China's Belt and Road Initiative

An Opportunity to Re-energize South-South Cooperation

Zhou Taidong and
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Abstract: Since the 2008 global financial crisis, the landscape of South-South cooperation has greatly changed mainly due to the ongoing power shift from the North to the South. Rising economies like China and India are taking the lead in driving forward the institutional development of South-South cooperation despite lingering challenges that call for collective actions and mutual support among developing countries. Based on the principle of achieving shared benefits through consultation and collaboration, China's Belt and Road Initiative (BRI) has presented a good opportunity for reinvigorating South-South cooperation and drawing concerted efforts from the international community to reduce the global deficits in peace, development and governance. In the long run, the BRI is

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expected to facilitate a new round of economic globalization and help shape a more balanced and efficient system of global economic governance, which will serve as the basis for jointly building a “community of shared future for mankind” proposed by the Chinese government.

Keywords: South-South cooperation; Belt and Road Initiative (BRI); global governance; “community of shared future for mankind.”

Since the historic 1955 Asian–African conference held in Bandung, Indonesia, South-South Cooperation (SSC) has undergone profound development. Although the fundamental principles of SSC — respect for sovereignty, mutual benefit, non-interference and non-aggression — remain the same as six decades ago, its objectives, modalities and even major players have changed. Due to the lasting effect of the 2008 global financial crisis, SSC was on the wane for some time. But it has begun to gather momentum in recent years thanks to the growing engagement of rising economies like China and India.

As the largest developing country in the world, China has made tremendous contribution to the progress of SSC. In 2013, Chinese President Xi Jinping proposed the Belt and Road Initiative (BRI), which calls for policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and strengthened people-to-people ties. The aim is to build a community of shared interests and responsibility, with a shared future for all nations, on the basis of mutual trust, economic integration and cultural inclusiveness. Apart from its five-pronged approach, China’s BRI may prove to be an unparalleled opportunity to revitalize SSC in that it provides insights on tackling challenges faced by the Global South by introducing China’s own experience of socioeconomic development. In this sense, strengthening the alignment of the BRI and SSC will not only consolidate the achievements of the BRI, but also advance the progress of SSC.

This article looks into the potentiality of the BRI as an opportunity delivered by China to further enhance SSC and achieve shared prosperity in the new global context. It first elaborates on the changing landscape of SSC, particularly since the 2008 global financial crisis. It then examines the emerging challenges in SSC. The third section argues that the BRI can inject new momentum into SSC while facilitating a new round of economic globalization in the years to come.

New Dynamics in South-South Cooperation

Since the dawn of the 21st century, especially after the 2008 global financial crisis, we have witnessed an ongoing power shift from the North to the South and the rise of emerging economies in particular. Developing countries such as China and India have accomplished their economic take-off and gained more weight in the global economic mix. Today, developing economies account for over half of global GDP output; and their contribution to global economic growth has reached 80 percent.¹ China, among other emerging economies, has seen a big surge in outward foreign direct investment (OFDI) over the past years. China's OFDI flows increased from US\$2.7 billion in 2002 to \$196.15 billion in 2016. Despite a drop in 2017, China's OFDI stock still ranks second in the world.² Currently, China alone constitutes over 10 percent of the global share with regard to investment in research and development (R&D),³ while developing countries on the whole only contributed 5 to 6 percent of the world's total R&D fund four decades ago.

China's outward foreign direct investment increased nearly 73 times from 2002 to 2016.

Against this backdrop, China has been playing a more prominent role in SSC. In Africa, China had invested \$35 billion as of 2015, ranking after the United States (\$64 billion), the United Kingdom (\$58 billion) and France (\$54 billion). However, China's rapid rise in terms of OFDI to Africa has garnered worldwide attention (Figure 1).

In Latin America, too, China's OFDI flows have increased from only a few million U.S. dollars at the turn of the century to \$27.23 billion in 2016 (Figure 2). By the end of 2016, China's OFDI

¹Xi Jinping, "Strengthening Mutually-Beneficial Cooperation for Common Development — Speech at the Dialogue of Emerging Market and Developing Countries," Xinhua News, September 5, 2017, <http://www.xinhuanet.com/english/2017-09/05/c.136586145.htm>.

²Ministry of Commerce, National Bureau of Statistics, State Administration of Foreign Exchange, "2017 Statistical Bulletin of China's Outward Foreign Direct Investment," http://www.sohu.com/a/256798199_118392.

³UNESCO Institute of Statistics, "How Much Does Your Country Invest in R&D?," <http://uis.unesco.org/apps/visualisations/research-and-development-spending/>.

Fig. 1. China's OFDI Flows to Africa (2010–2016).

Source: 2016 Statistical Bulletin of China's Outward Foreign Direct Investment, Ministry of Commerce; National Bureau of Statistics; State Administration of Foreign Exchange.

Fig. 2. China's OFDI Flows to Latin America (2010–2016).

Source: 2016 Statistical Bulletin of China's Outward Foreign Direct Investment, Ministry of Commerce; National Bureau of Statistics; State Administration of Foreign Exchange.

stock in Latin America had reached \$207.15 billion. Moreover, China's OFDI flows to BRI countries amounted to \$61.9 billion over the period of 2013–2016 (Figure 3); and its OFDI stock in BRI countries hit a record high of \$129.41 billion in 2016.

Due in large part to the power shift among global economies, the objective of SSC has gradually evolved from national liberation and independence to shared and sustainable development. In September 2015, the United Nations 2030 Agenda for Sustainable Development (UN 2030

Fig. 3. China's OFDI Flows to BRI Countries (2013–2016).

Source: *China Outward Foreign Direct Investment Statistical Bulletin 2016*, Ministry of Commerce; National Bureau of Statistic; State Administration of Foreign Exchange.

Agenda) and its 17 sustainable development goals (SDGs) were universally adopted by both developed and developing countries as guideposts for international development cooperation in the coming years. Calling for all nations to strengthen the means of implementation to revitalize the global partnership for sustainable development, SDG17 emphasizes the significant role of South-South and trilateral cooperation.

Besides the change of main objectives, SSC has gone beyond the traditional modality of mutual assistance and extended from political dialogue and technical cooperation to a wide range of fields including security, trade and investment, finance, industrialization as well as global governance. At the High-level Roundtable on South-South Cooperation held in New York in September 2015, President Xi proposed exploring diversified development pathways, promoting the alignment of development strategies among different countries, making pragmatic achievements and improving the global development architecture. Other ideas on frequenting the exchange of development philosophies and experience, deepening policy coordination, initiating flagship collaborative projects and further advancing the reform of global economic governance were also put forward at the Roundtable.⁴ In July 2018, leaders from BRICS countries (Brazil, Russia,

⁴"Xi Jinping zai Nannanhezuo Yuanzhuohui shang Fabiao Jianghua [Xi Jinping Addresses the Roundtable on South-South Cooperation]," Xinhua News, September 27, 2015, <http://www.xinhuanet.com/world/2015-09/27/c.1116689451.htm>.

India, China and South Africa) signed a political declaration on their annual meeting held in Johannesburg, sending out the voice of emerging powers to oppose protectionism and uphold the multilateral system. During the meeting, the BRICS partnership on new industrial revolution (PartNIR) was launched to seek closer ties in such areas as economy, trade, finance, political security and people-to-people exchanges.

Moreover, the private sector, civil society and international organizations have been more closely engaged in SSC as key players along with the government. In the case of China, non-governmental organizations (NGOs) are particularly encouraged to “go global” and conduct overseas humanitarian actions. The China NGO Network for International Exchanges (CNIE), as a government-backed social organization, carries the mandate of guiding Chinese NGOs to go abroad. So far, 63 members of the CNIE have expressed their interests in overseas affairs. For instance, the China Foundation for Poverty Alleviation (CFPA) has set up offices in Myanmar and Nepal. The China Foundation Center (CFC), the country’s first information disclosure platform for domestic foundations, gathers and discloses information of all Chinese foundations on a regular basis. According to the CFC, there are over 100 Chinese foundations focusing on international affairs; and they have become stakeholders of government-guided, market-oriented economic projects.⁵

Meanwhile, in order to support the development of overseas enterprises, China has established 75 trade and economic cooperation zones along the Belt and Road, where different players like state-owned enterprises, NGOs and private companies collaborate with each other. These zones are also platforms for policy coordination, strategic alignment, industrial cooperation and people-to-people exchanges between China and other developing countries.

Over the past decade, emerging economies have been playing an ever more active role in driving forward the institutional development of SSC. In 2013, the United Nations Office for South-South Cooperation (UNOSSC)

Emerging economies
are taking the
lead in promoting
South-South
cooperation.

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⁵See the China Foundation Center website: <http://data.foundationcenter.org.cn/findex.html>.

was formally established to replace the former Special Unit for South-South Cooperation. With the collective leadership of China, India, Brazil, South Africa and other emerging economies, a number of new platforms for international cooperation, including the Forum on China-Africa Cooperation (FOCAC), the BRICS Summit, the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB), have been set up.

In April 2018, the China International Development Cooperation Agency (CIDCA) was minted to formulate strategic guidelines, plans and policies on foreign assistance, coordinate and make recommendations on major foreign assistance issues, promote reform of foreign assistance modalities as well as foreign assistance programs and plans, and oversee the implementation of those programs. Also, the China Center for International Knowledge on Development (CCIKD) and the Institute for South-South Cooperation and Development (ISSCD) were launched to accelerate knowledge sharing and capacity building among developing countries, as well as facilitating the implementation of the *UN 2030 Agenda*.

In this light, developed countries like Germany, France and the United Kingdom, with their traditional influence on the agenda of SSC through supporting researches and training negotiators, have been advocating for "trilateral cooperation" together with emerging economies. As a result, the Organization for Economic Cooperation and Development (OECD), the club of the world's most developed countries, established a special unit to build stronger partnership with emerging economies and promote trilateral and multilateral cooperation.

Emerging Challenges for South-South Cooperation

With the changing landscape of SSC, Southern countries are faced by new challenges in their cooperation that must be addressed through collective actions and mutual support. The first challenge is the imbalance of development resulting in gaps of interests and appeals within the Global South.

According to their levels of socioeconomic development, Southern countries can be further categorized into three groups: emerging economies like China, India and Brazil; moderately developing economies like Thailand, Mongolia and the Philippines; and least developed economies such as Nepal, Haiti and Afghanistan. By virtue of their unique endowments, emerging economies have successfully integrated themselves into

global supply chains; they are well positioned in the world economic structure, with access to different kinds of financial and technological resources. Moderately developing economies enjoy advantages in a certain specific fields, but their potential for development is yet to be exhausted. Represented by sub-Saharan and a few Asian economies, the least developed group comprises those still struggling for funding opportunities and technological upgrades. For instance, Myanmar's trade with its neighbor Laos is virtually nil, and its development lags far behind that of other members of the Association of Southeast Asian Nations (ASEAN). In sub-Saharan Africa, it is estimated that 389 million people live in abject poverty, accounting for more than half of the world's extremely poor.⁶

In the meantime, the Gini coefficients that reflect social inequality within a country remain stubbornly high in some emerging economies. To make things worse, the new round of technological revolution empowered by cloud computing, big data, artificial intelligence, machine learning, the Internet of Things, and block-chain have generated new inequalities among developing economies. In short, the uneven development among and within countries of the Global South have resulted in growing divergence of political and economic aspirations.

The second challenge is the mounting competition between developed and emerging economies, which triggers strategic vigilance on and even opposition to SSC from the North. As a South Commission report points out, Southern economies have been fighting against over-dependence on the North and working to establish closer ties among themselves. However, most Southern countries have been under heavy influence of their traditional relations with the North, backed by powerful domestic and foreign interest groups, such as transnational corporations. Out of selfish considerations, these interest groups often seek to impede the establishment of

Uneven development
causes growing
divergence among
developing
countries.

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⁶Laura Paddison, "These 7 Numbers Show How Global Poverty Remains A Huge Problem," Huffpost, October 16, 2017, https://www.huffingtonpost.com/entry/global-poverty-by-the-numbers_us_59e4d77ee4b04d1d5183787b.

South-South economic ties by spreading doubts about the capability and intention of potential partners of the South.⁷

Whilst the international community shares a consensus on reform of the global economic structure, it has been pretty slow in taking substantive actions to address the asymmetric nature of decision-making mechanisms for global economic governance. It was not until the outbreak of the 2008 financial crisis, when the developed world was in urgent need of the support of emerging economies, that discussion of the reform was put back on the negotiating table. On the Group of Twenty (G20) Washington Summit in November 2008, leaders of major economies agreed to take necessary actions to adapt international financial institutions to the changes in the world economy and new challenges for globalization; it was also decided that emerging markets and developing countries, including the least developed economies, must have greater voice and greater representation in global economic governance.⁸

The two G20 Summits held in 2009 further committed to “a shift in International Monetary Fund (IMF) quota share to dynamic emerging markets and developing countries of at least 5 percent from over-represented countries to under-represented countries using the current quota formula as the basis to work from.” Likewise, the World Bank would adopt a dynamic formula that generates an increase of at least 3 percent of voting power for developing countries,⁹ achieving a shift of more than 6 percent and meanwhile protecting the share of voting rights of the poorest member states. According to reallocated quota shares after the reform, the United States’ quota share would fall from 17.66 percent to 17.39 percent — although it still enjoyed decisive veto power in making significant decisions.¹⁰ Under

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⁷Southern Commission, *The Challenges to the South: The Report of the Southern Commission* (translated by Zhang Qiyue *et al.*) (Beijing: China Translation and Publishing Corporation, 1991), p. 134.

⁸G20 Information Center, “Declaration of the Summit on Financial Markets and the World Economy,” November 15, 2008, <http://www.g20.utoronto.ca/2008/2008declaration1115.html>.

⁹G20 Information Center, “G20 Leader’s Statement: The Pittsburgh Summit,” September 24–25, 2009, <http://www.g20.utoronto.ca/2009/2009communique0925.html>.

¹⁰IMF, “IMF Executive Board Approves Major Overhaul of Quotas and Governance,” November 5, 2010, <http://www.imf.org/external/chinese/np/sec/pr/2010/pr10418c.pdf>.

this reform, the voice and representativeness of emerging economies and other developing countries have been to some extent strengthened. Yet it will take much more efforts to match them to the aforementioned fact that more than half of global GDP output and 80 percent of global economic growth are contributed by developing countries.

The third challenge is the lingering weakness of SSC in terms of its institutional architecture. Despite the past endeavors of the international community, an efficient platform for policy alignment on SSC has yet to take shape.¹¹ Huge gaps remain between the missions of SSC and the OECD, while SSC itself needs to get rid of many intrinsic dilemmas. For instance, emerging economies find themselves in vague positions in SSC, resulting in their relatively poor communication and mutual understanding, let alone timely coordination. Although a wealth of knowledge has been accumulated, the built-up of a theoretical and sharable SSC knowledge system is far from being completed. Besides, difficulties in data access and availability lead to failure of information sharing among developing countries;¹² and the lack of means to monitor and evaluate SSC projects hinders their mutual learning process. Consequently, South-South exchanges, particularly in the fields of culture and development experience, remain extremely limited

Enhanced
South-South
cooperation may
trigger more
backlash from the
North.

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¹¹Li Xiaoyun and Xiao Jing, "Xin Nannanhezuo de Xingqi: Lishi, Xianzhuang, Tiaozhan [The Rise of New South-South Cooperation: History, Status and Challenges]," in Finance Center for South-South Cooperation, ed., *Toward 2030: The Changing Role of South-South Cooperation in the Global Development System* (Beijing: Social Sciences Academic Press, 2017), pp. 54–55.

¹²There are some problems with the quantification and statistics of South-South Cooperation, mainly because the countries of the South have not yet reached a consensus on the modalities of record-keeping in South-South Cooperation; the institutions responsible for development cooperation are often highly fragmented, lacking a centralized coordinating body and a reporting framework; transparency and accountability remains weak; there is a lack of common approach to data collection, analysis and reporting; and measuring the monetary value of technical cooperation and knowledge transfer in South-South Cooperation is often quite difficult.

compared with North-South exchanges, which renders SSC vulnerable to the dominating impact of Western media.

Revitalizing South-South Cooperation through the BRI

The basic principles of the BRI are highly consistent with and fully reflected in the traditional philosophies of SSC. As the United Nations Secretary-General Antonio Guterres mentioned in his 2017 Report on South-South Cooperation, the BRI championed by China, with over 100 countries expressing interest in partnership, will provide new opportunities and impetus for international collaboration, including South-South cooperation.¹³ Since the BRI is set to achieve mutual benefits and common prosperity among all countries, especially developing ones, and makes development a viable solution to peace and security problems, it is conducive to addressing the imbalance of development in the Global South through mobilizing and pooling resources. It is thus widely anticipated that the implementation of the BRI will revitalize SSC and tap the great potential of developing countries.

First of all, strengthening infrastructure connectivity as a priority of the BRI can meet enormous demands from the Global South. For decades, the socioeconomic development of BRI countries have been hugely delayed due to their poor infrastructure. Since the 1980s, infrastructure connectivity has become an increasingly hot topic in the North-South relationship and SSC, while the actual aid effectiveness is far from satisfactory. The BRI is of particular significance in this regard. A recent World Bank report concludes that infrastructure connectivity under the BRI will significantly stimulate growth in trade and outbound investment, driving global economic growth and creating new growth centers along economic corridors, thus improving global and regional imbalances.¹⁴ Another report released in September 2018 based on the data of the United States Agency for International

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¹³United Nations General Assembly Document A/72/297, "The State of South-South Cooperation," <http://digitallibrary.un.org/record/1302932/files/A.72.297-CN.pdf>.

¹⁴On May 16, 2018, the China Center for International Knowledge on Development and the World Bank Representative Office in China jointly held a seminar on the Economics of the Belt and Road Initiative in Beijing, at which the World Bank team presented the preliminary results of their study on the economic implications of the Belt and Road Initiative.

Development (USAID) also indicates that China-supported connectivity projects will help reduce economic inequalities within and among countries, creating positive economic externalities.¹⁵

Second, Southern countries are expected to enter into new rounds of industrial upgrading thanks to the the implementation of the BRI. After years of growth, developing countries, emerging economies in particular, have accumulated their own advantages in industrial capacity and productivity. Today, China is renowned for its industries of high-speed railway, nuclear power and engineering machinery, among others; and India has also earned a reputation in services outsourcing and the software industry. With increasing common interests and demands, Southern countries are in a better position to enhance their cooperation through closer coordination on such platforms as the BRICS, so as to accelerate industrial upgrading in the developing world.

Third, the BRI will significantly facilitate trade and investment among Southern countries. Indeed, the BRI attaches great importance to the improvement of trade and investment promotion mechanisms, as well as attempts to stimulate trade and investment activities through cooperation on industrial capacity and equipment manufacturing. Combined with new trade-promoting platforms like the China International Import Expo, which further open up the markets of developing countries to each other, the BRI is fostering more channels of trade growth for Southern countries by facilitating and expanding the scale of trade, especially through burgeoning e-commerce transactions.

Fourth, Southern countries can expect to reap huge benefits from the BRI to enhance their innovation capacity. The BRI calls for open and inclusive cooperation in the fields of knowledge, technology and talent, and is

The BRI helps
overcome many
obstacles to
development of the
Global South.

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¹⁵Richard Bluhm *et al.*, *Connective Financing: Chinese Infrastructure Projects and the Diffusion of Economic Activity in Developing Countries*, AidData Working Paper 64 (Williamsburg: College of William & Mary, September 2018), http://docs.aiddata.org/ad4/pdfs/WPS64_Connective_Financing_Chinese_Infrastructure_Projects_and_the_Diffusion_of_Economic_Activity_in_Developing_Countries.pdf.

committed to seizing opportunities in digital economy and artificial intelligence and to building up a network of think tanks to pool intellectual resources. For example, China has pledged to provide 10,000 government scholarships each year, starting from 2017, to students from BRI countries;¹⁶ it has launched training programs on the subject of connectivity for professionals from neighboring countries. China has also established training bases of scientific research and education in Africa and Central Asia. In the long run, it is believed that more BRI countries will join in capacity-building cooperation under the BRI.

Finally, the BRI is conducive to strengthening people-to-people bonds in Southern countries. The BRI not only advocates diversified approaches of development, but also encourages knowledge cooperation on socioeconomic governance. It is worth mentioning that China has laid great stress on "Track Two" dialogues in enhancing institutionalized knowledge cooperation among BRI countries. In October 2015, the Development Research Center of the State Council of China took the lead in launching the Silk Road Think Tank Network (SILKS), which has quickly grown into a new platform for cooperation among think tanks of BRI countries. In April 2016, the Institute of South-South Cooperation and Development was set up at Peking University to share governance experience with and train senior officials from developing countries. In March 2017, the Chinese government announced the establishment of the China Centre for International Knowledge on Development (CCIKD) in Beijing as a hub of research and exchange among developing countries, which helps improve public understanding on and earn support for SSC. Through mutual learning and joint knowledge creation, China and BRI countries can better assess their achievements and scrutinize their development practices.

The BRI's Contribution to South-South Cooperation

With policy coordination as one of its core missions, the BRI will undoubtedly consolidate the institutional framework as well as the cooperation network of SSC. As President Xi emphasized during his keynote

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¹⁶"Zhongguo Meinian Xiang Yidaiyilu Yanxiangguo Gong Yiwangge Jiangxuejin Mingge [China to Provide 10,000 Scholarships to BRI Countries Each Year]," May 14, 2017, <http://news.163.com/17/0514/20/CKE1MND5000187VE.html>.

speech at the Boao Forum for Asia in March 2015, the development of the Belt and Road is not intended to replace existing mechanisms or initiatives for regional cooperation; instead, the BRI will build upon the existing basis to help countries align their development strategies and form complementarity.¹⁷ In accordance with this principle, China has concluded quite a few Memorandum of Understandings (MoUs) with BRI countries to map out highly compatible plans of cooperation.

At the bilateral level, China has taken into full consideration the various development strategies of BRI countries including Kazakhstan's "Bright Road," Saudi Arabia's *Saudi Vision 2030*, Mongolia's "Prairie Road Program," Poland's *Responsible Development Strategy*, Indonesia's *Global Maritime Axis Doctrine*, Turkey's "Middle Corridor Initiative," and Serbia's "Reindustrialization" strategy. At the multilateral level, China has also been seeking alignment between the BRI and regional or global initiatives like the "Master Plan on ASEAN Connectivity 2025," the "Asia-Pacific Economic Cooperation (APEC) Connectivity Blueprint," the Eurasian connectivity cooperation, and the *UN 2030 Agenda*.

Notably, China has carried out numerous policy dialogues with BRI countries through such platforms as the Shanghai Cooperation Organization (SCO) Summit, the Confidence on Interaction and Confidence-Building Measures in Asia (CICA) Summit, the Forum on China-Africa Cooperation (FOCAC), the China-Pacific Island Countries Economic Development and Cooperation Forum, the Pan-Beibu Gulf Economic Cooperation Forum, and the Communist Party of China (CPC) in the Dialogue with the World conference, among others. To further strengthen its commercial ties under the BRI, China has organized the China-ASEAN Exposition, China-Eurasia Exposition, the China-Arab State Exposition, the China-South Asia Exposition and the China-CEEC (Central and Eastern European countries) Investment and Trade Exposition. China has also regularized consular consultation with BRI countries to facilitate personnel

The BRI is conducive to institutionalization of South-South cooperation.

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¹⁷Xi Jinping, "Towards a Community of Common Destiny and A New Future for Asia," Keynote Speech at the Boao Forum for Asia Annual Conference 2015, Boao Forum for Asia, March 28, 2015, <http://english.boaoforum.org/hynew/19353.jhtml>.

exchange and security enhancement along the Belt and Road. By doing so, China is working with BRI countries to weave a more institutionalized network for SSC on the basis of mutual trust and respect.

In a pioneering and innovative move for deepening South-South and South-North Cooperation, China has even teamed up with some developed countries like France and Japan to launch cooperation in third-party markets along the Belt and Road based on their individual advantages. For example, in June 2015, China and France agreed to prioritize their partnership by expressing their support for enterprises in exploring third-party markets, with the underlining principles of openness, inclusiveness, complementarity, equal consultation and mutual benefit. Some key areas of cooperation including energy and infrastructure, transportation, agriculture, finance, health and climate change have been identified.¹⁸ In October 2018, Chinese Premier Li Keqiang and Japanese Prime Minister Shinzo Abe attended the first Forum on China-Japan third-party cooperation in Beijing, at which more than 50 cooperation agreements were signed between local governments, financial institutions and enterprises from both sides, with the total amount exceeding \$18 billion. Under the BRI, huge potential of third-market cooperation will be further explored to add momentum to SSC.

Another contribution of the BRI to SSC is helping to address financial challenges and bottlenecks faced by the Global South. On the one hand, China created new platforms and innovated mechanisms to meet the financial needs of Southern countries. To be more specific, on December 25, 2015, the AIIB was formally established with an initial capital of \$100 billion, which would serve regional infrastructure development in Asia and elsewhere around the world. As of August 2018, the AIIB had absorbed 87 members and provided \$5.34 billion loans to 28 projects on energy, transportation and urban development in Indonesia, Tajikistan, Pakistan, Bangladesh and other developing countries.¹⁹ In December 2014, China set up the \$40 billion Silk Road Fund, which would provide financial support

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¹⁸"China, France prioritize partnership in third-party markets," China Daily, July 1, 2015, http://www.chinadaily.com.cn/world/2015liattendcelm/2015-07/01/content_21149044.htm.

¹⁹See the Asian Infrastructure Investment Bank website: <https://www.aiib.org/en/index.html>.

for BRI countries through a variety of approaches. At the first Belt and Road Forum for International Cooperation held in May 2017, President Xi announced that China would add additional RMB100 billion to the Silk Road Fund. By May 2018, the Silk Road Fund had invested in 19 projects in Russia, Mongolia as well as Central, South and Southeast Asian countries with a total value of \$80 billion. In addition, China arranged a \$10 billion special loan for Central and Eastern European countries and initiated the Central and Eastern European Investment Cooperation Fund led by the Industrial and Commercial Bank of China (ICBC), which is in charge of the incorporation of the China-Central and Eastern Europe Financial Holdings Limited and the operation of the China-Central Eastern Europe Fund.

To better manage its aid delivery to Southern countries, China set up the CIDCA in March 2018 during a sweeping overhaul of government institutions. Before that, China issued two White Papers on foreign assistance in 2011 and 2014 to give a detailed account on its aid practices in developing countries.²⁰

Statistics show that China has provided aid worth nearly RMB400 billion to 166 countries as well as international organizations and dispatched more than 600,000 aid workers over the past six decades.²¹ Remarkably, China has launched a \$3 billion South-South Cooperation Assistance Fund to support developing countries in implementing the *UN 2030 Agenda*.

On the other hand, the Chinese government encourages central banks and other financial institutions to scale up their support to projects in BRI countries, while pushing for greater cooperation on financial regulation. For example, the China Development Bank (CDB) had delivered financing services to over 600 projects in BRI countries by the end of 2017, with a total loan amount of \$113.3 billion. The CDB has also been trying to implement

Financial support under the BRI is key to the success of South-South cooperation.

²⁰Information Office of the State Council, *White Paper on China's Foreign Assistance 2011*; and *White Paper on China's Foreign Assistance 2014*, <http://www.scio.gov.cn/zfbps/index.htm>.

²¹Xi Jinping, "Towards Win-win Partnership for Sustainable Development," *Xinhua News*, September 27, 2015, https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1306508.shtml.

the special lending scheme worth RMB250 billion as an outcome of the first Belt and Road Forum for International Cooperation.²² By a similar approach, the Export-Import Bank of China (CHEXIM) had invested in more than 1,200 projects in over 50 countries by the end of March 2018, with a total loan amount of over RMB670 billion.²³ Additionally, as of June 2017, the China Export and Credit Insurance Corporation (SINOSURE) had invested over \$480 billion in more than 1,200 export and investment projects in BRI countries.²⁴ To tackle mounting financial risks and prevent future financial crisis, the People's Bank of China (PBOC) had signed MOUs on cooperation with 42 foreign anti-money laundering agencies by the end of 2016. The China Banking and Insurance Regulatory Commission (CBIRC) also signed MOUs on regulatory cooperation with BRI countries and contributed to the establishment of the Asian Forum of Insurance Regulators (AFIR).

As President Xi pointed out at the opening ceremony of the first Belt and Road Forum for International Cooperation, "global growth requires new drivers, development needs to be more inclusive and balanced, and the gap between the rich and the poor needs to be narrowed."²⁵ Keeping this in mind, it is necessary to further turn China's vision, wisdom, plans, practices and experience into tailored models of sustainable development for Southern countries. Based on the golden principle of achieving shared benefits through consultation and collaboration, China's BRI is presenting a

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²²Hu Huaibang, "Yong Kaifaxing Jinrong Genghao Fuwu Yidaiyilu Jianshe [Using Development-oriented Finance to Better Serve the Belt and Road Initiative]," *People's Daily*, July 16, 2018, <http://opinion.people.com.cn/n1/2018/0716/c1003-30148128.html>.

²³Hu Xiaolian, "Yong Zhengcexing Jinrong Zhuli Yidaiyilu [Supporting the Belt and Road with Policy Finance]," *People's Daily*, July 26, 2018, <http://finance.people.com.cn/n1/2017/0726/c1004-29428399.html>.

²⁴"Zhongguo Guochuxinyong Baoxiangongsi Zhichi Shitijingji Fazhan Fuwu 'Yidaiyilu' Jianshe Youguanqingkuang Xinwen Fabuhui [Press Conference on Sinosure Supporting the Real Economy and Serving the Belt and Road]," China Insurance Regulatory Commission, August 17, 2018, <http://guangdong.circ.gov.cn/web/site0/tab7926/info4079213.htm>.

²⁵Xi Jinping, "Work Together to Build the Silk Road Economic Belt and the 21st Century Maritime Silk Road," Chinese Foreign Ministry, May 14, 2017, https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1465819.shtml.

great opportunity for reinvigorating SSC by galvanizing concerted efforts from the international community to reduce deficits in peace, development and governance, which is crucial to the building of the “community of shared future for mankind” proposed by the Chinese government in recent years.