THE ESTABLISHMENT OF SUSTAINABLE DEVELOPMENT AID/ FINANCING SYSTEM UNDER BELT AND ROAD INITIATIVE (BRI)

1 Yang Shilong , 2 Dr Muhammad Iqbal shaharom , 3 Dr Dhakir Abbas Ali .

Faculty of Business and Accountancy, Lincoln University College, Selangor 47301, Malaysia;

Abstract

The Chinese economy is moving away from investment/export-driven growth and toward consumption/local demand-driven development. In recent domestic-oriented economic stages, what part is China's opening-up strategy expected to play? This isn't only a method for China to get foreign money and technology; it's also a tool for it to boost its position in international ascendency. The "Belt and Road" initiative, unveiled by General Secretary Xi Jinping in 2013, is generally considered as a great policy for China's next spell of reforms. The study strives to place the "Belt and Road" in the context of China's open-up strategy, highlighting its increasing significance in regulating main international economic establishments across the globe. This study also stresses the necessity for BRI members to establish a mutual aid/funding system. The article's first part examines China's responses to the world's main economic regimes. The second element of the BRI represents the aim and development of China's opening-up strategy. China's development aid/finance in the BRI, as well as its attitude toward international frameworks, are used as case studies in the third part. The fourth section, which uses the gravity model from an international economic perspective, discusses the BRI's trade connections with member countries. According to the findings, building a successful BRI investment and finance system requires government and private business sector for cross-border financial collaboration. It emphasized the need of establishing international and regional financial hubs for the investment and finance of BRI member countries.

Keywords: Sustainable, Mutual aid, financing system, BRI

1. Introduction

China's opening-up strategy, which began in the 1970s, resulted in the creation of an economic miracle, with huge increases in exports and massive inflows of foreign direct investment (FDI). All around this period, foreign businesses have played a significant role in establishing the Chinese economy. According to Micheal J. Enright's (2016) economic effect study, foreign businesses accounted for 33 per cent of GDP and 27 per cent of employment from 2009 to 2013, on average, when coupled with domestic suppliers and domestic workers' consumption expenditure.

Though, China now has a rising "double surplus" in the capital and current accounts, thirty years later. Excess liquidity, extreme investment/production, rising asset values (salaries, land prices, resource prices, and currency rates), and external trade frictions all contributed to the unfavorable consequences that eventually appeared (Ohashi, H.) (2015). As a consequence, China is trying to shift away from investment/export-led growth and toward consumption/domestic-led demand growth. While pursuing an export-oriented development strategy, China aims to obtain foreign exchange and technology on a mutual basis. The Chinese opening-up strategy is entering a new stage as a result of the continuous shift in the growth model, and attempts are now being made to adapt the economic structure and existing sectors by moving production components to domestic provinces and other nations. Under the current conditions, China is progressively expanding its obligations to global governance of various complex systems.

At this crucial juncture, General Secretary Xi Jinping's leadership is constructing a dynamic and vibrant environment of economy known as the "new normal," which seeks to soothe rather than pursue rapid growth. In 2013, Xi Jinping presented the "Great Revival Dream" and started the "Belt and Road" project. It is now considered to be the grand blueprint for China's opening to the outside world, and has been included in the "13th Five-Year Plan" (2016-020) and the 2017 Party Constitution of the 19th National Congress of the Communist Party of China.

- How will the BRI affect China's opening-up strategy?
- How will the BRI affect the global economy and the international financial structure?
- What is the connection between global governance and the BRI?
- In terms of global commerce, investment, and finance, what approach has BRI chosen for BRI member economies?
- How is BRI connected to global commerce and the international economic system, necessitating a BRI investment and financing structure?

The following is the article's structure. The second section looks at the main international economic regimes as well as China's reaction to them. The 3rd part examines China's ties with the member nations in "Belt and Road." The 4th part will look at China's stance toward the international economic system, also the "Belt and Road" initiative. The research finds that the financial collaboration with bordering countries particularly amid governments and businesses is critical for establishing a BRI's prosperous investment and financial system. More emphasizes is on the need of establishing a regional framework in the "Belt and Road" investment and finance system by using regional and international financial hubs.

2. Strengthen China's Allegiance to Global Governance

2.1. China's regional and global economic order

With a nominal GDP of more than US$10 trillion, China has surpassed the United States as the world's second biggest economy (Nicolas, F. 2016). This is bigger than Japan and Germany, the world's third and fourth biggest economies, put together. China already possesses the world's biggest economy, according to purchasing power parity (PPP), which measures the relative worth of various nations' currencies. How China uses its immense economic might to have a significant influence on the global economy.

China's opening-up strategy is heavily affected by its foreign policy strategy. China has traditionally prioritized bilateral ties between independent nations in its diplomacy. Following the development of the *"Asia-Pacific Economic Cooperation (APEC)"*, *"World Trade Organization (WTO)"* membership negotiations, and liberalization of the Asian currency crisis, trade and investment facilitation in the 1990s, China's negotiations have entered a new field of economic diplomacy (Goh, E. (Ed.). 2016). China's only choice is to participate in international diplomacy since economic diplomacy is seldom suitable for bilateral relations.

Since entering the WTO, China has increased its external openness and articulated its views on the current global economic system. China's aim now is not to create a new global economic system, as the Maoists predicted in the 1970s. Except for the early creation of key international organizations and institutions following its openness to the world, especially after WWII, the P.R.C. has not contributed; it has no option but to adapt to the existing multilateral system. As a result, as China progresses down the road to becoming a global economic power, it seems to be at odds with current international institutions.

2.2. Challenges to the International Economic Order

In "Research on the Development Strategy of China's Foreign Trade after the Crises," the *"Ministry of Commerce's Research Institute"* recognized the change in China's economic policy of opening-up after the breakdown of Lehman Brothers (Breslin, S. 2013). Additionally, this research explicitly says that the trade expansion in improving the quality and encouraging the many-sided economic cooperation regionally. After the breakdown of Lehman Brothers, it was recommended that economic policy of China has moved from being a passive player in global labor division to be a leader and became world leader in the creation of world economic order (Kennedy, S., & Cheng, S. (Eds.). (2012). The research advocates for taking aggressive steps to create international trade regulations, leading regional integration and globalization, and increasing the effect on the growth of major commodity prices.

China maintains this space on economic policies regarding international trade as it has been incapable to effect considerable changes in current multifaceted frameworks while still contributing to the global economy after the Lehman Brothers collapse. This position has hampered China's ability to raise its worldwide profile; instead, it has been irritated by the fact that it is not engaged in the pricing of natural resources while having a large need for them.

2.3.Chinese Commitment to Multilateral International Regimes

China has developed various metrics of "exit, speak, and allegiance" to the present main multifaceted system based on the "hardness" and adjustment costs of each system (Ohashi, H. (2015). In terms of the more difficult international economic systems, for instance, trade and currency, China's establishment of a new multifaceted system and recognition of the existing system are basically out of the question, given the enormous expense of order reconstruction. As a result, China seems to be attempting to decrease the anticipated requirements in the wake of new guidelines whereas retaining and extending the effect of the creation of new global norms, regulations, and guidelines.

2.3.1. International Trade Regime: the G7 within the WTO

China joined the *"General Agreement on Tariffs and Trade (GATT)"* in 1986 and the *"World Trade Organization (WTO)"* in 2001. Succession to the WTO signifies that China has gained widespread recognition from the international world, which seems to be more significant in terms of international politics and diplomacy (Sutter, R. G. 2012).

China's admission to the WTO, on the other hand, has much larger economic implications. China's international trade has risen at a pace of 20-30% each year since entering the WTO (Luolin, W. (Ed.). 2015). Since 2009, China has become the world biggest exporter and second biggest importer by surpassing the United States. With the joining of WTO, in the late 1990s, China's FDI increased in 2002 by US Dollars 50 billion, and in 2010 by US $ 100 billion, making it the world's second-biggest receiver of FDI (Siddiqui, K. (2015).

In July 2008, the WTO convened an unceremonious conference of ministers, and China became an active participant as biggest exporter in the gathering of main fellow nations, forming the Group of 7 (Iacovides, M. (2020). From the date of joining, China remained as energetic participant of international trade systems, regulations, as well as support for highly indebted nations, development aid, and international organization reform. In addition, China has surpassed the United States as the second major WTO contributor since 2015. China is working hard to maintain and improve its international standing. As a result, China aspires to join the main member conference and places a premium on developing leadership inside the WTO system (Ibid: 321).

2.3.2. International Currency Regime

The undervaluation of the Chinese currency, the renminbi (RMB), is often cited by the US as a significant contributor to China's trade surplus. The Schumer-Graham bill was presented in the US Congress in 2005, proposing a 27.5 per cent tariff on Chinese imports until the RMB exchange rate recovers. China began currency changes to explain its RMB appreciation strategy in July 2005. Certainly, the decision taken by the People's Bank of China has not been influenced by American pressure. China experienced a surplus liquidness issue that resulted in the rise of a rise in the surplus of its current account and increase in foreign reserves by the mid of 2000s. For economic management, changing the exchange rate is seen to be an effective policy instrument for reducing inflation. As a result, between 2005 and 2015, the renminbi appreciated by about 50%. During the IMF-China annual meetings in May 2015, the IMF (2015) declared that the RMB will not be underrated.

During 2015, the global economy and stock and currency markets simultaneously experienced a simultaneous recession (UNCTAD, 2017). The money market's disorder is caused by a lack of dialogue with the market; for the renminbi to join the "International Monetary Fund's Special Drawing Rights (SDR)" basket (which includes the US Dollar, Euro, Yen, and Pound Sterling), it must first join the SDR basket (which includes the US Dollar, Euro, Yen, and Pound Sterling). SDR basket currencies were required to explain the criteria. The first is the size of exports during the previous five years, and the second is whether or not the currency is easily usable. Although it was decided unequivocally in October 2015 that the RMB will become one of the SDR's constituent moneys in October 2016, there are worries about the second standard. In these conditions, China positioned a renewed importance on leading the international monetary system.

3. Relationship between China and "Belt and Road" Participating Countries

3.1. BRI Concept, Practice and China's contribution

President Xi Jinping of China launched the Silk Road Economic Belt in September 2013 and the 21st Century Maritime Silk Road in October 2013, becoming the "One Belt and One Road" project. The initiative has gotten a lot of attention from the worldwide community and has had a lot of good feedback from nations who are convoluted. It's a hybrid of today's needs with the historical emblems of the old Silk Road. In addition, this endeavor seeks to foster regional cooperation, enhance civilizational exchanges, and preserve global peace, security, and stability. It demonstrates that China, as the world's biggest developing country and second largest economy, has significant responsibility for advancing international economic governance in the direction of a fair, just, and balanced system.

BRI is regarded as a counterbalance to the United States' "rebalancing policy." Simultaneously, some in China questioned the “Westward” policy, which is a continuation of the “Western Development” approach (Chan, H. K., Chan, F. K. S., & O'Brien, D. (Eds.). (2020). If we expand our development in the Asia-Pacific region, we will be forced to engage in conflict with the United States. The concept of expanding the Eurasian region and establishing new markets will result in a positive relationship with the United States. Following Britain's departure from the European Union, or Brexit, and the election of Donald Trump, China's perceptions of the US on the universal ideals embodied by Western democracy have shifted significantly.

3.2.Overview of BRI

In 2013, President Xi Jinping declared the "Belt and Road" project to be a key strategic component of China's "going out" policy (M. M. Alam, 2014). The initiative is based on China's historic "Silk Road Spirit" idea, which encourages all nations to work together for peace, openness, tolerance, shared learning, mutual benefit, and win-win outcomes. The “Belt and Road” initiative is generally considered as a game changer for Asia's, Europe's, and Africa's inland economies. The "Belt and Road" is a road and rail network linking western China and Western Europe that extends via Central Asia, Iran, Turkey, Russia, the Caucasus, and the Balkans. The "21st Century Maritime Silk Road" seeks to link China with South Asia, Southeast Asia, the Middle East, Africa, and Europe through the South China Sea, the Indian Ocean, and the Mediterranean, in addition to uniting Eurasia on land (Pencea, S. 2017; Rolland, N. 2017). Six economic corridors are being developed by the Chinese government: 1) China-Pakistan Economic Corridor; 2) China-Indochina Peninsula Economic Corridor; 3) Bangladesh-China-India-Myanmar Economic Corridor; 4) China-Mongolia-Russia Economic Corridor; 5) China-Central Asia and Western Asia Economic Corridor; 6) and the new Eurasian Continental Bridge (Luft, G. 2016; Lehmacher, W. 2016). Rolland (2017) stated that infrastructure for transportation, according to Chinese authorities, is "the first stage in establishing an economic corridor that will connect the landlocked economies of the Eurasian hinterland and bind them more closely to China".

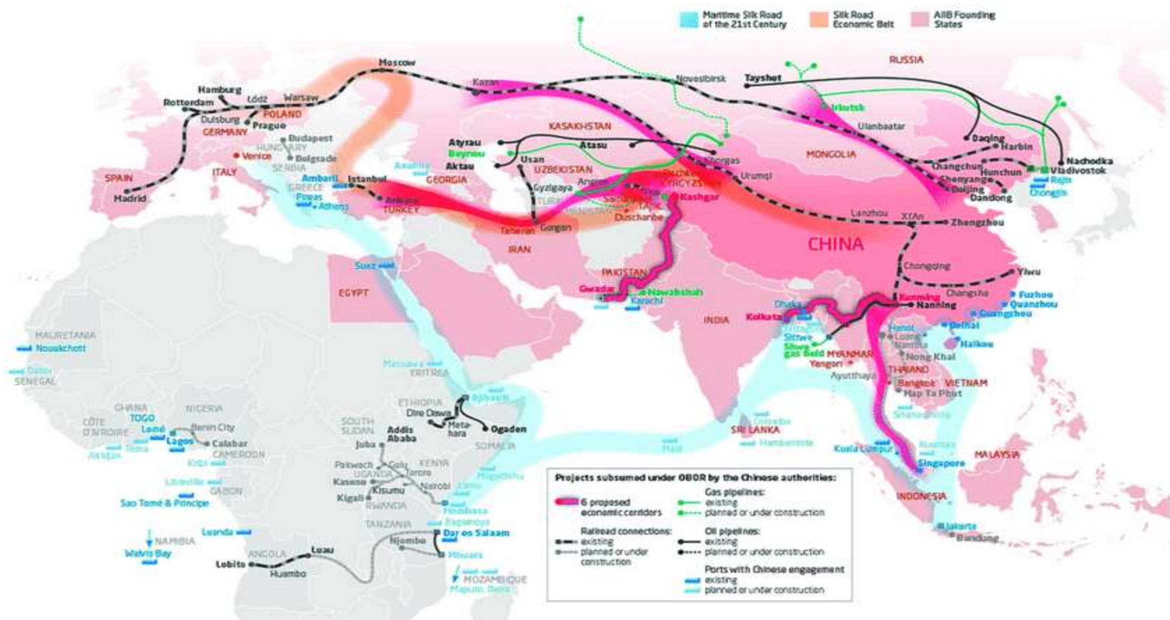

Figure 1. The Map of China's Belt and Road Initiative (BRI) (Source: Mercator Institute of China Study, 2015)

The tactical significance of the BRI to China may be seen in the $1 trillion investment made to kick off the initiative in 2013. Furthermore, this project has drawn US$8 trillion in funding to help nations participating in the BRI improve their infrastructure, particularly in Asia. To achieve worldwide legitimacy, by the end of 2017, China encompassed the "Belt and Road" initiative in its composition (Yağci, M. 2018). Chinese academics think that the "Belt and Road" project will result in more than physical expansion; it also yielded in policy and cultural exchanges across nations. It would encourage infrastructural connections, unfettered trade, and reduced financial aid to poor nations, all of which will advance the image of China as new global power. In reality, developing an inclusive communication and connectivity strategy that includes *"everything from politics to banking, infrastructure and commerce to culture and religion to build economic cooperation zones and cultural exchange centers"* has remained a Chinese plan (Sutter, R. G. 2012).

China has significant capability in the development of infrastructure and managing finances, with over and reserves in the shape of foreign currency about US$ 3.5 trillion. As a result, the "Belt and Road" project assurances large-scale infrastructural expansion, laying the groundwork for the region's economic and industrial prosperity. The "Belt and Road" initiative encompasses 70 per cent of the population of the globe, 75 per cent of the reservoirs of known energy, and, 25 per cent of world's business, and 55 per cent of world's GDP.

It is, nevertheless, necessary to evaluate China's rhetoric on win-win results and all-party interests. The essay conducts a thorough examination of the BRI framework and offers policy recommendations for establishing long-term future assistance for BRI participants to create a win-win scenario within the wider idea of shared globalization.

3.3. Establishment of China-led economic area

The BRI's main objectives are to expand market opportunities, attract overseas venture and investment, eliminate overloading, revive the local business, internationalize the RMB, and promote neighborhood negotiation. With increase in the foreign investment and diversification of international trade, as the 2nd largest economy of the world, China will undoubtedly want to defend its interests and create new conditions that will make it easier for China to contribute in economic activity. The “Belt and Road” project's primary object is to establish the economic zones monitored by China that will make it harder for China to compete with other global economic powers. This is an important part of the development of the infrastructure of the region and contributes to the development of an economic sphere. Roads network, railways, and harbors are among the projects undertaken by BRI.

As a result, China and the EU have initiated a direct cargo train that has many attracted international countries. Since its inception in 2011, it has transported over 5000 cargos and linked 33 Chinese cities with 33 locations from 12 European nations as of September 2017. Many commodities are now filled by goods linked to information technology (IT), which are manufactured in China. Mobile phones and personal computers are examples of such goods, although the products offered are varied, including clothes, cars and components, food, woods and furniture, and mechanical and heavy equipment. (J. Woetzel) (2019).

Chinese businesses enjoy a competitive edge in a variety of industries, including building and infrastructure development. China's many sectors, such as engineering, construction, and infrastructure-related businesses, have reaped enormous benefits from the "Belt and Road" programme. The enormous need for the development of infrastructure and networks has drawn the remaining global actors at the same time; nevertheless, there are serious questions regarding the feasibility and execution risks, as well as whether such projects are profitable (Xihua, 2015).

China has gradually eased restrictions on the usage of the RMB in cross-border transactions since 2009. The usage of the RMB has seen considerable cross-border development in investment, international commerce, and financial activities. The Renminbi is now the world's third-biggest trade finance currency and the 5th major payment and transaction currency. The recurrent and reliable usage of the RMB, as well as its foreign usage, is an important prerequisite for the expansion of the “Belt and Road” project, as well as a necessary basis to create proper BRI financing and investment system. More specifically, it will persuade Chinese departments and motivate BRI participants to join, thus expanding the scope of trade and investment connections. Allowing commerce to be conducted in Chinese currency, for example, Renminbi may help nations along the “Belt and Road” avoid the gains and losses of commodities caused by fluctuations in the US dollar, thus increasing the protection of their revenue?

3.4. Development of international financial institutions

China has given significant consideration to the need for efficient finance to complete the “Belt and Road” initiative. It also created development financial organizations such as the Silk Road Fund and the *“Asian Infrastructure Investment Bank (ADB)”* via the “*New Development Bank (NBD)”,* formerly known as the *“BRICS Development Bank (AIIB)”*.

The “Asian Investment Bank”, which was formed in January 2016 as the first international development finance organization headed by China, is one of them. China accounted for 29.4

percent of total investment capital as of December 2017. It now has 84 members, greatly outnumbering the “Asian Development Bank's (ADB)” 67 members, which is driving Asia's infrastructure development. The two biggest owners, Japan and the United States, each own 15.6 percent of the company (ADB, 2019). ABD has invested in 24 projects in 12 countries during the last two years, totaling US$4.2 billion in loans. In June 2017, Moody's assigned the AIIB triple A rating, which was followed by Fitch and Standard & Poor's ratings in July 2017 (AIIB, 2017). It is seen as a lucrative business opportunity as well as an unsettled issue, and has expanded substantially.

The AIIB's aim is to address it in a timely and cost-effective way while keeping in mind the requirements of developing nations. Since China's development aid/finance is often referred to as "neocolonialism," many people are concerned about whether the AIIB's infrastructure projects will adequately address environmental and social issues and if the benefits will outweigh the expenses. Most of the Asian Investment Bank's operations in recent years, however, have been joint ventures with the World Bank and the Asian Development Bank.

3.5. Internationalization of the RMB

Subsequent to the Lehman crisis, China has pushed for the internationalization of the RMB to avoid over-reliance on the US currency and to establish a long-term RMB-dominated zone. By growing renminbi-based commercial and economic operations, liberalizing interest rates, loosening capital restrictions, and extending currency exchange agreements and renminbi assistance loans, renminbi-based commercial and economic activities will grow. China is trying to guarantee that the RMB satisfies all of the criteria for becoming a significant international currency, including unit currency representation, payment methods, and value storage. The percentage of RMB settlement in China's total commerce grew from 2.4 percent to 22.8 percent between 2010 and 2015, suggesting that the RMB's internationalization trend continues. The RMB only accounted for 1.75 percent of total international settlement in December 2017, according to statistics from the “Global Interbank Financial Telecommunications Association”, which is even lower than the Japanese yen (2.62 percent) and the Canadian dollar (2.62 percent) (1.93 percent). The Euro (32.62 percent) and the British Pound (32.62 percent) are the two most popular currencies in the world (7.42 percent).

The Chinese Yuan must have a worldwide reputation, convertibility, and global commerce in order to support the internationalization process. If the renminbi's trading area is limited, however, the participants in the "Belt and Road Initiative" will improve the renminbi's relative position. The renminbi-denominated projects will undoubtedly boost investment and financial activity, and when the renminbi currency rate stabilizes or increases, nations along the "belt and road" will progressively embrace them. Because of the development of the "One Belt Road," which encompasses many/most of the "One Road One Road" nations, the "Chinese yuan currency area" may grow naturally.

3.6. Development in industrial adaptation

The “Belt and Road” project offers Chinese businesses and some sectors with surplus cash a good chance to establish new markets via industrial adjustment. In China, the strategy of controlling overcapacity and encouraging fading businesses to relocate overseas is known as "international industrial capacity cooperation." The State Council issued a list of priority industries in 2015 as a result of this strategy.

The majority of “Belt and Road” participants are emerging and transitioning markets with tremendous infrastructure development prospective, providing many possibilities not just for China's midrange industry but also for niche industries with overcapacity. Furthermore, a list of key sectors has been identified, including the building and operation of ports, airports, highways, and railroads, as well as the manufacture and logistics of associated infrastructure.

Natural resources and energy are ranked second in importance. Natural resources abound in the nations that make up the BRI. China's strategic goal is to provide a steady supply of energy while also developing energy-transportation channels. Furthermore, the nations involved in the "Belt and Road" initiative provide a diverse range of market opportunities in oil and gas pipelines, power production, refineries, and associated equipment manufacture.

The third priority industry is Chinese civil engineering/construction firms' abroad ventures. They have a lot of global exposure compared to other firms, and they're actively developing new markets all over the globe. Much of civil/ construction work has been completed by such companies in the countries members in BRI.

The supply of infrastructure and public services, as well as the development of engineering spare parts and foreign economic and trade cooperation zones, are all essential circumstances for Chinese industrial companies to effectively move their plants overseas. As of 2016, 36 nations and areas across the globe are responsible for the construction and management of 77 theme parks and regions. The overall investment of these businesses was US$ 24.19 billion, with 1,522 companies using the space, producing US$ 70.28 billion in total, paying US$ 2.67 billion in taxes to the host nation, and employing 212,000 local people. Around 56 parks were constructed along the "Belt and Road" in 20 countries, with a total investment of 18.55 billion dollars, 1,082 tenants, a total output value of 50.69 billion dollars, tax payments to the host nation of 1.07 billion dollars, and 177,000 jobs generated (Gong, X. 2020). More than 70% of China's foreign economic and commercial cooperation zones are in member nations of the "Belt and Road" initiative, suggesting that the "Belt and Road" initiative's importance in China's opening-up strategy has grown significantly.

3.7. Economic relations with BRI participating countries

Notwithstanding the universal focus on the “Belt and Road” project, the commercial connection of the BRI participating countries with China is still in its early stages. According to China customs data, the sum of 7.37 trillion RMB has been witnessed with regards to economic activity mutually between China and the BRI member countries in 2017, up 17.8% from the previous year; exports were 4.30 trillion RMB (up 12.1%), and imports were 3.07 trillion RMB (up 26.8%), accounting for 26.5 per cent of China's total imports and expos. With this significant increase in the business activity in a year, China has managed to engage 16 bordering states.

Table 2. China's FDI and construction/ industrial cooperation in the BRI countries [FDI*]

Year	No. of Countries	Investment Value ($ billion)	Annual Increase (%)	BRI/Total (%)	Major destinations
2015	49	14.82	18.2	10.2	Singapore, Kazakhstan, Laos, Indonesia, Russia, Thailand
2016	53	14.53	-2.0	8.5	Singapore, Indonesia, India, Thailand, Malaysia
2017	59	14.36	-1.2	12.0	Singapore, Malaysia, Laos, Indonesia, Pakistan, Vietnam, Russia, UAE, Cambodia
2018	55	14.9	0.2	13.3	Singapore, Laos, Pakistan, Malaysia, Indonesia, Vietnam, Cambodia and Thailand.

Overseas contracted projects

Year	No. of Countries	No. of new contracts	Contract value ($billion)	Annual increase (%)	BRI/total (%)	Turnover ($billion)	Annual increase (%)	BRI/ total (%)
2015	60	3,987	92.64	7.4	44.1	692.6	7.6	45.0
2016	61	8,158	125.03	36.0	51.6	759.7	9.7	47.7
2017	61	7,217	144.32	14.5	54.4	855.3	12.6	50.7
2018	61	7,314	145.33	6.4	58.7	932.3	13.6	48.1

International Industrial Capacity Cooperation

Year	(1) Manufacturing industries ($billion)	Annual increase (%)	(1)/Outward FDI (%)	(2) Facility manufacturing industries ($billion)	Annual increase (%)	(2)/ (1) (%)
2015	14.33	105.9	12.1	7.04	154.2	49.1
2016	31.06	116.7	18.3	17.86	153.7	57.5
2017	19.12	-38.4	15.9	10.84	-39.3	56.7
2018	15.23	-27.4	13.3	6.06	27.4	39.8

*FDI in the financial sector is not included

Source: Ministry of Commerce, People's Republic of China (PRC), http://english.mofcom.gov.cn/article/policyrelease/gazette/201903/20190302841016.shtml

As a consequence of their active participation in these contractual projects, mainly in BRI participating countries has led to the increase in the market share of Chinese companies in different business sectors. To put it another way, China's economic ties with nations along the "Belt and Road" are still in their infancy. Infrastructure development is anticipated to grow and improve trade and investment ties between member nations as China's financial assistance for countries along the "Belt and Road" continues to expand.

The opening-up policy of China is not only dependent on bilateral ties; for example, ties with Hong Kong encourage transformational commerce, ties with Japan offer money and technology, and ties with the US provide trade marketplaces. Although China's connections with BRI members are bilateral, they are classed as multilateral international exchanges under the BRI. As a consequence, China surpassed the United States as the world's second biggest economy, and its early open policy emphasized global rather than bilateral ties.

4. Fundamental Principles of China's development aid/ finance

China's participation in the development aid/finance sector has increased; it has released a "white paper" on its overseas assistance to increase transparency and accountability (Joshua, J. (2019). While the idea and execution system of foreign assistance vary substantially from "OECD's Development Assistance Committee (DAC)" members, the entire aid position in foreign trade is unlikely to be disclosed simply via the release of "While Paper" (Ram, J., & Zhang, Z. 2020).

The fundamental ideas of Chinese foreign assistance vary significantly from those of the donor community represented by DAC members in the following areas. First, despite the fact that the donor world is dedicated to promoting the welfare and economic growth of poor nations, China's assistance policy is guided by the "Eight Principles of Foreign Aid." Second, although the donor community gives aid based on a development model, China does not wish to embrace a certain development model in order to avoid interfering in its domestic affairs. Third, despite the donor community's focus on high subsidy rates, component subsidies, and unfettered help, China prefers loans and linked assistance.

4.1. Main Accomplishments

In 2015, China provided 6.1 billion dollars in foreign help (plurilateral aid, mutual preferential loans, and funding for aid) (Kitano, N. (2019). According to DAC figures, China is the eighth world's largest donor country, and it is larger than major European, as well as emerging donors like Saudi Arabia and the UAE. On the other hand, the development aid/finance of China is classified by the DAC as economic cooperation carried out outside of the official development assistance framework (ODA). The China Development Bank (CDB) and CEXIM's total assets in 2016 were 3.5 times those of the six biggest "International Development Finance Institutions", led by the DAC (Ohashi, H. (2018).

This study will utilize the "AidData database (China's global development footprint)" to better understand the flow to public finance of China to developing countries. Annual aid to impoverished nations has topped 30 billion dollars since 2000, while official development assistance (ODA) has surpassed 5 billion dollars (see Figure 2 below). Cash flow has been extremely remarkable since the China Development Bank (CDB) accepted two large loan projects from Russian oil giants Rosneft ($20.4 billion) and Transneft ($13.6 billion) in 2009.

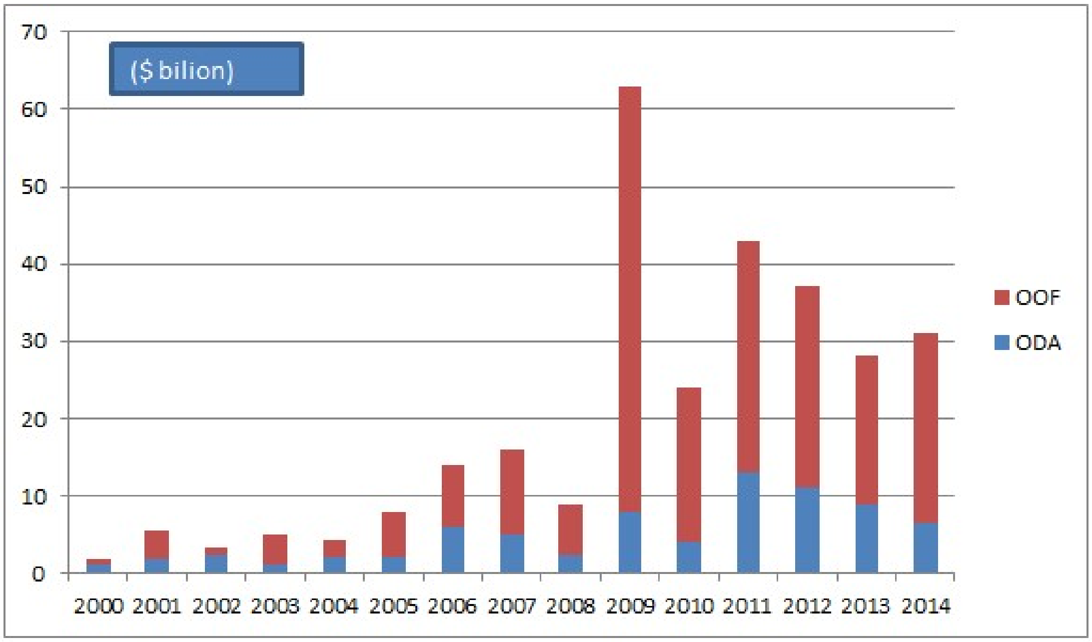

Figure 2. China's Development aid/ finance (2000-2014)
ODA (Official Development Assistance) = grant element of at least 25%
OFA (Other Official Flows) = grant element of at least 25 %

In terms of industrial finance, the biggest loans, including the loans to Russia stated above, are made to the energy development sector on the basis of OOF rather than ODA (see Table 3 below). There is also the transportation industry, in addition to energy development. Infrastructure development seems to be China's primary emphasis in terms of development aid/financing and the "Belt and Road" programme. At the same time, China's (ODA) strategy prioritizes debt reduction. The donor community is worried from the standpoint of assistance discipline.

In China, the nations that get development/financial assistance vary by area (as shown in Table 4 below). According to the project-based database, development aid/financing to African nations remained substantial in 2014, despite the fact that countries along the "Belt and Road" were underappreciated at the time. It seems to have become a significant area of Chinese development assistance/finance, as shown by the external efforts of nations along the 'Belt and Road' (Table 2).

Table 3. Industrial Development aid/ finance by China ($billion)

	ODA	OOF	OF	Total
Agriculture	1.4	7.5	1.1	10
Debt remission/rescheduling	12.3	--	0.7	13
Telecom	4.1	10.8	2.0	16.9
Mining/ Construction	4.4	22.3	3.6	30.3
Transportation	23.1	37.7	28.0	88.8
Energy	11.3	109.3	13.5	134.1
Other	24.5	28.8	8.0	61.3

* No information found regarding the concessionality level for OF (Official Finance)
Source: Author's own compilations based on Dreher et al., "Aid, China, and Growth."

Table 4. China's development aid/ finance major recipients

ODA		OOF		Number of Projects	
Country	$billion	Country	$billion	Country	No.
Cuba	6.7	Russia	36.6	Cambodia	168
Cote D'ivoire	4.0	Pakistan	16.3	Pakistan	121
Ethiopia	3.7	Angola	13.4	Zimbabwe	120
Zimbabwe	3.6	Laos	11.0	Angola	110
Cameroon	3.4	Venezuela	10.8	Sudan	108
Nigeria	3.1	Turkmenistan	10.1	Tanzania	101
Tanzania	3.0	Ecuador	9.7	Ghana	95
Cambodia	3.0	Brazil	8.5	Kenya	89
Sri Lanka	2.8	Sri Lanka	8.2	Ethiopia	88
Ghana	2.5	Kazakhstan	6.7	Sri Lanka	86

Source: Data compiled on from the study of Dreher et al., "Aid, China, and Growth."

4.2. Chinese relationship with Global Regime

The development aid/ finance by China for emerging nations have alarmed other donor of the world; the worries are outlined in the following debate.

First, since China's development aid/financing is mostly in the form of public money and liquidity, the concern for risk management has been slightly low. International rating agencies publish the national risk indicator regularly, repaying significant sums of Chinese money going to developing nations is becoming more challenging. Additionally, to the project hazards, such operating concerns afterward the development is finished, and it may be difficult for poor nations to repay their debts to China (Dollar, D. 2018).

Second, due to significant financial flows from China, emerging nations may suffer debt problems. When developing countries confront financial problems, they often turn to the (IMF)

for help. China's development assistance/financing could raise the IMF's burden if the IMF continues to assist countries with financial problems in meeting this demand. Following a thorough risk assessment in emerging nations, China should offer development aid/finance.
Third, the relationship between China's and other development funding organizations is shaky.. If China's money becomes a new source of cash for developing nations, those countries will have greater opportunities for economic growth. Those developing nations, on the other hand, will require assistance from the World Bank and the IMF, among other organizations, to perform strategy commitments. It may be possible to react that funding from China unilaterally by refusing to follow policy obligations. It is essential to turn to market-oriented economic and structural changes in exchange for support while stressing the plan's development throughout the SAL era. However, nowadays, DAC members' shared criteria, such as increasing transparency, meeting obligations, and undertaking anti-corruption operations, are often regarded as policy prerequisites. These concepts may conflict with the Chinese basic principles of finance and development aid, which are ideologically improbable.
No sign has been found that China intends to enhance the prevailing development aid/financial structure. Due to the massive demand for Chinese money, the present development aid/financial system must surely be tough. Developing nations have increased their financial contributions and extended their voting rights to international development finance institutions for a long time. They've been identified as major issues in the current development finance and foreign aid, but they've yet to be solved. Furthermore, China's creation of the AIIB is a major issue since the present development aid/financing given by DAC members is insufficient to meet the infrastructure needs of poor nations. It also demonstrates the significance of infrastructure development in terms of economic growth in emerging nations. If present development assistance/financing to DAC member countries fails, a succession of Chinese policy actions will be seen as a fresh challenge to that assistance/financing. China's "One Belt, One Road" plan seeks to link Mongolia and Russia, Eurasian nations, Central and West Asia, Pakistan and other Indian subcontinent countries, and the Indochina's six main commercial corridors. Asia will need $26 trillion in infrastructure investment by 2030, with China likely to contribute a significant part of it (Zhai, F. 2018). Investments in infrastructure development have benefited the countries concerned. The "Belt and Road" is built on the principle of mutual benefit and win-win, and it will assist China's product market grow in the long run while decreasing industrial overcapacity in the near term.

5. Conclusion

The whole idea of the BRI financing system is to outline and integrate financial resources, continuously innovate finances, and promote and grow the real economy of BRI participating nations. To maintain consistent execution of the overall strategic deployment of the system, the BRI participating nations' policy support must be fully used, as well as policy communication and plan coordination. Furthermore, to create a single development force, cross-border financial cooperation and cooperative financial oversight should be enhanced.
To begin, government agencies must guarantee that window advice is strengthened so that financial institutions can appropriately organize the size and structure of investment and

financing. Simultaneously, a significant amount of foreign investment in infrastructure development must be harmonized to avoid disruptive competition and enhance overall investment compatibility and effectiveness. Furthermore, top-down regional planning for long-term collaboration between the nations along the "Belt and Road" should be coordinated, as should new legislation and policies, as well as comprehensive regulations and execution standards, to ensure sustainable growth.

Second, international financial institutions must be the starting point, and financial cooperation with other nations must be strengthened. Financial coordination and cooperation mechanisms should be established by central banks and financial authorities for the "Belt and Road" participating countries. Monetary problems resulting from the development of the BRI and monetarist system should be discussed on a regular basis, including interest rate adjustments, dispute resolution, and nurturing financial assistance. This mechanism primarily consists of financial and legal coordination collaboration mechanisms, financial information-sharing mechanisms, and financial risk management coordination and collaboration mechanisms, all of which will enable resources to be distributed more widely to meet the needs of regional economic development. Furthermore, international financial institutions should be actively established and financial confidence and connections between BRI member nations should be strengthened.

Third, strengthening financial supervisory cooperation and creating regional financial risk early warning systems are required to put this idea into action. Financial regulators should improve information communication to improve mutual understanding and trust in a variety of areas, including the development of local macroeconomic and financial markets, financial principles and regulations, investment opportunities and risks, and local operations and risks of major banks. They must communicate correctly and fully about local market access, as well as understand and manage their relationship, to eliminate any unjustified obstacles and limitations and create an open, fair, and orderly regulated environment. Furthermore, regulators must strengthen cooperation in the areas of dealing with cross-border agencies and crisis management, combating money laundering, and macro-prudential supervision to better resist risks and maintain the confidence and stability of markets and regional financial systems. Encourage the signature of a memorandum of understanding on bilateral regulatory cooperation to gradually create an efficient regional regulatory coordinating coordination framework.

Fourth, there is a need to enhance global collaboration through improving communication and policy coordination. Faced with the issue of BRI member countries' uneven social and economic development, China should improve political communication and coordination with other countries, as well as eliminate concerns and resolve disputes, particularly in the areas of political instability, religious conflicts, and economic inequalities, imperfect legal systems, unequal standards of cooperation, misunderstanding, and interethnic conflict.

Finally, according to the authors, economic cooperation with the bordering countries between the government and participating companies is essential for the establishment of an effective investment and financial arrangement under BRI. It is emphasized the necessity of establishing a regional framework in the BRI investment and financing system by using international and regional financial hubs. According to the findings, the ideal Belt and Road financial investment system would include a long period of financing, a reasonable cost of capital, the use of development finance as a long-term driver to attract trade finance, the use of currency, and the promotion of local and international cooperation.

References

Alam, M. M. (2014). CHINA'S CHANGING STRATEGIC ENGAGEMENTS IN CENTRAL ASIA. *Journal of Central Asian Studies*, *21*(1).

Asian Development Bank (ADB), Annual Report, 2019. Available at https://www.adb.org/sites/default/files/institutional-document/603881/adb-annual-report-2019.pdf (accessed on 3 June, 2020).

Asian Infrastructure Investment Bank. “2017 at a Glance.” In Financing Asia’s Future: 2017 AIIB Annual Report and Financials, Beijing: Asian Infrastructure Investment Bank, 2018. Accessed on 2 June, 2020. Available at, https://www.aiib.org/en/news-events/news/2017/annual-report/highlights.html

Bataineh, B., Bennon, M., & Fukuyama, F. (2018). Beijing’s building boom: how the West surrendered global infrastructure development to China. *Foreign Affairs*, *21*.

Bei, J. (2017). Economic Globalization 3.0 and the Concept of Interconnection under the belt and road initiative. *China Economist*, *12*(2), 2.

Breslin, S. (2013). China and the global order: signalling threat or friendship?. *International Affairs*, *89*(3), 615-634.

Brown, K. The Belt and Road: Security Dimensions. Asia Eur. J. 2018, 16, 213–222.

Callahan, W. A. (2016). China’s “Asia Dream” the belt road initiative and the new regional order. *Asian Journal of Comparative Politics*, *1*(3), 226-243.

Chan, H. K., Chan, F. K. S., & O'Brien, D. (Eds.). (2020). *International Flows in the Belt and Road Initiative Context: Business, People, History and Geography*. Springer Nature.

Doelle, M. (2010). The legacy of the climate talks in Copenhagen: Hopenhagen or Brokenhagen. *Carbon & Climate L. Rev.*, 86.

Dollar, D. (2018). Is China’s development finance a challenge to the international order?. *Asian Economic Policy Review*, *13*(2), 283-298.

Dreher, A., Fuchs, A., Parks, B., Strange, A., & Tierney, M. J. (2017). Aid, China, and growth: Evidence from a new global development finance dataset.

Dunford, M., & Liu, W. (2019). Chinese perspectives on the Belt and Road Initiative. *Cambridge Journal of Regions, Economy and Society*, *12*(1), 145-167.

Ekanayake, E.M. and A. Mukherjee (2010), “Trade Blocs and the Gravity Model: A Study of Economic Integration among Asian Developing Countries”, Journal of Economic Integration 25(4), December

Fuchs, A., & Rudyak, M. (2019). The motives of China’s foreign aid. In *Handbook on the International Political Economy of China*. Edward Elgar Publishing.

Gao, Y., Gao, X., & Zhang, X. (2017). The 2 C global temperature target and the evolution of the long-term goal of addressing climate change—from the United Nations framework convention on climate change to the Paris agreement. *Engineering*, *3*(2), 272-278.

Goh, E. (Ed.). (2016). *Rising China's influence in developing Asia*. Oxford University Press.

Gong, X. (2020). China's Belt and Road Initiative Financing in Southeast Asia. *Southeast Asian*

Affairs, *2020*(1), 77-95.

Hochstetler, K. A. (2012). The G-77, BASIC, and global climate governance: a new era in multilateral environmental negotiations. *Revista Brasileira de Política Internacional*, *55*(SPE), 53-69.

Hopewell, K. (2015). Different paths to power: The rise of Brazil, India and China at the World Trade Organization. *Review of international political economy*, *22*(2), 311-338.

Iacovides, M. (2020). Topoi of Ambiguity I: Decoupling Statehood from WTO Membership–the Case of Separate Customs Territories. *Faculty of Law, Stockholm University Research Paper*, (76).

International Monitory Fund (IMF), Press Release: IMF Staff completes the 2015 Article IV Consultation Mission to China, May 26, 2015, available at https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr15237 (accessed on 06 June, 2020).

Joshua, J. (2019). *The Belt and Road Initiative and the Global Economy*. Springer International Publishing.

Jia, W. Now, Globalization with Chinese Characteristics. Yale Global Online. 2017. Available at: http: //yaleglobal.yale.edu/content/now-globalization-chinese-characteristics (accessed on 2 June 2020).

Jin, X., Li, D. D., & Wu, S. (2016). How will China shape the world economy?. *China Economic Review*, *40*, 272-280.

Kennedy, S., & Cheng, S. (Eds.). (2012). *From rule takers to rule makers: The growing role of Chinese in global governance*. Research Center for Chinese Politics & Business, Indiana University.

Kerr, D. (2015). Conclusion: How Close Is China to National Rejuvenation?. In *China's Many Dreams* (pp. 246-261). Palgrave Macmillan, London.

Kitano, N. (2019). Estimating China's foreign aid: 2017–2018 preliminary figures. *Note that estimates of Chinese aid vary considerably between sources and are subject to uncertainty*.

Kitano, N. (2017). A note on estimating China's foreign aid using new data: 2015 preliminary figures. *Tokyo: Japan International Cooperation Agency (JICA) Research Institute*.

Kwaśnicki, W. (2011). China, India, and the future of the global economy. *Ekonomia*, (15), 154-185.

Lai, T. L., Tang, J., & Yin, H. (2018). Spatial Economics in the Era of One Belt One Road and Counter-Globalization. *Modern Economy*, *9*(1), 61-66.

Lehmacher, W. (2016, November). Why China could lead the next phase of globalization. In *World Economic Forum*.

Luft, G. (2016). It takes a road: China's one belt one road initiative: An American response to the new silk road. *Institute for the analysis of global security*.

Luolin, W. (Ed.). (2015). *China's WTO accession reassessed*. Routledge.

M&A Report 2020: China, Carl Li, AllBright Law Offices. Available at https://www.iflr.com/article/b1lmx69kvmxdgk/mampa-report-2020-china (accessed on 2 June, 2020)

Mazarr, M. J., Heath, T. R., & Cevallos, A. S. (2018). *China and the international order*. Rand

Corporation.
Meltzer, J. P., & Shenai, N. (2019). The US-China economic relationship: A comprehensive approach. *Available at SSRN 3357900*.
Mohan, G., & Power, M. (2008). New African choices? The politics of Chinese engagement. *Review of African Political Economy*, *35*(115), 23-42.
Mohieldin, M. Belt and Road Initiative: A Global Effort for Local Impact. Connecting Cities for Inclusive and Sustainable Development; World Bank, 2017. Available at: https://www.worldbank.org/en/news/ feature/2017/09/26/bridge-for-cities-speech-by-mahmoud-mohieldin (accessed on 1 June 2020).
Nicolas, F. (2016). China and the global economic order. A discreet yet undeniable contestation. *China Perspectives*, *2016*(2016/2), 7-14.
Ohashi, H. (2015). China's external economic policy in shifting development pattern. *Public Policy Review*, *11*(1), 141-173.
Ohashi, H. (2018). The Belt and Road Initiative (BRI) in the context of China's opening-up policy. *Journal of Contemporary East Asia Studies*, *7*(2), 85-103.
Ordóñez de Pablos, P. (Ed.). (2016). *Managerial strategies and solutions for business success in Asia*. IGI Global.
Pencea, S. (2017). A look into the complexities of the One Belt, One Road Strategy. *Global Economic Observer*, *5*(1), 142.
Ram, J., & Zhang, Z. (2020). Belt and road initiative (BRI) supply chain risks: propositions and model development. *The International Journal of Logistics Management*.
Ra, S., & Li, Z. (2018). Closing the Financing Gap in Asian Infrastructure. Available at https://www.adb.org/sites/default/files/publication/431261/swp-057-financing-gap-asian-infrastructure.pdf (accessed on 25-06-2020)
Ravenhill, J. (Ed.). (2017). *Global political economy*. Oxford University Press.
Renminwang. 2018. "Xi Jinping Zai Zhongyang Waishi Gongzuo Huiyishang De Zhongyao Jianghua." (Xi Jinping's Important Address at the Central Work Conference on Foreign Affairs.) Renminwang, June 24.
Rolland, N. (2017). China's "Belt and Road Initiative": Underwhelming or game-changer?. *The Washington Quarterly*, *40*(1), 127-142.
SEVILLA Jr, H. A. (2017). China's new silk route initiative: Political and economic implications for the middle east and southeast Asia. *Asian Journal of Middle Eastern and Islamic Studies*, *11*(1), 83-106.
Sharma, B. K., & Kundu, N. D. (Eds.). (2016). *China's one belt one road: Initiative, challenges and prospects*. Vij Books India Pvt Ltd.
Shimomura, Y., & Ohashi, H. (Eds.). (2013). *A study of China's foreign aid: An Asian perspective*. Springer.
Siddiqui, K. (2015). Perils and challenges of Chinese economic development. *International Journal of Social and Economic Research*, *5*(1), 1-56.
Sutter, R. G. (2012). *Chinese foreign relations: Power and policy since the Cold War*. Rowman & Littlefield.
UNCTAD, U. (2017). World Investment Report 2017: investment and the digital economy. In *United Nations Conference on Trade and Development, United Nations, Geneva*.

Watanabe, S. (2013). Implementation system: Tools and institutions. In *A Study of China's Foreign Aid* (pp. 58-81). Palgrave Macmillan, London.

Woetzel, J. (2019). *China and the world: Inside the dynamics of a changing relationship*.

Xihua, Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. In Xihua; 2015. Available at: https://eng.yidaiyilu.gov.cn/qwyw/qwfb/1084.htm (accessed on 1 June 2020).

Yağci, M. (2018). Rethinking soft power in light of China's Belt and Road Initiative. *Uluslararası İlişkiler Dergisi*, *15*(57), 67-78.

Zheng, Y. (2020). Rediscovering continentalism: the new geographic foundations of Chinese power. *International Politics*, 1-35.

Zhai, F. (2018). China's belt and road initiative: A preliminary quantitative assessment. *Journal of Asian Economics*, *55*, 84-92.