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Third-country cooperation in the China's Belt and Road Initiative

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The French Senate has recently published a [report](#) assessing the economic and geopolitical outlines of [China's Belt and Road Initiative \(BRI\)](#). The report encourages further participation in BRI, but also emphasises the need for transparency and reciprocity, and argues in favour of ensuring local country benefits and the prevention of debt distress. The discourse of the French Prime Minister during his official visit to China in June has been along similar lines. Interestingly, both have highlighted the role of third-country cooperation, an official mechanism established in 2016 between France and China. This blog post argues that third-country cooperation can be an effective means to leverage the BRI to support the aims of the Paris Climate Agreement and those of the 2030 Agenda for Sustainable Development. It could also be a tactical option for France and Europe to further the dialogue with China on sustainable international finance. France may consider taking the lead in Europe on this matter.

Commonly shared concerns regarding the BRI

There exist both positive and alarming BRI [scenarios](#). From a geopolitical perspective, a positive scenario is that it could ensure regional stabilization fostered by economic development. Chinese President Xi Jinping has proclaimed his intention to build a “common destiny of human societies” with the BRI, setting out a Chinese version of peace and global development. Pronounced as being inclusive and open, the BRI is however sometimes considered too large and vague, with links to major global agendas that remain unclear. In addition, China's [16+1 Programme](#) that aims at strengthening bilateral cooperation with Central and Eastern European countries is a serious matter of concern for the European Union.

As for economic issues, the Center for Strategic and International Studies (CSIS) delivered a statement on "[China's Belt and Road Initiative: Five Years Later](#)" prior to the U.S.-China Economic and Security Review Commission. This statement highlighted a lack of transparency and the barriers to the participation of foreign enterprises as the initiative's main flaws, together with impacts on sustainable development, local countries, debt distress, and trade deficits. The “win-win” nature of the BRI has not yet been globally acknowledged.

Increasing the share of participation by foreign companies

Based on its Reconnecting Asia database, the CSIS statement reveals that 89% of companies involved in Chinese-funded projects are Chinese, in comparison to 29% in projects funded by multilateral development banks. From a business point of view, this phenomenon is unsurprising as domestic firms in China usually have the required knowledge, networks and sometimes institutional advantages to gain access to Chinese sovereign and commercial funds (it is certainly true that state-owned enterprises in China generally have more facilities to access funds than private firms).

This situation has an important impact when embedded into the BRI. Given the tremendous financial scale, China cannot achieve the BRI objectives with only its own money (nor is this its announced objective). Public, and more importantly, private sector participation is essential to deliver genuine win-win outcomes both for China and other countries, public and private sectors, and development and environment. This requires a reasonable amount of parity between Chinese and foreign firms on joint project participation.

According to the CSIS report, the lack of clear project pipelines, that ensure transparency and joint project feasibility, also has to be corrected to facilitate the participation of foreign firms in BRI projects.

The Silk Road Fund, established towards the end of 2014 as a Chinese sovereign fund with objectives to support investments in the form of bankable projects under the BRI, was initially funded with US\$40 billion. In 2017, the Fund established an energy infrastructure [co-investment platform](#) with GE Energy Financial Services, a subsidiary of General Electric, with objectives to invest worldwide in power, oil and gas and renewable energies. The Fund has also signed a [memorandum of understanding](#) that outlines new strategic cooperation to support equity investment with the European Investment Fund. According to EIF, the joint fund is expected to provide €500 million and aims to support transformational investment in sustainable development. In addition to the EIF-Silk Road Fund cooperation, Germany has established a joint centre with China on sustainable development, with the objective to promote investment in Africa in 2017.

Why France should lead third-country cooperation

Compared to these two cooperative mechanisms, the Sino-French third-country cooperation is more systematic, tangible and operational, at political, administrative and executive levels. China's Prime Minister Li Keqiang raised this subject in 2015 which was soon followed by action after the fourth Sino-French High-Level Dialogue on Finance and Economy in 2016, marked by the creation of a joint fund of €300 million (potentially up to €2 billion) and a joint committee presided over by high level officials. This third-country cooperation mechanism can provide additional financial support and help EU firms participate in projects financed by Chinese institutions under the BRI. Together with existing and ongoing projects, it can give France an advantage in terms of experience working with China on this issue.

The third-country cooperation mechanism provides opportunities to co-develop climate-compatible investment standards based on specific projects, and can become a means for France and Europe to develop a BRI that is as compatible with (and even contributive to) the 2030 climate and sustainable development agendas as possible.

Existing—and financially successful—cases of Sino-French third country cooperation have so far been initiated purely from a commercial basis, such as: the SUEZ-China Machinery and Engineering Corporation water dam and treatment plant project in the Sanaga river, Cameroon; the Bolloré-China Harbor Engineering Corporation joint investment in Kribi Port; and the NOX-China Railway Construction Corporation partnership on the O Tower in Rabat. The list of feasible projects for third country cooperation that the French Prime Minister proposed to China is no doubt a good starting point for the EU to accelerate the participation of EU companies in BRI projects, and could also pave the way for the selection or orientation of projects towards achieving SDGs.

The French President Emmanuel Macron has stated his willingness to make annual visits to China. While the Prime Minister's official visit to China has ensured further concrete and promising action to accelerate joint (third-country) projects under the BRI. France should continue to use third-country cooperation as an EU mechanism and instrument to work with China on BRI issues.

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