a special and close relationship with Pakistan, and China and Pakistan are also "iron buddies" in the true sense.

5.3.2 New developments in China's economic diplomacy with Pakistan under the background of the Belt and Road Initiative

(1) Economic diplomacy in the field of policy communication

➢ Frequent high-level visits between the two countries

In the past six years, frequent exchanges of high-level visits between China and Pakistan have played an important leading role in the development of China-Pakistan relations. In May 2013, Premier Li Keqiang proposed the concept of building a “China-Pakistan Economic Corridor”, and the two parties signed the "Memorandum of Understanding on the Development of the Long-Term Cooperation Plan for the China-Pakistan Economic Corridor." In July of the same year, Pakistan’s new Prime Minister Sharif visited China for the first time and jointly issued the "Common Prospects on Deepening the China-Pakistan Strategic Partnership in the New Era", and established the China-Pakistan Economic Corridor Planning Joint Cooperation Committee to provide energy, investment, and trade support for both parties. Technology and other exchanges to provide a convenient platform. The committee has held three meetings in the past one year since its establishment. The meetings fully clarified the main areas of China-Pakistan cooperation, cooperation mechanisms and key development directions. In November 2014, Sharif visited China again. The two countries signed 19 cooperation agreements and memorandums valued at 42 billion U.S. dollars. The projects mainly focused on energy, the construction of industrial parks along the economic corridor, and joint combat against counter-terrorism forces. This visit promoted the construction of the China-Pakistan Corridor and helped Pakistan overcome the energy crisis.

➢ Smooth communication on development strategy

In November 2017, the China-Pakistan Economic Corridor Joint Cooperation

Committee held its seventh meeting. The meeting mainly reviewed the history of the China-Pakistan Economic Corridor, in-depth exploration of the economic and trade cooperation between the two countries, and formulated the "China-Pakistan Economic Corridor Vision Plan." In December of the same year, the "China-Pakistan Economic Corridor Vision Plan" was officially released. The "Plan" was jointly prepared by the two governments through consultation and approval. The "Plan" is an important move in the construction of the China-Pakistan Economic Corridor. It organically combines China's "One Belt, One Road" initiative and Pakistan's "2025 Development Vision", and points out the direction for the future development of China-Pakistan relations.

In October 2018, the “Belt and Road” energy ministers meeting was held in Jiangsu, China. At the meeting, the energy ministers of 17 countries including Pakistan jointly issued a declaration on the establishment of the "Belt and Road" energy partnership, which provides a new platform for energy cooperation between China and Pakistan.

In November 2018, the China-Pakistan Economic Corridor and Regional Connectivity Seminar hosted by the Islamabad Institute for Strategic Studies was held in Islamabad. The seminar mainly put forward opinions on the construction of the China-Pakistan Economic Corridor and the promotion of inter-regional connectivity, and further strengthened the economy, trade, and humanities. Exchange and cooperation.

2019 is the "Pakistan-China Industrial Cooperation Year" jointly agreed by China and Pakistan.

In April 2019, the China-Pakistan Economic Corridor International Cooperation Coordination Group held its first meeting in Beijing. China and Pakistan believe that China-Pakistan cooperation needs to actively implement the important consensus of the leaders of the two countries, continue to expand the corridor industry, and at the same time pay attention to people’s livelihood and employment issues, and strengthen external publicity . Under the condition of consensus between China and Pakistan, the governments of the two countries are encouraged to cooperate with third parties such as the media and cultural and educational institutions to strengthen civil affairs communication and create a good investment environment.

In November 2019, the China-Pakistan Economic Corridor Joint Committee held its ninth meeting. The two sides fully communicated and reached important consensus on key issues such as energy, infrastructure, and social and people's livelihood. Since its establishment, the Joint Committee of the China-Pakistan Economic Corridor has held 9 meetings. Each meeting has a distinct theme. It has conducted in-depth discussions on various fields of China-Pakistan cooperation and signed a series of important documents to help China Pakistan's multilevel cooperation has laid a solid political foundation and a smooth exchange mechanism.

(2) Economic diplomacy in the field of facility connectivity

- Promote the construction of transportation infrastructure

The China-Pakistan Economic Corridor is an important pilot project of the “Belt and Road”. Over 5 years of construction of the corridor, 22 projects harvested early have greatly improved Pakistan’s infrastructure. The construction of Gwadar Port provides hardware for China-Pakistan interconnection basis. In the construction of transportation infrastructure, China's state-owned enterprises are actively assisting. Among them, the China Construction Third Bureau is a typical representative. Under the "Belt and Road" initiative, China Construction Third Bureau implements an international strategy.
Significant projects of the China-Pakistan Economic Corridor were contracted in 2015: The Pakistan Expressway worth US$2.89 billion, with a total length of 1152 kilometers, is the largest transportation infrastructure project in the corridor. After completion, it will connect Pakistan’s two largest economic power provinces and become The main economic artery running through Pakistan's north and south. In September 2016, the groundbreaking ceremony of the Pakistan Gwadar Port Free Zone, which is the cooperation between China and Pakistan, was officially held. The launch of the free zone marked the entry of Gwadar Port into a new stage. China and Pakistan will work together to vigorously promote port development and construction to achieve port connectivity.
In November 2016, Pakistan’s Gwadar Port was officially opened, and the first batch of Chinese cargo ships left the port. At the same time, the China-Pakistan Economic Corridor Joint Trade Caravan exported large-scale containers overseas from Kashgar, Xinjiang via Gwadar Port for the first time. , Opening a new international trade channel. In October 2017, the first batch of demonstration projects of the China-Pakistan Economic Corridor: the Lahore Rail Transit Orange Line Project in Pakistan was officially put into operation. The rail transit project provides convenient and safe transportation services for the public, as well as technical posts and talent reserves for Pakistan. In November 2018, the China-Pakistan cross-border bus was officially opened for operation. The cross-border bus took advantage of China-Pakistan land connection to facilitate the exchanges between business people of the two countries and promote economic and trade Exchanges and promotes the development of tourism in cities along the route.

- Speed up the operation of energy infrastructure

Pakistan is facing long-term energy shortages, especially power shortages. The China-Pakistan Economic Corridor contains 16 energy projects. The construction of energy projects can effectively alleviate Pakistan's power shortage difficulties and provide sufficient energy supply guarantee for the promotion of China-Pakistan Economic Corridor projects. In February 2017, the Private Power and Infrastructure Committee (PPIB) of the Government of Pakistan approved the Gwadar Port 300 MW coal-fired project and the high-voltage power transmission and transformation project. The implementation of the project will greatly enrich the energy supply of Gwadar Port and solve multiple problems. Electricity shortage in Pakistani families. Under the "One Belt, One Road" initiative, cooperation in clean energy projects between the two countries is also advancing steadily. Among them, photovoltaic power generation is the focus of renewable energy cooperation between the two countries. Chinese energy companies represented by ZTE Energy and Power China GuiZhou Engineering Company participate in the development and construction of photovoltaic projects. The main cooperation model in the field of wind power is that Chinese companies invest in hypothetical operation of wind farms, and Chinese companies are mainly large state-owned energy companies represented by China Power Construction. In July 2018, the opening ceremony of the “China-Pakistan Optical Cable”, a key project of the “Belt and Road” initiative, officially opened. The "China-Pakistan Optical Cable" is 2,950 kilometers in length. It is the first cross-border direct land optical cable connecting China and Pakistan. It was built by China Telecom and completed in cooperation with Pakistan. The opening of the optical fiber cable has greatly reduced the communication delay between China and Pakistan, opened up China's strategic channel to the Middle East and Africa, realized the network interconnection between China and neighboring countries, and provided important capabilities for the information exchange of the China-Pakistan Economic Corridor. An important part of cooperation in the field of informatization between Pakistan and Pakistan.

(3) Economic diplomacy in the field of financial communication

- Promote cooperation between financial institutions of the two countries

With the advancement of the “Belt and Road” initiative, China-Pakistan financial cooperation is also constantly deepening. In terms of project financing, securities cooperation, overseas cooperation between the banks of the two parties and currency settlement, Internet finance, etc. have made great progress. In 2015, the my country Development Bank signed a project financing agreement with Pakistan worth 3.5 billion U.S. dollars.

In 2016, the first financing project of the Asian Infrastructure Investment Bank (AIIB) was located in Pakistan, the total project cost was approximately US$7.3 billion. As an important partner of Pakistan, the AIIB has provided financing loans for energy, transportation, water supply and other projects to provide financial support for Pakistan's infrastructure and people's livelihood development.

In November 2017, the China Development Bank provided US$1.5 billion in financing for Pakistan’s Hubu Coal Power Station Project, which is one of Pakistan’s largest coal power generation projects. The operation of the project can effectively alleviate Pakistan’s power shortage.

In August 2018, China’s largest securities company CITIC CLSA acquired 25% of the shares of a securities company under Al Rafa Bank in Pakistan. The company vigorously develops businesses along the “Belt and Road” in Pakistan and helps Chinese investors acquire companies or investment projects in Pakistan .

In November 2019, the Shenzhen Stock Exchange and the Pakistan Stock Exchange signed a technology export agreement.

➢ Deepen cooperation in the field of international settlement

In order to further enhance the facilitation of investment between the two countries, in January 2018, the National Bank of Pakistan issued a statement approving traders to use RMB as a settlement currency in bilateral trade with China. In December 2011, the two countries signed a bilateral local currency swap agreement worth RMB 10 billion, and the declaration of RMB as the settlement currency in 2018 further signified that RMB settlement will promote the development of bilateral trade between China and Pakistan and realize the long-term interests of the two countries Development; As early as July 2018, when the Governor of the Central Bank of Pakistan visited Beijing, he became interested in mobile payments in China. It is hoped that Alipay can use blockchain technology to help improve Pakistan's cross-border remittance status. In January 2019, Alipay The blockchain cross-border remittance project was launched in Pakistan, which significantly improved the previous difficulties and slowness of remittance, and brought convenient financial experience to Pakistani locals.

(4) Economic diplomacy in the field of unimpeded trade

➢ Expanding the opening of trade between the two countries based on the free trade agreement

According to statistics from the World Trade Organization, the bilateral trade volume of goods between China and Pakistan in 2013 was US$14.22 billion, and in 2018 the bilateral trade volume reached US$19.08 billion, an increase of 34.2% in five years, and the scale of trade has expanded significantly. In December 2019, the two countries signed a protocol on a free trade agreement. The tax reduction arrangement of the protocol will be formally implemented on January 1, 2020. After implementation, the proportion of product tax items that implement zero tariffs between China and Pakistan will increase from 35% to 75%, which will greatly expand the opening of the two countries' trade markets and improve the facilitation of China-Pakistan trade.

➢ Use Silk Road e-commerce as a platform to promote smooth trade

Since the "Belt and Road" initiative was put forward, "Silk Road E-commerce" has also been continuously developing and has gradually become the focus and bright spot of smooth trade. In 2017, the Prime Minister of Pakistan visited China and visited the Alibaba headquarters, and signed an e-commerce co-leasing memorandum with China. In May 2018, Alibaba acquired Pakistan's largest e-commerce platform Daraz.PK. Pakistan's e-commerce market has developed rapidly, and its financial revenue has doubled in the 2017-18 fiscal year. In order to promote the comprehensive coverage and popularization of Pakistan's network, China has joined forces with countries along the "Belt and Road" to build a big data platform and form a Silk Road network to provide users with targeted and effective decision-making services. China and Pakistan continue to improve the degree of facilitation between the two sides. After more than ten rounds of negotiations between the two sides, the tax reduction agreement has also been actively implemented.

(5) Economic diplomacy in the field of people-to-people bonds

- Use the visit of the head of state as an opportunity to promote people-to-people bonds

China and Pakistan have a deep friendship and call each other good brothers and buddies. The two countries have a solid foundation of political mutual trust. The “Belt and Road” initiative promotes the deep integration and exchange of trade, investment, energy, and culture between the two sides. In 2015, Xi Jinping visited Pakistan and promoted the relationship between the two countries to an all-weather strategic partner. The friendship between the two countries has become closer, and communication and exchanges in education and culture have been continuously strengthened. In 2015, the two countries jointly held the "China-Pakistan Cultural Exchange Year" to promote cultural exchanges between the two countries.

- Building a China-Pakistan community with a shared future

With the deepening of the diplomatic concept of "Diplomacy for the People", the "One Belt One Road" initiative has also continuously emphasized the importance of cultural exchanges. The two countries continue to strengthen political mutual trust and in-depth cooperation in the fields of education, culture, and medical care to jointly build a close China-Pakistan community with a shared future. In February 2017, the Red Cross Society of China established the "Thinking Fraternity Fund", which aims to provide humanitarian services for the "Belt and Road" and provide livelihood assistance to countries along the route. The Red Cross Society of China funded the development of the "China-Pakistan Emergency Corridor", setting up emergency stations and personnel facilities in the China-Pakistan Economic Corridor, improving the level of medical services in the corridor and ensuring the safe production of employees. Education is an important force in promoting people-to-people exchanges between China and Pakistan. Among them, the construction of Confucius Institutes has made important contributions to promoting cultural exchanges between China and Pakistan and enhancing friendship. China has built 4 Confucius Institutes in Pakistan. China has become one of the main destinations for Pakistani students. International students study Chinese, engineering, medical care, communications and other fields, which provides a great opportunity for the construction of the China-Pakistan Economic Corridor and the deepening of China-Pakistan cooperation. Important human resources.

5.3.3 Challenges and Countermeasures Faced by China's Economic Diplomacy to Pakistan under the Background of "One Belt One Road"

5.3.3.1 The challenges

(1) Economic risks

➢ Unbalanced trade development between China and Pakistan

China’s trade with Pakistan has been in a long-term surplus. In 2017 and 2018, China’s trade surplus with Pakistan was US$14.98 billion and US$14.74 billion respectively. China-Pakistan bilateral trade commodities are single. China’s imports from Pakistan mainly focus on raw materials, with primary products as the main source. Lord, the trade status of the two sides is not equal. Take the trade product structure of the two countries as an example, as shown in the following table.

Product category	Import ratio	Export ratio
SITC0	13.00%	1.60%
SITC1	0.00%	0.00%
SITC2	13.8%	1.30%
SITC3	1.73%	0.10%
SITC4	0.00%	0.00%
SITC5	1.59%	12.2%
SITC6	64.5%	32.4%
SITC7	0.10%	40.80%
SITC8	5.21%	11.50%
SITC9	0.1%	0.00%

Graph 8 , trade product structure

Category 0 represents "food and live animals"; category 1 is "drinks and tobacco"; category 2 is "inedible raw materials other than fuel"; category 3 is "fossil fuels, lubricants and related substances"; category 4 "Animal and vegetable oils, fats and waxes"; category 5 is "unspecified chemical and related products"; category 6 is "manufactured products mainly classified by materials"; category 7 is "machinery and transportation equipment"; 8 Category is "miscellaneous manufactured goods"; category 9 is "goods and transactions not included in other categories".

It can be seen from the table that in 2018, China’s imports from Pakistan accounted for the largest proportion of finished products of category 6 raw materials, including metal smelting products, rubber products, etc., with an amount exceeding 50% of the total imports from Pakistan; China’s exports to Pakistan It is mainly concentrated in the 6th and 7th categories of mechanical transportation products. There is almost no trade between the two countries in the first, 3, 4, 7 and 9 categories. The analysis shows that the trade products between China and Pakistan are relatively single and concentrated, and the trade limitations are relatively large. A single trade commodity structure is likely to cause trade frictions. In recent years, due to the impact of Chinese textile and metal finished products exports on Pakistan's superior products, Pakistan has continuously strengthened its anti-dumping efforts.

It can be seen from the table that in 2018, China's imports from Pakistan accounted for the largest proportion of finished products of category 6 raw materials, including metal smelting products, rubber products, etc., with an amount exceeding 50% of the total imports from Pakistan; China's exports to Pakistan Mainly concentrated in the 6th and 7th categories of machinery transportation products, the two countries have almost no trade in the first, 3, 4, 7 and 9 categories of commodities. The analysis shows that the trade products between China and Pakistan are relatively single and concentrated, and the trade limitations are relatively large. A single trade commodity structure is likely to cause trade frictions. In recent years, due to the impact of Chinese textile and metal finished products exports on Pakistan's superior products, Pakistan has continuously strengthened its anti-dumping efforts.

- China's investment risks in Pakistan

With the advancement of the China-Pakistan Economic Corridor, China's investment in Pakistan has continued to grow, and the investment model has gradually diversified, including greenfield investment, cross-border mergers and acquisitions, and BOT investment (construction, operation, transfer investment). With multiple investment methods in parallel, Pakistan's backward transportation facilities and government debt deficit have become the main obstacles to China-Pakistan investment. The smooth progress of investment projects is inseparable from the development of a logistics and transportation network. The economic strength and debt capacity of the invest are important indicators for risk assessment, and Pakistan has long been in a state of high debt and fiscal deficits. Looking back at Pakistan's fiscal year 2017-2018, the pressure on government debt continued to increase, the rupee exchange rate fluctuated greatly, and the balance of payments was imbalanced. According to the debt report released by the National Bank of Pakistan (SBP), as of November 2019, the central government debt of Pakistan was Rs 32.1 billion, a month-on-month increase of 21.5%. According to data compiled by the International Monetary Fund (IMF), Pakistan's average fiscal deficit rate from 2010 to 2017 was 6.3%, which exceeded the international standard of 3%. The latest report released by the IMF in 2019 stated that Pakistan's government debt has risen to 88% of GDP, which would violate the Parliament's 2005 Fiscal Responsibility and Debt Limitation Act. The high government budget deficit and debt mean that Pakistan has a low debt solvency and an unstable economic situation. The turbulent investment environment will affect the rate of return on investment and bring about a crisis of confidence.

（2） Political security risks

- Unstable regional situation

Pakistan's national separatism and terrorism affect Pakistan's domestic situation, and these factors will also hinder the construction of the China-Pakistan Economic Corridor.

➢ Public opinion risk

Public opinion risk generally refers to the false information, negative information and rumors that the government and enterprises may face from all walks of life when they are engaged in social management and economic activities.

➢ The turbulent political situation in Pakistan

The unstable political situation in Pakistan brings great risks to investors.

➢ Cultural exchange risk

Pakistan is a multi-ethnic, multi-lingual, and multi-cultural federal country. The official language is Urdu. Many people in the China-Pakistani economy believe in Islam. Islam stipulates that drinking alcohol and pork are prohibited in public places, and there are different requirements for hands when eating food. In addition to language and customs barriers, the corporate management of local employees is also a major challenge.

5.3.3.2 China's Countermeasures of Pakistan's Economic Diplomacy

(1) Expand bilateral trade volume and vigorously develop cross-border e-commerce

China and Pakistan should expand the scale of trade, improve the structure of trade commodities, and deepen economic and trade cooperation. China should increase imports from Pakistan, reduce Pakistan’s trade deficit with China, and ease the difficulties of Pakistan’s unbalanced trade balance. While maintaining the export of their own superior products, the two countries increase innovation, technology investment, expand production scale, and reduce production costs. For example, China should add innovation to the seventh type of capital-intensive products represented by machinery and transportation equipment. Strengthen the export volume. Continuously leverage the advantages of the two countries’ all-weather strategic partnerships, optimize the construction of the China-Pakistan free trade zone, and issue preferential trade policies to further enhance the facilitation of China-Pakistan trade.

(2) Optimize the investment environment and strengthen information disclosure

Based on the construction of the China-Pakistan Economic Corridor, creating a safe and comfortable investment environment for Chinese investors is conducive to the steady progress of bilateral cooperation. The Pakistani government can introduce relevant incentive policies to speed up the construction of infrastructure, form an effective logistics and transportation network, and prepare hard conditions for further investment and operation. In terms of information acquisition, the Chinese and Pakistani governments should sign relevant agreements to stipulate the timeliness and authenticity of information release, so that investors can understand and carry out appropriate risk control management in a timely manner. When providing loans, conduct in-depth exchanges with companies to explain how to apply for funds, and reduce the company's uncertainty and sense of crisis in investment, and effectively ensure that companies have sufficient funds.

(3) Enhance bilateral cultural exchanges and reduce communication barriers

Due to language barriers, Chinese companies have also experienced many conflicts and faced many challenges in Pakistan. In order to overcome this problem, China can offer relevant courses in domestic colleges and universities, and both China and Pakistan can jointly establish an online course platform to form a Chinese-Pakistani language and culture learning platform and broaden the channels for learning Pakistani language and culture. To help companies quickly integrate into the local area, the Chinese government can contact local governments or religious organizations to increase communication efficiency and reduce unnecessary contradictions and conflicts.

(4) Strengthen international publicity to avoid malicious smear

Since the China-Pakistan Economic Corridor was put forward, the international community has had many doubts and false statements. The United States has also warned the International Monetary Fund many times that the loans obtained by Pakistan will only be used to repay China's huge loans. These false statements have seriously affected the friendship between China and Pakistan, and also distorted the true intentions of bilateral cooperation between China and Pakistan. The Chinese government and media should strengthen publicity and explanations, disclose investment details in a timely manner, and inform the international community, the Pakistani people and the Chinese people. explain clearly.

(5) Improve the security system and increase the corridor safety factor

The China-Pakistan Economic Corridor is located in an area with frequent activities of terrorist organizations, which poses a great challenge to the safety of the people of the two countries and the smooth development of the project. Therefore, the two sides should jointly fight against terrorism and jointly combat terrorist forces. Establish anti-terrorism monitoring and risk response mechanisms; private enterprises should also set up relevant risk prevention and control mechanisms.

5,4 Africa

Africa is the main direction and key area of China's "One Belt and One Road" initiative. The construction of a free trade zone on the African continent has many points of convergence with China's "One Belt and One Road" initiative. With the launch of the African Continental Free Trade Area since July 2020, the "Belt and Road" initiative and the African Continental Free Trade Area strategy have entered a new stage, and the cooperation between China and Africa has reached a historic high. Regarding the choice of the connection path, China has strengthened institutional communication with the African Continental Free Trade Area and its member states, which has promoted the construction of the China-Africa Free Trade Area; China continues to leverage its advantages in infrastructure construction, and the African Continental Free Trade Area's interconnection capabilities have been improved ; Digital Africa has become the priority direction of China-Africa cooperation; financial cooperation continues to expand, and the level of relevant supervision and coordination is gradually improved. At present, both China and Africa need to overcome the difficulties caused by the new crown epidemic and resolve the negative impact of the epidemic on the process of the free trade area on the African continent, the willingness of the free trade area members to implement the agreement, and international competition.

5.4.1 background of corporation

- China-Africa cooperation has a long history and is an example of international cooperation. In recent years, China-Africa cooperation has continued to innovate in cooperation models in response to the trend of globalization.
- With the establishment of the African Continental Free Trade Area (ACFTA), China-Africa cooperation has ushered in new opportunities. Africa is the main direction and key area of China's "One Belt One Road" initiative.
- At present, China has established strategic partnerships or comprehensive cooperative partnerships with 24 African countries, and signed cooperation agreements with 44 African countries and the African Union Commission to jointly build the “Belt and Road”.

5.4.2 Development model between China and Africa

- China's trade and investment with Africa is multi-field and comprehensive.

Africa's imports from China are mainly manufactured products, and the proportion of capital or technology-intensive products in manufactured products is increasing year by year; Africa exports Chinese products These are primary products, primary processed products and low value-added products, of which the proportion of low value-added products exports is slowly rising. After the establishment of the China-Africa Forum in 2000, China’s exports of elector-mechanical and high-tech products with higher technological content and added value have increased, accounting for half of the total exports to Africa; Manufactured products have entered the Chinese market one after another, and the export value has increased from 5.6 billion US dollars in 2000 to 11.17 billion US dollars in 2012. In summary, African and Chinese products are highly complementary. With the deepening of trade, the added value of African products exported to China is increasing, and the added value of Chinese goods exported to Africa is also increasing.

China's direct investment in Africa has grown rapidly, higher than the world average, and has provided greater support for the economic development of African countries. China's direct investment in Africa increased from US$0.75 billion in 2003 to US$3.202 billion in 2014, with an average annual growth rate of 36.73%. As of the end of 2014, China's direct investment stock in Africa was 32.35 billion U.S. dollars, accounting for 3.7% of the total foreign direct investment stock. China's investment in Africa's natural resources sector is relatively small, and investment in the service industry is dominant. About 60% of China's investment in Africa is concentrated in the service industry, and the rest is evenly distributed in manufacturing and natural resources. Chinese companies invest in skill-intensive industries in skill-rich countries, but invest in capital-intensive industries in capital-rich countries. In addition, China's investment in Africa is not limited to resource industries such as extractive industries, but is increasingly entering into clothing, retail, agriculture, fishery, food processing, and tourism industries to help African countries exert their comparative advantages beyond resources, to promote the comprehensive and balanced development of its economy.

- China's aid and investment in Africa is focused on infrastructure construction.

These areas are areas that other countries, especially developed countries, have neglected to invest in Africa in the past, but the increase in the endowment of infrastructure in the field of infrastructure is conducive to the long-term development of the African economy. African countries have obvious comparative advantages in undertaking labor-intensive industrial transfers. Giving play to their comparative advantages is an important measure for African countries to quickly change their economic backwardness and achieve economic growth. However, the backwardness of infrastructure in Africa has severely restricted the development of manufacturing. African governments need to increase investment in infrastructure in the course of economic development in order to provide a better external environment for the development of manufacturing. China has a comparative advantage in steel, cement, glass and other products required for infrastructure construction, as well as supporting production factors such as capital, technology, equipment, and management experience. This provides favorable conditions for China to make large-scale infrastructure investment in Africa.
Infrastructure investment in African countries has been severely inadequate. Taking the sources of funds for infrastructure investment in Africa in 2012 as an example, the total investment amount was US$89.271 billion, of which African government

investment was US$42.197 billion, accounting for 47.3%, and external public fund investment was US$39.163 billion. It accounts for 43.9%, and there is also a part of private sector investment of 591 million US dollars, accounting for 8.9%. In terms of infrastructure investment, the increased amount of African government funds is restricted by the country's economic development, and the growth is limited; the proportion of external public funds is as important as that of African governments, and there is room for further growth.

6, The impact of BRI

6.1 The impact of the Belt and Road Initiative on China's economic development:

(1) "One Belt One Road" is conducive to building a new pattern of opening up

my country's opening to the outside world has gone through several stages, including special economic zones, open coastal cities, then opening up along the rivers and borders, and finally towards full opening. Affected by factors such as geographic location, resource conditions, development foundation, etc., the development of opening up to the outside world is uneven, showing a pattern of fast east and slow west, strong sea and weak land.

Affected by this pattern of opening to the outside world, some new situations and new problems have gradually emerged in the domestic economic development, such as the complementary problem of urban and rural markets, the uneven development of the eastern and western regional ma of resources and environmental protection, and the development of coastal cities and inland. Disparity issues in underdeveloped regions, employment issues in the market, etc.

(2)"One Belt One Road" is conducive to optimizing China's economic development model

The “Belt and Road” plan is conducive to my country's better use of the international market, optimizing the economic development model, and realizing the transformation from the introduction of factors to the balanced development of factor output and input, that is, increasing capital, infrastructure construction, technology and related industries. At the same time as "going out", it also strengthened the introduction of resources, energy and high technology.

(3) "One Belt One Road" is conducive to promoting my country's economic transformation and upgrading

The "Belt and Road" strategy can effectively promote the sustained, rapid and healthy development of China's economy by opening up to the outside world, participating in international division of labor and cooperation, improving the quality of domestic products and improving the service system, and developing foreign trade and economic and technological exchanges.

Specifically, the “Belt and Road” initiative provides a broader space for industrial transfer and resolution of excess capacity in the eastern region of my country; promotes the regional transfer of low-end manufacturing; stimulates the investment and construction of infrastructure in the central and western regions; and promotes the optimization of foreign trade structure in coastal areas; Expand economic and trade cooperation with countries along the route; enhance the international competitiveness of relatively mature industries such as electric power, high-speed rail, engineering, machinery, and automobile industries.

In the end, the economic and trade cooperation and economic exchanges with countries along the route will promote economic transformation and upgrading, and steadily promote the intensive growth of my country's economic quality and efficiency.

(4) The “Belt and Road Initiative” is conducive to innovating the way my country participates in world economic cooperation

The "Belt and Road" initiative will bring multi-industry chains and multi-industry investment opportunities to my country's capital market through progressive large-scale infrastructure construction, resource and energy development and utilization, and all-round trade and service exchanges.

Through the construction of the BRICS Development Bank, the Asian Infrastructure Investment Bank and the Silk Road Fund, the scope and scale of bilateral currency swaps and settlements of countries along the route can be further expanded, promote the opening and development of bond markets in Asia and the world, and increase the international participation and participation of my country’s financial business. The right to speak.

This will not only expand space for China's sustainable economic development, expand room for maneuver, and reduce trade frictions with developed countries, it will be more conducive to the complementary advantages of countries along the route under the concept of mutual benefit and win-win results, and ultimately promote the steady economic development of countries along the route.

6.2 The impact of the "One Belt One Road" strategy on the world investment landscape

(1) Promote investment in countries along the route

Among the countries along the route, Russia, the five Central Asian countries, Mongolia and other countries have expressed their positive attitudes in responding to and participating in specific project cooperation through bilateral visits; leaders of Belarus, Ukraine and other countries have expressed their willingness to actively build the “Belt” in the fields of transportation and play Their own geographical advantages; ASEAN countries express their support for the "One Road" through practical actions to promote the creation of an upgraded version of the China-ASEAN Free Trade Area; India, Maldives, Sri Lanka, Australia and other countries have expressed their active and deep participation in the construction of the "One Road" The president of the Egyptian African Association welcomed the inclusion of Africa in the scope of the “Belt and Road” construction; officials from France, Italy, Poland, Spain and other countries said that the “Belt and Road” is in the long-term interests of all parties. The continuous strengthening of trade and investment exchanges between countries in the promotion of the "Belt and Road" initiative has provided a strong impetus for the increase in investment worldwide.

(2) Establish a long-term investment and financing platform

The reality facing the construction of the “Belt and Road” is that developing countries are still facing great difficulties in their development, the most important of which is insufficient funds. The BRICS Development Bank, the Silk Road Fund and the Asian Infrastructure Investment Bank are the most important investment and financing platforms to solve funding problems.
Among them, the BRICS Development Bank and the Silk Road Fund have provided important financial support for all aspects of investment in countries along the "Belt and Road", which has profoundly affected the world's investment landscape. The intended founding member countries of the Asian Infrastructure Investment Bank are determined to be 57, including 37 intra-regional countries and 20 extra-regional countries, covering major Western countries except the United States, Japan and Canada, and most countries in the Asia-Europe region, with members all over Five continents. Other countries and regions can still join the AIIB as ordinary members in the future. Obviously, the AIIB has not only served the construction of the “Belt and Road”, but has expanded its investment and financing goals to a global scale, which will inevitably affect the world investment pattern, especially the amount of foreign investment that countries along the “Belt and Road” attract And the amount will increase significantly.

(3) China's rising position in the world investment landscape

China has a strong desire to export capital and infrastructure capacity. The construction of the “Belt and Road” can open the door to the infrastructure needs of emerging economies and developing countries, and provide strong capital support and strong technical support for infrastructure construction in emerging markets such as Asia-Pacific, Africa, and Latin America. This will effectively complete domestic supply. Provide effective docking of overseas demand and achieve a win-win situation. In 2014, China's foreign direct investment exceeded US$100 billion for the first time, reaching US $102.9 billion, a year-on-year increase of 14.1%. In the next step, China will focus on integrating the "One Belt, One Road" strategy, further increase foreign investment, and encourage the transfer of advantageous industries and surplus production capacity to countries along the route. In terms of foreign investment, in 2014, China's growth rate of foreign investment was higher than that of some major economies such as the United States and Europe, and it has maintained its status as the largest foreign investment destination in developing countries for 23 consecutive years. Whether attracting foreign investment or foreign investment, China has played an important role. After the “Belt and Road” strategy was put forward, China’s intention to invest abroad has become stronger and its attraction to foreign investment has also increased. As a result, China’s position in the world investment landscape has also increased higher.

7. Prospects for the development of China's foreign investment in the future

(1) Global cross-border investment supervision has become stricter, and developed countries generally raise investment barriers

In the past two years, the global cross-border investment policy environment has undergone significant changes under the influence and drive of major adjustments to the US strategy. Protectionism and anti-globalization trends in some major developed countries are on the rise, and foreign investment reviews have been strengthened on the grounds of protecting national security, and investment access reviews in specific fields or countries have become stricter, especially for various non-governmental organizations directly or indirectly targeting Chinese companies There are more and more transparent clauses. In this context, resistance to the flow of global capital and innovation factors between developing countries and some developed countries such as the United States and Europe has increased significantly. Chinese companies are facing greater resistance to overseas advanced technology acquisitions and domestic production transfers in developed countries. National security, labor, exchange rate, and environmental restrictions or barriers to investment in developing countries may also be further increased. Especially with the intensification of the China-US economic and trade game, the host country barriers faced by Chinese companies' overseas investments have become increasingly prominent. Some developed countries in Europe and the United States have significantly increased restrictions on investment and trade cooperation between Chinese companies, and there is greater resistance to the development of high-end markets. The United States, the European Union and other developed countries and economies impose various forms of restrictions on the investment and trade of Chinese companies, such as continuous anti-dumping and countervailing investigations in steel and photovoltaic industries, and restrictive measures against high-tech mergers on the grounds of national security. Bringing new uncertainties to Chinese companies' "going out" global deployment. Among them, the series of US sanctions have shown a trend of normalization, precision, and intensification. With the continuous escalation of the economic and trade game between China and the United States and entering the "new normal", the United States has shown a clear trend of comprehensive containment of the development of China's high-tech fields, sanctions ZTE, blockade Huawei, and put a series of Chinese high-tech companies on the entity list and prohibits related companies The purchase of electronic components and other products from the United States poses challenges for Chinese high-tech enterprises to "go global."

(2) China's global influence is steadily increasing, and the competition for the right of international public opinion is becoming increasingly fierce

Since the implementation of the "Going Global" strategy, especially since the "One Belt One Road" initiative was put forward, more and more Chinese companies have actively participated in international economic competition and cooperation through multinational direct investment, making positive contributions to promoting the economic growth of the host country and expanding local employment. contribution. Since 2013, overseas Chinese-funded enterprises have paid a total of more than 100 billion U.S. dollars in taxes to the countries where they invest. As of the end of 2017, overseas Chinese-funded enterprises employed more than 1 million foreign employees. Overseas industrial parks invested by Chinese companies have developed vigorously, which has greatly improved the industrialization level of relevant countries. China's agricultural technologies and products are applied in more than 150 countries and regions, making an important contribution to the increase of its grain output. The world's leading technologies such as China's high-speed railways, plateau-alpine railways, and heavy-haul railways have strongly supported the construction and improvement of relevant national infrastructure. China's global influence, charisma and shaping power will continue to increase, related initiatives and positions are widely recognized by more countries and regions, and Chinese investment is welcomed by more and more developing countries.

As China's influence in relevant countries has steadily increased, some countries worry that China's rise and the construction of the “Belt and Road” will touch their own interests and weaken their influence in relevant countries or fields. In order to restrict China's influence, many media and institutions maliciously smeared China's overseas projects in terms of debt sustainability and labor employment, in an attempt to divorce cooperation between developing countries and China. International public opinion and rules surrounding the “Belt and Road” are increasingly competing for the right to speak. Various “China threat theories,” “debt trap theories,” and “neocolonialism” are all clamoring, which has greatly affected the normal operation of some Chinese companies’ overseas investment projects. Great interference. It can be expected that the confrontation of these discourse systems will accompany the reform of global economic, trade and investment rules, and will continue to compete for a long time in the future.

(3) The internationalization of Chinese standards urgently needs to be accelerated

For many years, China has been actively participating in the formulation of international standards in many fields, and the internationalization of standards in railways, communications, shipbuilding and other fields has also made great progress. However, in general, the standard rules "subject to others" are still affecting Chinese companies' foreign investment Important bottleneck. In the fields of infrastructure, energy, and engineering contracting, most of the core standards are firmly in the hands of relevant companies in Western countries, and industry standards are constrained by others and become the most important "stuck neck" factor for Chinese companies' foreign investment. Although China has become the largest foreign engineering contracting country, the projects built mainly adopt the technical specifications and standards of developed countries in Europe and America. The domestic industry standards have a low degree of international recognition, which has severely weakened the international competitiveness of Chinese engineering contracting enterprises. Take the electric power industry as an example. Although the technological level of China's electric power industry has reached the world's leading level, most of the relevant standards also meet or exceed the requirements of international standards, but because of the low degree of internationalization of Chinese standards, they are often forced to adopt them in the process of "going out" Other standards have weakened the international competitiveness of Chinese power companies. In the integrated circuit industry, due to the imperfect domestic standard system, the work of standardization exchange, mutual recognition and standard comparison with Europe, America, Japan, South Korea and other countries is time-consuming and labor-intensive, and the incompatibility of standards between countries affects the scale and efficiency of integrated circuit multinational cooperation .

With the continuous expansion of Chinese enterprises' “going global” scale, the compliance pressure of transnational operations continues to increase. With the increasingly serious manipulation of “rules” and economic politicization in some Western countries, in addition to anti-commercial bribery, various fields including anti-money laundering, anti-monopoly, data protection, and anti-financial fraud have been included in the scope of compliance. The regulatory system has become an international rule that multinational companies must abide by. In this context, large multinational companies have built a compliance system to improve their ability to prevent compliance risks. Chinese companies have high compliance risks and are frequently sanctioned by relevant countries, which has become a stumbling block restricting their overseas sustainable operations. Especially with the continuous expansion of the "long-arm jurisdiction" of the United States, various "entity lists" with obvious political colors have become important means to suppress the development of Chinese multinational enterprises, and they are also the focus of the China-US game.

(4) The investment situation in different industries is divided, and the development of cross-border professional services accelerates

In terms of sub-industry, infrastructure, resources and energy, equipment manufacturing, and light industrial building materials are still the key areas of Chinese enterprises' foreign investment. At the same time, foreign investment in emerging industries has also flourished in recent years. Infrastructure investment is still an area of advantage, and the development momentum in the "Belt and Road" countries is good, and it will drive related equipment manufacturing and export. In 2019, the value of newly signed foreign engineering contracting projects by China was US$2602.5 billion, a year-on-year increase of 7.6%. Among them, the value of newly-signed foreign project contracts with countries along the "Belt and Road" was US$15.489 billion, accounting for 59.8% of the total amount over the same period, a year-on-year increase of 23.1%. Resource and energy investment is always an important direction, and the optimization of the global layout structure is the core trend. For example, Chinese companies have accelerated their investment in Latin America. Driven by two large-scale mergers and acquisitions in Peru and Chile in 2019, overseas investment in power and public utilities has increased by 121.8% against the trend. Manufacturing investment helps to improve the level of industrialization in the host country. The textile, light industry and other overseas manufacturing industrial parks built by Chinese companies are being welcomed by more and more countries. In addition, Chinese Internet capital and models represented by Tencent, Meituan, and Didi have spread to Southeast Asian countries in recent years. Many Chinese Internet models have rapidly replicated and developed locally, promoting the rapid growth of Southeast Asia's Internet economy and unicorns. Enterprises have risen in batches in Southeast Asia, and the Internet economy has become a new force in China's foreign investment in the new era. At the current stage, the rapid development of foreign investment has brought huge market demand for cross-border professional services, and China's domestic cross-border financial, accounting, legal and other professional services are underdeveloped, which severely restricts the development of foreign investment. On the whole, domestic financial institutions have low international competitiveness, and the cross-border financial services that can be provided to enterprises are very limited. It is difficult for companies to effectively revitalize their overseas assets, and domestic financing channels are very limited. Problems such as financing difficulties and high financing costs are still the core bottlenecks hindering companies' overseas investment. Compared with countries such as the United States and Japan, the country has not issued special laws for foreign investment, the functions of related institutions are relatively scattered, the development of professional service institutions is seriously insufficient, and the cross-border business development of professional service institutions such as understanding of the actual local laws, accounting, and consulting of Chinese companies is lagging behind. Therefore, it is necessary to accelerate the reform of relevant systems and mechanisms, actively promote the international development of financial institutions, accelerate the development of cross-border professional services, and provide important support for the high-quality development of Chinese enterprises' foreign investment.

(5) The new crown pneumonia epidemic brings uncertainty

The global spread of the new crown pneumonia epidemic has severely impacted the global economic system, and has also brought new uncertainties to the development of China's foreign investment, and the host country's operational and policy risks have increased significantly. First, overseas project management personnel and labor personnel are affected by domestic isolation or immigration control, and related exchange and cooperation mechanisms are hindered; second, overseas project equipment or raw materials imported from domestic goods trade is controlled, and project implementation progress is affected; third, some host countries The spread of the epidemic has caused economic and social turmoil, and brought new threats to the sustainable operation of the project and the safety of personnel stationed abroad; fourth, anti-Chinese forces in some countries may take advantage of the problem to introduce policies that are not conducive to Chinese enterprises, and personnel stationed abroad are discriminated against. The uncertainty of China-US economic and trade frictions and the global spread of the new crown pneumonia epidemic has further increased the potential risks and uncertainties of China's foreign investment. In order to meet the needs of domestic market construction after the epidemic, Chinese companies will reduce their foreign investment resources and suspend their foreign investment. Since 2017, affected by comprehensive factors at home and abroad, the scale of overseas investment by Chinese companies has decreased for three consecutive years. The downward trend of China's foreign investment in 2020 will continue, and the overall decline will be affected by the development of global epidemic prevention and control in the second half of the year.

8, Conclusion

The scope of cooperation under the “Belt and Road Initiative” has continued to expand and the areas of cooperation have become broader. It not only brings tangible cooperation dividends to all parties involved, but also contributes to the world the wisdom and strength to deal with challenges, create opportunities, and strengthen confidence.
The “Belt and Road Initiative” provides a new path and direction for global governance. The “Belt and Road” initiative has created new international mechanisms such as the Asian Infrastructure Investment Bank, the New Development Bank, and the Silk Road Fund in response to the practical problems in the development of various countries and the shortcomings of the governance system.
This can alleviate the problem of today’s global governance mechanisms that are difficult to adapt to actual needs, and to a certain extent change the shortage of public goods, boost the morale and confidence of the international community to participate in global governance, and at the same time It can meet the actual requirements of developing countries, especially emerging market countries, to reform the global governance mechanism, greatly enhance the voice of emerging countries and developing countries, and is a major breakthrough in promoting the development of the global governance system in a more just and reasonable direction.

In the new era, we must not only study and judge opportunities, but also do a good job in risk assessment and control, strengthen risk early warning mechanisms, and promote the healthy and sustainable development of the relevant beneficiaries of the “Belt and Road” initiative.

During the writing of this paper, many things happened, including the whole world and my family. The Covid-19 virus ruthlessly swept the world and brought a huge impact to the whole world. We were unable to attend classes normally, but the school, the professor I have given us a lot of help so that we can continue to complete our studies. Thanks very much to my prof. Luigi Benfratello. He is very knowledgeable, talented and very kind. He has given me a lot of help. I really appreciate him . I also want to thank my lovely classmates and hope that we will continue to work hard together in the future. And my family members, I hope my parents are healthy and happy. This is my greatest wish.

[1] Huo Jianguo. The "One Belt, One Road" strategic concept has far-reaching significance[J]. People's Forum, 2014,(10): 33-35.
[2]. National Development and Reform Commission: "China's Foreign Investment Report", People's Publishing House, 2017 edition.
[3]. Zong Fangyu: "Global cross-border investment policy changes, impact and China's countermeasures", "International Trade", Issue 3, 2019.
[4]. State Council Information Office: "China and the World in the New Era", September 27, 2019.
[5]. Wang Xiaohong: "Analysis of the International and Domestic Environments Faced by China's Economic Growth and Development", "Emergence", Issue 10, 2019.
[6]. Zhong Shan: "Strive to Promote Opening to the Outside World at a Higher Level in the New Era", "Seeking Truth", Issue 22, 2019.
[7]. Yang Ting, Chen Zhaoyuan, Han Xiangtong: "Characteristics, Trends and Prospects of China's Foreign Direct Investment in 2019", "International Economic Cooperation," Issue 1, 2020.
[8]. Liu Yuanchun: "The outbreak of the world epidemic may cause a deep recession in the global economy, and China's economic policy needs to be readjusted", "21st Century Business Herald," March 21, 2020.
[9] Cheng Yunjie: Research on the promotion of China-Pakistan trade development under the background of the “China-Pakistan Economic Corridor”, South Asian Studies Quarterly, Issue 2, 2015, pages 94-101.
[10] Wang Rui: "Troika" to promote China-Pakistan economic and trade cooperation, China-Pakistan Economic and Trade Cooperation Special Issue, 2015 C2 edition.
[11] Yan Hailong: The development trend of China-Pakistan trade, Open Herald, Issue 3, 2015, pages 56-59.
[12] Yin Yonglin: Research on the Development of China-Pakistan Commodity Trade, South Asian Studies Quarterly, 2015, Issue 1, pp. 55-59.
[13] Wang Peng: China-Pakistan Economic Corridor: The flagship of the "One Belt One Road", Chinese foreign investment, 2015 Issue 6, pp. 15-17.
[14] Yao Jingmin and Wang Yanfang: An Empirical Analysis of the Influencing Factors and Trade Potential of China-Pakistan Trade, Xinjiang Agricultural Economy, January 2015, pages 36-39.
[15] Yuan Jianmin: The Strategic Significance and Countermeasures of the China-Pakistan Economic Corridor, Xinjiang Social Science Forum, Issue 1, 2015, pages 25-36.
[16] He Meilan: The Economic and Foreign Policy of the Sharif Administration and China-Pakistan Cooperation, South Asian Studies Quarterly, 2014, Issue 1, pp. 76-79.
[17] Li Qingyan: China-Pakistan Economic Corridor: A New Starting Point for Pragmatic Cooperation, Economic Observation, September 2013, pp. 51-53.
[18] Zhang Yan: What does the China-Pakistan Economic Corridor bring to China-Pakistan economy and trade, China Economic Weekly, Issue 16, 2015, pages 72-74.
[19] Dingjun: The China-Pakistan Economic Corridor focuses on energy and electricity to benefit the surrounding area economy, Land Bridge Vision, 2014, Issue 21, pages

80-81.
[20] Deng Haiyan, Chen Xiaoxue, Zhou Meifang, Hu Ruifa: The fluctuating development of Pakistan's economy and its causes, Foreign Economic Relations and Trade, 2013, Issue 9, pp. 41-43.
[21] Li Dawei: "Silk Road Economic Belt": Strategic Connotation, Positioning and Ways to Realize, Journal of Xinjiang Normal University, 2014, Issue 4, Pages 1--10

[22] Zhang Fuxin, Li Guodong: The Strategic Significance and Measures of the "Silk Road Economic Belt", Xinjiang Agricultural Reclamation Economy, Issue 8, 2014, Pages 30-34
[23] Sushil Kumar, “Power and Power Cycle Analysis of India, China and Pakistan in Regional and Global Politics,” Journal of International Political Science Review, Vol.24, No.3, 2013, p.411-423.
[24] Gulshan Sachdeva, "India’s Attitude towards China’s Growing Influence in Central Asia," China and Eurasia Forum Quarterly, Vol.4, No.3, 2006, p.23-34.
[25] Abdul Jalil and Ying Ma, "Financial Development and Economic Growth: Time Series Evidence From Pakistan and China," Journal of Economic Cooperation, Vol.29, No.2, 2008, p.29-68.
[26] Ying Ma and Abdul Jalil, "Financial Development, Economic Growth and Adaptive Efficiency: A Comparison between China and Pakistan," Journal of China and World Economy, Vol.16, No.6, 2008, p.97-111.
[27] Ishida Masami, "Evaluating the Effectiveness of GMS Economic Corridors: Why is There More Focus on the Bangkok-HanoiRoad Than the East-West Corridor?" Institute of Developing Economics, Vol.10, No.123, 2007, p. 1-14.
[28] Jing-dong Yuan, "the Dragon and the Elephant: Chineses-Indian Relations in the 21st Centuty," the Washington Quarterly, Vol.30, No.3, 2007, p.131-144.
[29] Muhammad Arslan, "Unemployment and Its Determinants: A Study of Pakistan Economy (1999-2010)," Journal of Economics and Sustainable Development, Vol.5, No.13, 2014, p.20-24.
[30] Maddaremmeng A. Panennungi, "Transnational Dynamics in Southeast Asia: The Greater Mekong Subregion and Malacca Straits Economic Corridors," Journal of Bulletin of Indonesian Studies, Vol.50, No. 3, 2014, p.495-497.
[31]Wang Yan; Partner of Ernst & Young Financial Transaction Consulting Services, "Analysis of Financing Models of "One Belt One Road" Overseas Infrastructure Projects"
[32]Wen Rui, World Economy and Trade, HeNan Academy of Sciences, China.