Liberté • Égalité • Fraternité
RÉPUBLIQUE FRANÇAISE

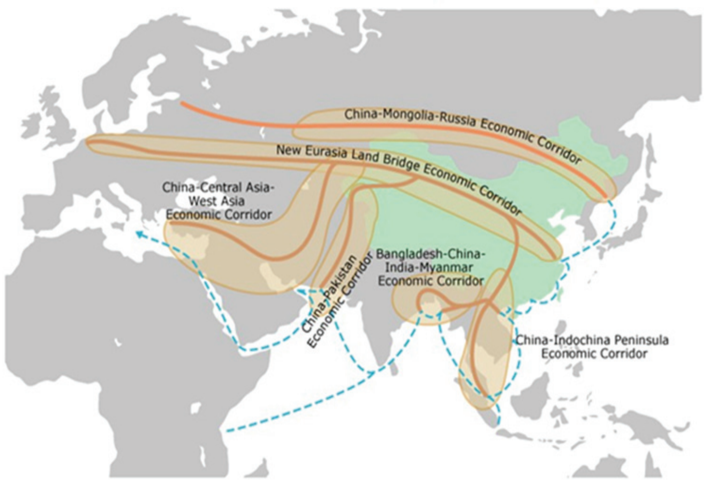
Trésor-éco

No. 229 • October 2018

# The New Silk Road

- Chinese President Xi Jinping's signature "One Belt, One Road" policy, also known as the "Belt and Road Initiative" (BRI) or the "New Silk Road", was officially launched in 2013. The initiative has now become a cornerstone of the economic development and trade strategy of the world's second-largest economy.
- The BRI seeks to provide a response to the infrastructure needs of more than 60 developing countries, located mainly in Eurasia. It is one of the pillars of the "community with shared future for mankind", which the Communist Party of China (CPC) vowed to build at the 19th National Party Congress in October 2017. The initial aim is to harness China's financial power and industrial capacity to embark on a programme of building and operating infrastructure such as ports, roads, railways, energy systems, industry and telecommunications networks across the entire Eurasian continent and further afield in Africa, South America and even the Arctic.
- Pragmatic and versatile in practice, the BRI is a comprehensive strategy designed to reduce China's geopolitical vulnerability, increase its ability to project its power, especially its economic power, help upgrade its industry and promote a new world order "with Chinese characteristics".
- Implementing the BRI raises several questions about its impact on the economic development and stability of BRI countries and the extent to which European companies can participate in the initiative. This will largely depend on the degree of openness and transparency of China's strategy.
- The response of the European Union and the French government reflects these challenges and underlines the importance for China to participate fully in multilateral institutions now that its economy is becoming increasingly globalised and it is playing a greater role in global economic governance and financing. Their response also highlights the need for a holistic approach to developing connectivity initiatives between Asia and Europe.

**The BRI was launched in 2013: Six overland economic corridors and a network of ports connecting Asia, Europe and East Africa**




*Source: China Trade Research - HKTDC http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative.*

# 1. The Belt and Road Initiative: A comprehensive strategy designed to enhance China's global influence

## 1.1 A large-scale infrastructure investment plan for Eurasia with shifting sectoral and geographic boundaries

Announced in autumn 2013 by President Xi, the "One Belt, One Road" strategy, also known as the "Belt and Road Initiative" (BRI) or the "New Silk Road", was presented as China's response to meeting the infrastructure needs of the Eurasian continent. Asia's investment needs have been estimated at between $22.6 trillion and $26 trillion from 2016 to 2030 by the Asian Development Bank (ADB), or between $1.5 trillion and $1.7 trillion annually, double the current investment level.[1] According to the Chinese government, the BRI could deliver investments of between $1 trillion and $4 trillion over an unspecified timeframe to improve connectivity between China, the European market, Southeast Asia and the Middle East. This could help significantly narrow the investment gap, but would not meet all the needs.

There is no official map of the BRI. Most BRI-related projects would be implemented along six overland economic corridors (the "Belt") and a network of ports (the "Road") linking coastal China with Europe via the Indian Ocean and the African coast. The announcement of an "Arctic Silk Road" or a "Polar Silk Road" and the inclusion of North Africa[2] show the scale of the global ambitions of the BRI, which would span 65 to 70 countries covering 60% of the world's population, 30% of global GDP and 35% of international trade.[3]

**Box 1 : Estimates of infrastructure needs for 2016-2030**

The ADB estimates Asia's infrastructure needs through 2030 at $22.6 trillion, or $1.5 trillion annually. These estimates are made for each country on the basis of: (i) GDP, (ii) the share of agriculture and industrial value-added in GDP, (iii) urbanisation rate and (iv) population density. Once the relationship has been established between the different variables based on historical data by country, infrastructure needs are calculated using United Nations and World Bank projections for each variable.

This model does not take into account cross-border investment. The ADB's previous report for 2010-2020 estimated cross-border infrastructure needs at $250 billion, or 4% of total national infrastructure needs. Using that same ratio, cross-border infrastructure needs could be projected at around $900 billion. Nor does the model take into account the fact that infrastructure contributes to growth and the two variables are probably interconnected.

**Table 1: Investment needs identified by the Asian Development Bank (constant prices, base year 2015)**

| Region | Population in 2015 (millions) | Population in 2030 (millions) | GDP per capita in 2015 ($) | Growth forecast (%) | GDP per capita in 2030 ($) | Infrastructure investment needs from 2016 to 2030 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Investment needs ($ billion) | Annual investments ($ billion) | Investment needs (% of GDP) |
| Central Asia | 84 | 96 | 4,495 | 3.1 | 6,202 | 492 | 33 | 6.8 |
| East Asia | 1,460 | 1,503 | 9,022 | 5.1 | 18,602 | 13,781 | 919 | 4.5 |
| South Asia | 1,744 | 2,059 | 1,594 | 6.4 | 3,446 | 5,477 | 365 | 7.6 |
| Southeast Asia | 632 | 723 | 3,838 | 5.1 | 7,040 | 2,759 | 184 | 5.0 |
| Pacific | 11 | 14 | 2,329 | 3.1 | 2,889 | 42 | 2.8 | 8.2 |
| Total | 3,932 | 4,396 | 4,778 | 5.3 | 9,277 | 22,551 | 1,503 | 5.1 |

*Source: 2015 Revision of World Population Prospects, United Nations; World Development Indicators, World Bank; ADB estimates.*

(1) "Meeting Asia's Infrastructure Needs", Asian Development Bank report, February 2017.
(2) "La présence chinoise en Afrique n'est pas une présence d'investisseur" (A. Faivre, interview with T. Pairault, afrique.lepoint.fr, 20 February 2018).
(3) The Center for Global Development compiled a list of 68 countries in March 2018 (see J. Hurley, S. Morris and G. Portelance (2018), "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective", Center for Global Development report, 4 March). The official BRI website lists 64 countries (www.yidaiyilu.gov.cn).

The BRI is not limited to a specific geographical area or industrial sector. There is no official list of BRI projects or publicly announced sectoral focus. Public remarks and non-official databases[4] nonetheless provide an insight into the vast range of projects that could come under the BRI banner. These include railway connections designed to improve rail freight (e.g. the Duisburg-Chongqing line) and high-speed passenger transport (the Bandung-Jakarta line), investment in port infrastructure (the Piraeus port), dry ports and intermodal terminal projects (Khorgos in Kazakhstan), special economic zones (the China-Belarus Industrial Park in Minsk), oil and gas pipelines (Myanmar-China) and telecommunications infrastructure (the optical fibre cable project in Pakistan).

China's largest state-owned enterprises looking to expand their global presence take on the *de facto* role of official BRI contractors. Firms such as PowerChina (water conservancy and hydropower construction), State Grid (power transmission), China Railway Group Ltd. (rail infrastructure), China Railway Corporation (railway transportation services), COSCO (shipping) and China Merchants Group (ports and terminals) operate as both suppliers of products and services and industry leader *de facto* coordinating smaller players. Privately-owned corporations like Alibaba, ZTE and Huawei also play an important role. Irrespective of each company's status, they are all closely supervised by the Chinese government through powerful government agencies, including the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), the National Development and Reform Commission (NDRC), the State Administration of Foreign Exchange (SAFE) and, for private companies, the Ministry of Commerce and local authorities.

### 1.2 The BRI helps support the growth of China's economy, which is showing signs of vulnerability

The BRI currently has several goals. First, the initiative could help China address a major geostrategic challenge by securing its supply of raw materials. This involves diversifying supply sources and routes, with China increasing its investments in production sites in third countries[5] and implementing maritime and land infrastructure projects in a bid to ship resources to China faster[6] and reduce the country's dependence on the Strait of Malacca, through which 80% of China's oil imports continue to pass.

Second, the BRI aims to speed up the development of China's slowest-growing provinces. China's economic growth has created huge regional disparity between coastal provinces (Beijing, Shanghai and Canton) and the country's north-east and western provinces, where GDP per capita is one-third to one-quarter that of coastal provinces.[7] Slow economic growth has sparked major social tensions[8] in some areas and has even fostered the development of pro-independence and radical Islamic movements in the case of Xinjiang.[9] By improving regional integration of these provinces, the BRI[10] could take over from China's Western Development Strategy started in 1999 as well as the various programmes implemented to revitalise the north-east region.

Third, the BRI seeks to diversify China's export markets and help upgrade China's manufacturing industry.[11] By reducing transportation costs and facilitating the export of higher-end Chinese products to European and southern Asian markets, the BRI could also boost China's price and non-price competitiveness and help China achieve its ambitious market share objectives under the "Made in China 2025" plan.

(4) The "Reconnecting Asia" project conducted by the Center for Strategic and International Studies (CSIS) since 2018.
(5) Shandon Jinyimeng Group Co. Ltd.'s investment in a mine in Tonically, Sierra Leone, Tsingshan's nickel mine project in Indonesia and the Silk Road Fund's nearly 10% stake in the Yamal LNG project in Russia (Corcoran B. (2017), "China's commitment to mining in Africa deepens", *Irish Times*, 16 February).
(6) The rail line connecting China to the Tavan Tolgoi coal mine in Mongolia and the second China-Russia oil pipeline.
(7) The GDP (PPP) per capita is $18,500 in Beijing, compared with $6,700 in Xinjiang and $5,000 in Yunnan - CEIC, May 2018.
(8) Y. Boquet, "Dynamiques de développement et inégalités régionales en Chine", *Espace populations sociétés*, 2009/3.
(9) R. Castets (2003), "Le mal-être des Ouïghours du Xinjiang", *Perspectives chinoises*, No. 78.
(10) Connection between Xinjiang and neighbouring Pakistan and Kazakhstan; connection between Yunnan and Southeast Asia; relocation of surplus capacity in heavy industry from the north-east.
(11) "We will work toward building major international corridors and deepen cooperation on streamlining customs clearance along the routes of the Belt and Road Initiative. We will expand industrial capacity cooperation with other countries, and with this enable Chinese manufacturing and Chinese services to go global." "Report of the Work of the Government", *People's Daily Online*, 3 April 2018.

## Box 2 : The Made in China 2025 plan

Unveiled in 2015, "Made in China 2025" is a plan to make China a major industrial power by developing the country's acquisition of advanced technological know-how in ten industries: ICT, robotics, aerospace, maritime equipment and shipping, rail infrastructure, new energy vehicles, power equipment, agricultural equipment, new materials and medicine. In these industries, "Made in China 2025" has set specific market share targets in China and international markets for China-owned intellectual property. In the ICT sector, for instance, the target is a 45% share of the global market by 2025 for mobile terminals and a 60% share for fibre optics. The targets are even more ambitious in the domestic market, with an 80% target for new energy vehicles and key maritime engineering equipment to be built with Chinese technology.

The BRI also involves relocating Chinese firms operating in low value-added sectors and producing at excess capacity to lower-cost countries. Moving these companies has the dual advantage of reducing surplus capacity in China and reallocating resources to sectors and enterprises positioned higher up in the global value chain. The strategy of migrating China's excess industrial capacity has been openly admitted by the Chinese government[12] and identified as a key characteristic of the BRI.[13]

China has sourced massive funds to implement the BRI. The Chinese government has instigated the creation of new international financial institutions, the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB), and could mobilise funds from the international financial institutions. The AIIB and the NDB could lend up to $21 billion a year[14] to fund infrastructure projects. While these institutions are not officially part of the BRI, they could help finance some of its projects.[15] Most of the major multilateral development banks have signed BRI-related Memorandums of Understanding with the Chinese government and could also participate in financing specific projects.[16]

Furthermore, the Chinese government has set up financial vehicles for BRI projects – the Silk Road Fund (SRF) and provincial funds with the same mandate. With $75 billion[17] in accessible capital, the SRF could provide $2 billion a year in equity finance. In addition to its role as equity investor, the SRF would be responsible for coordinating finance pledged by other Chinese lenders to BRI projects.

Chinese commercial and policy banks[18] provide most of the finance for the BRI, however. China's major commercial banks, which are all state-owned, could lend out up to $285 billion[19] over the 2013-2023 period. The policy banks[20]combined could finance loans of between $30 billion and $60 billion a year[21] under their BRI programmes. The policy banks also support the international funding requirements of Chinese companies, particularly through export credits. All told, BRI programmes could be funded to the tune of more than $50 billion a year.[22]

(12) Remarks by Li Keqiang at the 17th ASEAN-China Summit on 13 November 2014 (Nay Pyi Taw, Myanmar): "We have a lot of surplus equipment for making steel, cement and pleat glass for the Chinese market. This equipment is of good quality. We want companies to move this excess production capacity through direct foreign investment to ASEAN countries who need to build their infrastructure. These goods should be produced locally where they are needed."
(13) See A. Chance (2016), "American Perspectives on the Belt and Road Initiative", Institute for China-America Studies, November, "BRI report card", Moody's, September 2017.
(14) A. Kroeber (2015), "Financing China's Global Dreams", *China Economic Quarterly*, November.
(15) See A. Chance (2016), "American Perspectives..." *op. cit.*; S. Djankov, S. Miner *et al.* (2016), "China's Belt and Road Initiative: Motives, Scope and Challenges", Peterson Institute for International Economics, March; A. Ekman (2016), "China's multilateralism: higher ambitions", European Union Institute for Security Studies, January; and O. Wethington and R.A. Manning (2015), "Shaping the Asia-Pacific Future: Strengthening the Institutional Architecture for an Open, Rules-Based Economic Order", Atlantic Council, June.
(16) Signatories include the World Bank, the European Investment Bank, the European Bank for Reconstruction and Development and the Asian Development Bank.
(17) Only a fraction of this capital will actually be used to fund projects.
(18) The China Development Bank (CDB) and the Export-Import Bank of China (China Exim Bank).
(19) Bank of China: $100 billion – China Construction Bank: $100 billion – Industrial and Commercial Bank of China: $70 billion – Agricultural Bank of China: $15 billion - Beijing's regional economic office estimates based on public announcements.
(20) China Exim Bank: $29 billion in Chinese export seller's credits in 2014 – China Development Bank: $23 billion in average annual net international lending between 2008 and 2014.
(21) J. Hurley, S. Morris and G. Portelance, "Examining..." *op. cit.* and UBS - APAC Economic Perspectives (2017), "Patronomics; Does the Belt and Road matter?" September.
(22) A. Kroeber (2015), "Financing China's Global Dreams", *China Economic Quarterly*, November.

With the exception of the AIIB and the NDB, Chinese lenders to BRI projects are directly controlled and backed by China's central government and can hence offer attractive loans to host countries. The loans are implicitly guaranteed by the Chinese government and Chinese institutions use part of China's foreign exchange reserves to finance their lending activity, either directly in the case of the SRF or indirectly in the case of banks, which refinance through the central bank. The policy banks' interest rates are often between 2% and 3% for loans with maturities of more than 25 years and extensive grace periods of two to eight years.[23] These loans can be extended directly to the country where the project is carried out or to a public operator or a consortium. Chinese finance is all the more appealing because the host country does not need to provide a sovereign guarantee. No sovereign guarantee, however, does not rule out the need for collateral to be pledged in the form of land, raw materials or advantageous energy prices.

The Chinese government is also looking to mobilise private finance in favour of BRI. There is no consolidated data available to allow us to accurately assess the total amount of Chinese finance flowing into the BRI thus far or into the future, but the figures appear to be lower than the Chinese authorities' stated annual investment commitments and the estimated needs. The governor of the People's Bank of China (PBoC) has acknowledged this financing gap. Various Chinese government agencies (the insurance regulator, the banking regulator and the NDRC for bond issues) have since announced programmes to encourage Chinese and international private finance to participate in the BRI. Details have not been released as to how these programmes will be implemented.

### 1.3 Is the BRI a comprehensive strategy to promote a new form of global governance "with Chinese characteristics"?

The Chinese government is clearly pursuing the aim of strengthening China's leading role in global governance.[24] It engages in summit diplomacy, particularly within the framework of the BRI, in order to promote new governance institutions. Whether these institutions will come to rival the G20 or the World Trade Organisation in the long term remains to be seen. The Belt and Road Forum (BRF), held for the first time in May 2017, was attended by delegates from more than 130 countries and 70 international organisations. In addition, China hosted the China International Import Expo (CIIE) in November 2018. The aim of these events is to bring together representatives of all BRI countries and showcase the broad support of the international community for China's initiative. The official communiqués issued at the end of these events and summits, like the BRF Leaders communiqué in 2017, are drafted after a series of bilateral talks that are structurally beneficial to China and also promote Chinese notions – e.g. the "community of common destiny for humankind" – that appear to be at odds with the principles and values of the United Nations and other organisations.

In addition to these global forums, China organises international conferences and summits on topics directly related to the BRI which give rise to joint declarations. These include the Belt and Road Initiative Tax Cooperation Conference in Astana in May 2018, the Forum on the Belt and Road Legal Cooperation in Beijing in July 2018 and the Belt and Road Energy Ministerial Conference in Suzhou in October 2018. Such events may be seen as outlets used by the Chinese government to help align BRI countries' standards and policies with China's standards and priorities.[25]

China's influence strategy is also built on a particularly active Memorandum of Understanding (MoU) diplomacy. Relations between China and each official BRI country seem to be enshrined in a complete framework, with: (i) the signing of a bilateral agreement demonstrating the country's political support for the BRI, (ii) negotiation of an action plan outlining the signatories' areas of cooperation and (iii) creation of a shared steering committee for the implementation of joint projects. In the future, all of China's bilateral relations with other countries, excluding those countries which have already established bilateral dialogue channels with China, could therefore come under the umbrella of the BRI or one of its regional policies.[26] The BRI is indeed a comprehensive strategy designed "to achieve

(23) J. Hurley, S. Morris and G. Portelance, "Examining..." *op. cit.*
(24) "It showcases the fact that China, as the largest developing country and the world's second-largest economy, shoulders its wider responsibilities in promoting international economic governance toward a fair, just and rational system." Report of the Office of the Leading Group for the Belt and Road Initiative, https://www.yidaiyilu.gov.cn, May 2017.
(25) This was a goal set at the 4th Plenary Session of the Communist Party of China (CPC) in 2014 and adopted also by the BRI Small Leading Group. It could lead to China's standards becoming more widespread and give Chinese industry and investment overseas a clear comparative advantage in the future. See the Action Plan on Belt and Road Standard Connectivity (2018-2020) (www.yidaiyilu.gov.cn, 11 January 2018) for more on technical standards and S. Finder (2016), "China's Maritime Courts: Defenders of 'Judicial Sovereignty'", thediplomat.com, April for more on the role of China's maritime courts.
(26) A. Eckman (2018), "La Chine en Méditerranée: une présence émergente", Institut Français des Relations Internationales report, February.

policy, infrastructure, trade, financial, and people-to-people connectivity", in Xi Jinping's words.[27]

Lastly, the BRI serves as a driver of the renminbi's internationalisation that could defer the need for the Chinese authorities to liberalise China's capital account or exchange rate. China has urged its partners to use the renminbi for commercial transactions under the BRI. China has signed 36 bilateral currency swap agreements (24 of these are with BRI countries[28]) and opened renminbi settlement banks in eight BRI countries. China's promotion of "Panda bonds" (Chinese renminbi-denominated bonds issued by foreign borrowers) marketed as BRI bonds follows this same trend.

## 2. BRI raises several challenges for BRI countries, but also for the European Union and France

### 2.1 Sustainability of China's BRI financing cast into doubt

China's economy has experienced 30 years of spectacular growth coupled with massive infrastructure investment. Driven by its own experience, China encourages its partners to replicate its model of economic development. In the absence of a current account surplus or sufficient domestic savings, many countries turn to China for finance. China's lending now adds to, or even rivals, that of traditional lenders. China lends larger amounts with fewer requirements for financial, social or environmental sustainability.

China's strategy has been an unequivocal success in some countries. The Piraeus port concession to COSCO has led to a significant improvement in the infrastructure's profitability.[29] The Mombasa-Nairobi rail line, opened in May 2017, has connected Kenya's two main economic hubs for the first time.

However, the BRI could shift the macro-economic balance in BRI countries by substantially increasing the share of foreign debt owed to China.

With China's key role as a sovereign creditor, the major challenge remains the compliance of all creditors with the Operational Guidelines for Sustainable Financing adopted by the G20. The extent of China's lending increases the risk of funding projects which are not economically viable and which could lead to unsustainable levels of debt in some countries where projects do not increase productivity sufficiently or generate enough activity.[30] Furthermore, the conditions attached to some of these loans may undermine some of the borrowing country's strategic interests because of collateralisation.[31]

Not all BRI projects are welcomed with open arms. Chinese funding often requires host countries to choose Chinese contractors to carry out the project works, thereby limiting the economic benefits to the local economy. In Pakistan, 91% of the revenues to be generated by the Gwadar port over the next 40 years would go to China.[32] This imbalance has, on occasion, fuelled the existing suspicion in some countries and critics have voiced concerns in Pakistan, Malaysia, Cambodia, Sri Lanka and Kazakhstan. There have even been cases of protests.

(27) Full text of Xi Jinping's report at the 19th CPC National Congress, 18 October 2017.
(28) Global credit research, Moody's Investors Service, 19 September 2017.
(29) After COSCO acquired a 67% stake in the port on 8 April 2016, the port's revenues increased by 7.7% to €111.5 million in 2017. Year-on-year pre-tax net profit rose by 92%. www.porteconomics.eu.
(30) According to the Center for Global Development, several countries, including Djibouti, Kirghizstan, Laos, Maldives, Mongolia, Montenegro, Pakistan and Tajikistan, could find themselves in this situation: J. Hurley, S. Morris and G. Portelance, "Examining..." *op. cit.*
(31) When Sri Lanka was unable to service a loan from China used to build the Hambantota port, the port was signed over to China on a 99-year lease in 2017.
(32) A. Kahn Iftikhar (2017), "China to get 91pc Gwadar income", www.dawn.com, November.

**Box 3 : G20 Operational Guidelines for Sustainable Financing**

In March 2017, G20 countries adopted the "Operational Guidelines for Sustainable Financing". The aim of these guidelines is to ensure that financing for development does not undermine borrowing countries' debt sustainability. The guidelines are classified into five main priorities: i) provide adequate financing, ii) share information and promote transparency regarding debt sustainability data, iii) ensure consistency of financial support with respect to a country's debt level, iv) coordinate stakeholders, and v) promote contractual and new financial instruments to strengthen the financial resilience of borrowing countries.

Given the rising debt levels of many low-income countries, especially in Africa, and the major difficulties they face in mobilising domestic resources, it is particularly important to ensure that these Operational Guidelines for Sustainable Financing are implemented by all stakeholders.

### 2.2 The economic benefits for Europe will depend on whether China's BRI will be truly open

By funding infrastructure in infrastructure-poor regions, or even providing part of the funding, the BRI could help enhance market interconnectivity, particularly between Asia and Europe, and improve competition, driven by new entrants. In the longer term, the BRI could contribute to catalysing growth in BRI countries, and hence the global economy.

A knock-on effect is likely to be felt in the European economy. China's vast financing plan for the BRI and the sheer scale of BRI projects could open up new markets for European contractors, which are recognised for their technical, financial and legal expertise in infrastructure projects (design, build, operation and maintenance) in the transportation, energy and energy transition sectors. Many French and European contractors work with Chinese contractors in third countries. Participating in BRI projects will nevertheless depend on whether European companies can access calls for tender and submit bids on time, tap into Chinese finance, where necessary, and compete in a transparent and fair business environment.

The BRI aims to be open to foreign competition, but whether non-Chinese contractors can actually participate in projects remains to be seen. Few Chinese-funded projects appear to be awarded to foreign contractors (3.4% of projects[33]). Chinese projects are usually announced to coincide with bilateral political visits and seldom involve a participative approach whereby companies contribute to defining requirements. Because finance provided by the CDB and China Exim Bank normally goes to Chinese companies, it is structurally difficult for European companies to access Chinese financing. Lastly, projects are often "turnkey" and include Chinese finance, contracting, project management and sub-contracting.

### 2.3 The BRI highlights the pressing need for the widespread adoption of existing international standards

A major challenge in the years ahead will be China's willingness to adopt multilateral norms and standards for the BRI, which is supposed to support and deepen the international development of the world's second-largest economy. By promoting fair competition between state-owned enterprises and the private sector, enforcement of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and greater transparency in export support policies will be decisive in determining whether foreign companies can participate in the BRI on a level playing field.

### 2.4 Europe and France's response to the BRI reflects these challenges

Europe occupies a unique position in China's BRI. China does not have any major direct interests in Europe, unlike other regions, in terms of accessing Europe's energy resources or securing its own supply routes. The Chinese government is increasingly focused on promoting the BRI in Europe because it wants to tap the technology and innovation sector here, from both an "import" standpoint as part of its "Made in China 2025" plan to upgrade its industry and an "export" standpoint for its new high-tech products. China is also keen to introduce a new form of governance and garner the support of the major industrialised powers.

The Chinese government has an uneven relationship with EU Member States, particularly in the light of the "16+1" initiative, which has been set up between China and 16 Central and Eastern European countries that are either EU members or candidate countries. As a strategy to gain influence, Chinese financing is provided in exchange for

(33) The "Reconnecting Asia" project, *op. cit.*

cooperation deals, on top of or in competition with EU financing.

The "EU common messages" adopted at the Belt and Road Forum in 2017[34] are a joint position statement on the BRI. The EU outlined its commitment to "connectivity" and stressed the need for a holistic approach to infrastructure projects which contribute to sustainable growth in Eurasia. The EU welcomed China's initiative on the basis of it being an open initiative which adheres to market rules and EU and international requirements and standards and complements EU policies and projects. An EU-China Connectivity Platform has also been established.

France's position on the BRI reflects the "EU common messages" set out in 2017 (need for transparency, interoperability and economic, financial, social and environmental sustainability). These are considered essential to achieving balanced cooperation. The French government has not signed any BRI-related Memorandums of Understanding, but is looking to promote exemplary forms of cooperation that highlight the conditions of success of China's BRI in third markets. It is also committed to emphasising the importance of these governance principles in connectivity initiatives that may be carried out by its partners.

**Julien Dumond, Martin Landais, Pierre Offret**

(34) "Belt and Road Forum - EU common messages", www.eeas.europa.eu.

**Publisher:**
Ministère de l'Économie
et des Finances
Direction générale du Trésor
139, rue de Bercy
75575 Paris CEDEX 12

**Publication manager:**
Michel Houdebine

**Editor in chief:**
Jean-Luc Schneider
(01 44 87 18 51)
tresor-eco@dgtresor.gouv.fr

**English translation:**
Centre de traduction
des ministères économique
et financier

**Layout:**
Maryse Dos Santos
ISSN 1962-400X
eISSN 2417-9698

**Recent Issues in English**

**October 2018**

**No.°228.** Labour market reforms in Italy
Haroun Ba, Axel Brunetto, Arnaud Guigné

**September 2018**

**No.°227.** Global outlook in autumn 2018: growth still robust despite headwinds
Louis Boisset, Diane de Waziers, Laetitia François, Carole Hentzgen, Julien Lecumberry, Morgane Salomé

**No.°226.** The macroeconomic effects of PACTE: An initial evaluation
Cyril de Williencourt, Alejandro Faci, Simon Ray

**https://www.tresor.economie.gouv.fr/Articles/tags/Tresor-Economics**

**Direction générale du Trésor (French Treasury)**

**@DGTrésor**



Trésor
DIRECTION GÉNÉRALE