

# 中国观

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# CHINA WATCH



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## Session I: Pursue Unhindered Connectivity

### ***Jovanovic: Carry forward the Belt and Road Initiative through connected entities and cultural communication***

As the president of Belgrade World Equality Forum, the Serbian think tank group founded in 2000, I think with our great economic potential and the critical geopolitical position, Serbia has a huge opportunity in the Belt and Road Initiative. If the Black Sea and the Baltic Sea are connected, the cargoes can be transported to these two seas directly from the Suez Canal by way of the Danube River. Apart from the connected entities, another sign of the connectivity is the established centers of Chinese culture in Belgrade. From this point, I suggest:

First, as a consensus, we should promote and support the Belt and Road Initiative for a long time. We can launch the connectivity campaign in many areas, such as the mobility of goods and people, the communications between people across borders, the cultural exchange, education, and we can also launch the campaign among youths. Last but not least, sports can also serve as a bond to make people understand each other better and form a unity.

Second, the Belt and Road Initiative is supposed to bring not only economic benefits but also security and peace for the countries involved. Backwardness is the warm bed for extremism and turmoils, and the social and economic development is requisite for security and peace. Exerting its financial and political influence, China plays a major constructive role in promoting peace and security in Central Eastern countries.

Third, Shenzhen has a huge potential in manufacturing and academic researches. Its expertise lies in finance, electronics, business and connectivity. It can be a direct partner for the countries on the Belt or on the Road. The city needs to develop a development strategy tailored for itself and the Belt and Road Initiative in order to play its significant role.

### ***Wu Sikang: The Governments' Roles: Take Shenzhen for example***

In the Belt and Road Initiative, the local governments is required to make good use of the budget, promote the economic influence of local area and the cities, and encourage local enterprises to be involved in investing and

building the Belt and Road Initiative. They can also employ diplomatic methods and communicate with their diplomatic equivalences about major issues. Shenzhen has six advantages that can promote the connectivity of the Belt and Road Initiative.

Firstly, the advantage of its information industry. Shenzhen is situated at the Pearl River Delta, known by the world as an industry-intensive area. It is home to globally competitive companies such as Huawei and ZTE and more than 20 companies which have been listed home or abroad. It ranks second globally in terms of market share.

Secondly, the economic and financial advantage. Shenzhen is one of the economic and financial centers and one of the most economically competitive cities of China. It ranks the 22nd in terms of financial center index in China. In 2015, its GDP reached 1.75 trillion RMB, turning into the 30th economically strongest city of the world.

Thirdly, the advantage of opening up. Shenzhen is propelling the growth of trade, and it is the window of China's opening up initiative and a major city making investment abroad. Its trade volume with the countries along the Belt and the Road has reached 72.4 billion USD. It has invested in or cooperated with more than 120 countries, and the amount of investment in the 38 countries along the Belt and the Road has exceeded 47 billion USD.

Fourth, the advantage of the medium-and-high-end commodities, which will promote the connectivity of the market. Shenzhen is the manufacturing center of timepieces and garments, 80% of China's and 60% of the world's timepieces and garments came from Shenzhen. It has produced 120 million pairs of glasses. 42% of the world's watches were produced here.

Fifth, the advantage of urban function and the connectivity of the infrastructure. Shenzhen is an important air transport hub of the Asia-Pacific area, the largest immigrant destination of China, and also a place for close international communication. Particularly, in terms of think tank, Shenzhen is developing ways to found a communication mechanism for the hot and difficult issues surrounding the Belt and the Road initiative and provide support for inter-governmental cooperation.

***H.R.H Norodom Sirivudh: Diversified ASEAN countries, but the same Belt and Road initiative***

Because their national conditions and backgrounds are different, under the ASEAN framework and the disputes over the South Sea, members of

ASEAN responds differently to the Belt and Road initiative.

Firstly, due to the demographic differences and differences in birth rates, a massive mobility of working forces and migrants are likely to happen. The connectivity among people requires an all-around coordination in this area. China, namely Yunnan Province can carry forward practical cooperation with ASEAN members regarding the Mekong River and food security issues.

Secondly, concerning the South Sea disputes, not every country can claim some territory and sovereignty. China and the ASEAN should hold summit meetings to negotiate and solve the South Sea disputes. According to the contracts signed at PhnumPenh in 2002, the U.S. are not allowed to get involved in South Sea disputes, or else it might lead to conflicts.

Thirdly, the execution of what are proposed by the Belt and the Road may cause certain security concerns. Both Central

Asia, Russia's backyard, and Malacca, which was closely guarded by the US navy, are witnessing China's increasingly important role. The choices and divergences among the ASEAN members when it comes to the TPP and the Belt and the Road can lead to tense relations in this area. ASEAN hopes that under the influence of the three major powers, they will see less conflicts and more peace in this area.

### ***Assam Amin: The view on the Belt and the Road Initiative***

The planning for the Belt and the Road Initiative and the connectivity requires funding, technology, communication and understanding. At the same time, it can shift the security concern and the development strategies of nations.

Firstly, the Belt and the Road Initiative involves an unprecedented amount of physical and information programs, and the huge funding gap should be raised and utilized in a creative way. The construction of infrastructures and the cultural and educational communications, especially the communication of arts and mutual art visits, can deepen peoples' communication and mutual understanding of the related nations.

Secondly, in the Belt and the Road Initiative, the suggestions from the think tank are highly necessary. If the Silk Road Think Tank wants to go global, it needs to be recognized as a consensus in a universally acknowledged charter. Though this way, they can make efforts to coordinate the Belt and the Road Initiative and promote the concept of a win-win silk road. The ways to organize regional meetings and discussing about regional issues could be two-tracked cooperation between think

tanks or two-tracked diplomacy.

Third, the existing mechanism such as Bangladesh-China-India-Myanmar Economic Corridor can push forward the Belt and the Road Initiative. India and Bangladesh can integrate their own strategies into the Belt and the Road Initiative. Bangladesh has solved the maritime disputes with India and Myanmar. Under the protection of the navy from the three countries, they now can transport the gasoline and gas resources from the Bay of Bengal. This is a successful experience for the practices of the Belt and the Road Initiative.

***Timothy Bordachov: the Belt and the Road Initiative, the Eurasia, the global affair***

The Belt and the Road Initiative mainly involves countries and regions on Eurasia, especially in the European and Asian areas. The planning in this region are deeply branded with the Euro-Asian marks, which are the lifestyles, the realities, and the long history of this area.

Firstly, we should look into the possibilities of connecting the Euro-Asian economic bond with the Belt and the Road Initiative. Countries like Kazakhstan and Russia have promoted the Eurasian Union which aims at coordinating the economic policies of the Central Asian countries and promoting the free flow of finance, commodity, service and people. Unlike what happens between the countries in the Belt and the Road Initiative and the EU, there won't be any conflicts between the countries involved in the initiative and the Eurasian Union. On the contrary, they can supplement each other in terms of investment.

Secondly, the Belt and the Road Initiative will accelerate the construction of infrastructure and economic cooperation in Eurasia. Economic cooperation and mutual development signifies peace and security, which are the shared dream for the Central Asian countries and other participants. The mechanism of Shanghai Cooperation Organization can thus be upgraded or they can create some new mechanism.

Thirdly, in the regions where Europe meets Asia, Russia plays an important role in issues concerning Taliban, ISIS and the ceasefire in Syria. Development and employment are the cure for the extreme religious beliefs and can bring religion to the track of peace.

Fourthly, the alliance of think tank proposes to create a global forum to discuss the Belt and the Road Initiative, which concerns not only the issues of a certain country in the certain area but also the role it is going to play in the global level or in bodies like the U.N. China's efforts during this process made a contribution to the peace and security of the countries



in this region.

***Andreas Sprague: Multi-layered structure: The influence of the great powers and the parts played by the small countries***

Like what China and Shenzhen went through during its opening-up process, the Eurasia is also aiming at a prospect which is characterized by a greater extent of opening-up. We could safely say that the Belt and the Road initiative has both regional and globally influences. The multi-layered structure can enable both the great powers and the small countries to play a part.

During the process of integration in Eurasia, the existing mechanisms of the EU and the EAU has been improved because of the diversification. The connectivity concerns many aspects, and the international cooperation has many modes. If we see it in a comprehensive way, there are overlaps and conflicting interests between super powers and small countries. Fundamentally, the way to adopt these elements of the mechanisms is to develop a philosophy of a win-win situation.\

Along with the Belt and the Road initiative, there are other initiatives in Eurasia. The competitors on the Road and the Belt showed the influence of geopolitics and the security concerns, which has led to interest conflicts and misunderstanding. To solve this problem, the think tank can play a crucial part. In regard of this, the think tank alliance should contribute more.

Latvia is an important joint connecting the Pacific Ocean and the Atlantic Ocean. It is of great importance to the prospects of the Belt and the Road initiative. The country has been actively involved in the 16+1 mechanism proposed by China and it is its turn to be the negotiator of the mechanism. The co-constructed transportation system and the connectivity of infrastructures are not only about the transportation leading from the east to the west, but also about the lines stretching from the south to the west. We should think carefully about how to combine the 16+1 mechanism, the EU and the silk road to form a stronger force.

***Matura: The Belt and the Road Initiative leads to mutual political trust***

Hungary used to be an extremely important pass on the silk road, but its status as well as its wealth has been weakened in the Eurasia in the past 500 years. Now, as a important member of the 16+1 mechanism and the Belt and the Road Initiative, Hungary is gaining its former radiance. From this perspective, I want to state the following points:

First, as the initiative is expanding exponentially, some of the western European countries assume that this initiative can pose challenge to their development. Some relevant parties even assume that the Belt and the Road Initiative will take a different route from existing organizations such as WTO. We should make them understand the guideline and objectives of the cooperation among countries better, and make the concept of the Belt and the Road Initiative more clear.

Second, the communication between the member countries are important. Although the Belt and the Road Initiative is still at an initial stage, there are certainly arguments over the projects involved. It's important to react to these arguments and doubts. Concerning China's economic, financial and political involvement in the Belt and the Road Initiative, the doubts tend to grow. Some countries are prone to think that China means to influence other countries in terms of their strategies. Therefore, the crucial part of the Belt and the Road Initiative lies in good communication and mutual trust.

Third, support from the think tank are dispensable to the specific scheme of the communication process. The Belt and the Road Initiative can cooperate with the academic institutions from the EU and build communication mechanism with universities. On the one hand, this will allow the professors be involved in the debate, and convey more messages about the Belt and the Road Initiative, on the other hand, this will influence not only the young students' mind but also the public's.

***Li Shaoxian: The new prospect for the Belt and the Road Initiative after President Xi's visit to Middle East***

The diplomatic move of President Xi marks his first visit to Middle East after he took the position as the president. The importance of the visit can be revealed by the timing, and it was his first diplomatic visit of 2016. The Middle East is in a turmoil which is unprecedented in the past hundreds of years and includes Egypt, Saudi Arabia and Iran. The situation is hard to predict and China need to response to it to maintain a set of overall strategies.

First, China should strengthen the political ties with the three countries. The fruit of the visit is that China's ties with the three countries has been elevated to a new level which is characterized by strategic partnership. In Middle East, China sticks to nonalignment policy. Against the background that the order built after the first world war has collapsed along the east coast of the Mediterranean, the obstacle to regaining geopolitical balance and security is the pursuit of unilateral interests and the intervention from

the so-called representatives. China has a “three never seeks” policy, namely it means “never seek territory, never seek representatives, and never seek to fill in the political vacuum,” which shows that China’s role in the Middle East is to maintain equality not to seek any gains.

Second, in Middle East, China can pick some key countries as the pivot to promote peace and security. Iran is the oasis in the turmoil and it is qualified to be an partner for cooperation of a large scale. Egypt has gradually become peaceful again after years of turmoil. If it thus go on a tranquil development process, it will show the Arabian world a good way. Saudi Arabia representing the Gulf Area, where is relatively peaceful, richer, more resource-affluent. It is a locomotive that can lead China’s cooperation with the Arabian world in Middle East.

Third, the Sino-Arabia cooperation mainly concentrates on construction programs. China and Iran has signed contracts concerning major large-scale infrastructure construction programs aiming at better connectivity, such as the highway leading to Teheran. Along side with this are the energy programs, which includes upgrading Iran’s industrial equipment and industrializing Egypt. The financial gap or bottleneck can be relieved by the fund for the industrialization of the Arabian countries founded by China or they can resort to the loans under the Belt and the Road framework.

### ***Dominic Mierzejewski: the Belt and the Road Initiative, more than south-south cooperation***

Not only the developing countries but also the developed countries, even the APEC countries are involved in the Belt and the Road Initiative. Eastern Europe are the crucial juncture where the capitalism economy meets the transition economy. This is a key region for the Belt and the Road Initiative.

First, 16+1 mechanism and the Belt and the Road Initiative can be regarded as a dialogue and cooperation mechanism between the rich countries from the northern hemisphere and the developing countries from the southern hemisphere. But our understanding about this mainly emphasized on the south-south cooperation and neglected the special needs of the Eastern and Middle European countries in different developing stages. At meantime, among these Eastern and Middle European countries, the concept of “China is a red communist country” and the terror it generates is still popular.

Second, in terms of currency and international productive capacity cooperation. In 2015, People’s Bank of China decided to devalue

RMB, which was a sign that the Chinese government was not satisfied with the growth rate of national demand. The surplus of its productive capacity was balanced through currency devaluation and stimulating exports. The measures adopted includes the move to found the Asian Infrastructure Investment Bank, which aims at the internationalization of RMB. The Belt and the Road Initiative calls for international cooperation in productive capacity, which is a new thoughts of solving the productive capacity problems.

Third, the Belt and the Road Initiative and the connectivity can not be realized without regional cooperation, which requires the cooperation among cities and provincial administrative regions of different countries. All the provinces, municipalities, and autonomous regions can play an active part in the Belt and the Road Initiative. Nowadays, the representative offices are up and rising in all the countries involved, building bridges for the communication among the Eastern European countries.

***Wu Shicun: the think tank, the countries and the seas in the Belt and the Road Initiative***

The important challenge we are facing in the Belt and the Road Initiative is how to make the countries involved understand and support China's innovation. Strategically speaking, soft connectivity is more important than hard connectivity in helping eliminate the misunderstanding they have for China. Upon the existing practices, here are three suggestions:

First, the cooperation between think tanks can help get over the hard feelings among China and the ASEAN brought by the South China Sea issue. China's South China Sea Research Institute and the Strategy and International Study Center of Indonesia have a program called "promoting regional peace", which includes the think tank of government background of the ASEAN's ten members. In order to get the programs started, China has donated 680,000 USD to Indonesia, which is from the ASEAN fund, in hope of getting the research reports from the senior officers of the ASEAN members. This practice can be expanded to the Southern Asian countries and propel the cooperation under the Belt and the Road Initiative framework.

Second, the training of talents are crucial to the cooperation on the South China Sea. The Advanced ASEAN Issue Institute of China has been established and the five-year program of talents training has started in January. The talents are from the ASEAN members, the lecturer are the internationally famous scholars from Canada, Taiwan, Europe whose

expertise are international law, maritime law and ocean governance. The training of talents can eventually promote cooperation on the sea. The think tank alliance of the Belt and the Road Initiative can back on a university in Shenzhen or even on Fudan University, which can provide talents for the cooperative programs. Of all the programs that have been started, such as the China-Pakistan Economic Corridor, the Indonesia High-speed Rail Project, we can choose some and train the talents for them. People are the most important in talent training, program implementation, and when we have talents, the programs can be continued.

Third, Go out and set up platforms. Last year in April, China's South China Sea Research Institute attempted to set up a research center of China-US issues in America. Although the American think tank and enterprises were interested in the Belt and the Road Initiative, they didn't grasp the situation fully. This year in autumn, we are going to hold summit meetings with five American think tanks, which are the partners of the Washington. The US is the important factor that heated up and leads to the insecurity in the China South Sea. The U.S. took a one sided stand and went against China. In terms of the Asian Infrastructure Investment Bank, the U.S. is preventing its allies and other countries to participate in order to preserve the the existing international financial system led by it and pillared by IMF and WB. The TPP also has the intent to go against the Belt and the Road Initiative and RCEP. In a nutshell, the U.S. is deeming a rising China is a thread to its leading role in the Asia-pacific region. It will go against China's every economic or diplomatic cooperation motion. And this biased notion need to be adjusted.

***Xiong Shuxin: The Chinese philosophy of achieving harmony without uniformity and the Belt and the Road Initiative that works for the region and the world.***

Just as Shenzhen is the window of China's opening up policy, Yunnan is the frontier of the Belt and the Road Initiative. It share a borderline of 2000 kilometers with Vietnam, Laos and Myanmar. From this perspective, the drug rampancy along the lines are the real problem concerning the restructuring of the world.

First, during the process of going out in the Belt and the Road Initiative, the Chinese or the Chinese philosophy will meet with a lot of misunderstanding. The force of westernization has caused the conflicts between the eastern world and the western world. China is trying to make a contribution to the undertakings of human being, but its efforts are only twisted and misinterpreted. That is the consequence of a world led by the

western world and denies the fact that all human beings share the same interests. The universities in China are the carriers of the Chinese culture. In the Belt and the Road Initiative, when it comes to cultural creation and innovation, the Chinese universities has the mission to convey the Chinese concept of “harmony without uniformity”. They should have their cultural confidence and rediscover the Chinese wisdom that has a history of thousands of years. Through scientific and technological exchanges with foreign academia, we should make this fact widely known: the fruits of and the wisdom achieved by the 1.3 billion Chinese’s hard work are there to serve the whole world.

Second, in solving the problems confronted in the Belt and the Road Initiative, we have met with interdisciplinary challenges, challenges of finding ways, and the big data challenges. The connectivity of people are vital. Southwestern University of Finance and Economics, SWUFE, has established the Bangkok Business School, which set an example of Chinese higher education going out. By providing high-end training in the South Asia and Southeast Asia and recruiting postgraduate for project management, we can convey to the other parts of Asia a real China and its wisdom, and at the same time we find our own shortcomings. The think tank of SWUFE is dedicated to several researches, including the influences of the geopolitics of the Indian Ocean and the Asia-Pacific regions on the industrial structure and industrial division of labor, the convenience and problems of e-commerce, the cultural diversity and solving conflicts through reaching consensus.

Third, China’s interests in Mekong River directly influence Yunnan. Mekong River is an Asian river which originates in Yunnan. The security of the river on one hand concerns if China will leave space for development of the lower Mekong countries concerning its rapid development of water conservancy construction, on the other hand, it reveal the debate of the rivers’ roles as shared passages. The southeastern countries, especially Cambodia, is at the mercy of the changing of the river’s water level. Managing the river is indispensable to the ecological security. The Mekong massacre challenged the security of the cruising ships on this river, and all related parties should cooperate to stop tragedies from happening again.

### ***Hong Feng: the symphony of the world featured by China***

China plays a leading role in the Belt and the Road Initiative, as well as in the international think tank for the Belt and the Road Initiative. It is a necessary and indispensable main promoter. The think tank of the Belt and the Road Initiative is not philanthropic. It wants to share with the

world its experiences of its 30 years of opening up.

First, the Belt and the Road Initiative is not merely about construction, the communication between people is also very important. They can only learn from the Chinese experiences when they have the talents who can communicate with the Chinese. But the talents are what they lack now. Panyapiwat Institute of Management is training talents to communicate with China by inviting Chinese scholars, setting up academic programs and giving lectures. More new business opportunities have been generated in the process of integrating the Chinese experience and foreign experiences. Therefore, we have every reason to hold more extensive communications using the platform of the think tank for the Belt and the Road Initiative.

Second, the communications between the technological talents assumes the equal importance with communications between the academic talents. The 27,800 people in Zheng He's fleet were mostly technicians rather than soldiers. They built Thailand some very splendid buildings. And the technological communication is still very important today.

Third, from the above mentioned facts, the free flow of talents can accelerate the Belt and the Road Initiative. However, compared with earlier stage, China has made the communications rules more strict when it is opening up more to the outside world. I wish they would have the opportunity to go out and share with the world China's experience for success.

***Wu Qinmaolin: Myanmar's new role in the Belt and the Road Initiative: New government, new opportunity***

The Belt and the Road Initiative is an important motion of the 21st century. Located in the southwest of China, Myanmar is close to the gate that leads Yunnan to the Indian Ocean. It has the key position and is encouraged to develop partnership with Yunnan and Tibet. Internationally, the cooperation of Myanmar, China and Japan is significant, which encourages the cooperation of the southeastern countries. As the sovereignty of Myanmar has shifted, the opportunities of the Belt and the Road Initiative is reaching to it.

First, since the new government has been founded, the technological officials and experts who are specialized in development issues are going to emerge. The new government will be dedicated to the development of the country, which includes joining some programs of the Belt and the Road Initiative. The Foreign Ministry and the Institute of International Culture of Myanmar will seek further cooperation with other countries.

What the country wants from the Belt and the Road Initiative didn't change even it went through an sovereignty shift.

Second, when it comes to cooperation, countries must act on the basis of friendship, mutual benefit and win-win result. The new government wants to accomplish the mission of peaceful development. And it will surely bring new concepts, new thoughts and new practices, adopt practical measures to maintain regional peace and to develop, and to strengthen the ties with the partners of the region. We will follow the five principles of peaceful coexistence, which was first raised by the participants of the non-alignment movement and will always be the guideline for their successors in the Belt and the Road Initiative.

Third, as reliable strategic partners, China and Myanmar must achieve connectivity in every dimension and deepen the trust and understanding for each other. The development of Myanmar will accelerate the development of the southwestern region of China, and the connectivity of the infrastructure are the most important. In the process of China-Myanmar cooperation, we should adhere to the principle of "putting people first and protecting the environment". China should pay more attention to the economic and social benefits of some cooperative programs. The pace of founding the Asian Infrastructure Investment Bank should be quickened, and it should provide loans for the regional government and NGOs, rather than only encourage governmental cooperation's.

***Ruan Decheng: China—the forerunner of the Belt and the Road Initiative***

As the Belt and the Road Initiative is implemented gradually, it has become more than a concept of President Xi Jinping, it is now the reality in many regions and closely related to their interests. It stimulates the investment in the infrastructure, education and the flow of people, which all aims at the economic app of the region. Seeing the big picture, we have several suggestions:

First, the Belt and the Road Initiative was first raised by China and was founded because of the support from many parties. The question is: Is China still the best choice for the leadership? Considering the U.S. leadership in TPP mechanism, China is undoubtedly the best choice. Under the leadership of China, the member countries should coordinate with China in terms of the joining and development of the Belt and the Road Initiative.

Second, from the perspective of Vietnam, a member country of the



TPP, both TPP and the Belt and the Road Initiative are important for the Southeastern Asia. If we compare TPP with the Belt and the Road Initiative, we could see that TPP has more detailed and specific articles and the signing process was more time-consuming, which, however, was much more shorter than the formation of EEC. In terms of size, the Belt and the Road Initiative is smaller but has more member countries from a wider region. But the Belt and the Road Initiative hasn't got specific stipulations. Therefore, building the international think tank of the Belt and the Road Initiative is crucial to define and regulate the initiative.

Third, we should take a look at the way the Belt and the Road Initiative promotes. It is a bottom-up proposal characterized by Chinese tradition. When one party wants to join, it should come up with some stimulants, to achieve mutual benefit and win-win result, and perform in a proper way. The think tank is a step forward for cooperation. We can conduct more research about the Belt and the Road Initiative, make way for more communications among the region and in the world. This is a good start.

***Alan Mohanty: The hopes and future of India: India in the Belt and the Road Initiative***

This is an age of convergence, and the converging trend is seen everywhere around the world, take Europe and Latin America for example. In the region of Pacific-Asia, the Belt and the Road Initiative, the TPP and other partnerships are coexisting. Under this background, the Belt and the Road Initiative should serve as a promoter of regional or even global integration.

First, compared with the TPP, the Belt and the Road Initiative is more open, balanced and inclusive, and that's why we have paid more attention to the Belt and the Road Initiative. Because it is proposed by China, India only plays a minor role in it. At present, people's willingness is weak and we also face with such limitations as the capability of market access and the bottleneck of the infrastructures. But India has realized the complementarity of this initiative to India and it has begun to look into the prospects.

Second, India earlier proposed some motions, such as the road of spices and the seasonal wind initiative. Although there were no much promotion about this, we could see India's efforts of propelling the connectivity, which is also fundamental to its participating in the Belt and the Road Initiative. The motions it raised also includes the China Pakistan India Myanmar corridor. India has its share of economic interests in Central Asia and Russia, but it is limited by the bottleneck of infrastructure,

which leads to high transport cost. India is discussing with Iran and Russia on the founding of an economic corridor in the hope of improving the connectivity of the infrastructure.

Third, India has adopted an active diplomatic strategy, which is called “proposal for the East”, which garners more attention for the East and East Asia. Since last year, this effort has transcended the territory of the east. It focused on the east and propels the cooperation among the East Asian countries. Collaborating with the “Made in India Program”, it focuses on attracting more foreign investment, improving India’s productive forces, and promoting the economic communications among the East Asian countries. All the above mentioned aspects are the contributions India has made to the Belt and the Road Initiative.

*Translator/ Li Qian*

## Session II: Strengthen the Connection of Development Planning

### *Ma Jiali: Out of the Main Road, Do Yourself Well: Creating the Rising “Belt and Road”*

As a think tank under the Central Party School, this Forum has devised concepts such as the theory of China’s rise, and therefore has played a role in the process of China’s reform and opening up. Now the Forum participates in the International Think Tank Alliance of “the Belt and Road” and our views are as follows:

Firstly, the Forum and think tanks in Asia, in Central and Eastern Europe as well as in Western Europe held discussions on the questions of “the Belt and Road” over the past few years. Our main work pattern was to form our own understanding through the study of those questions and through communication with other countries’ think tanks and then to provide advice directly to the Communist Party’s top leadership. Before “the Belt and Road” was introduced, we had already participated in the discussions on and amendments to its strategic concept, to make it more scientific, more reasonable, and more operational.

Secondly, affecting other countries is not our intention. “The Belt and Road” is not proposed specifically for Asia-Pacific, the India Ocean and Central Asia, but mainly for China’s own reform and opening up and development. Our intention is for China’s own development and China’s sound relationship with the surrounding countries and with some Western countries. The concept of “transfer of excess capacity” originally mentioned in the Chinese media is neither scientific nor respectful to the countries involved. We hope to replace it by the concept of “complementary capacity” which not only shows respect for the national dignity of those countries, but also reflects the reality more accurately. The countries along “the Belt and Road” each have their own strengths and characteristics, and China hopes to learn from their strong points to overcome China’s weak points. The Forum once proposed to the leaders that swallowing pride suggested sufficient confidence and such assertive attitude should be used to establish links with neighboring countries.

Thirdly, we need to strengthen our own research and propose suggestions for policies and countermeasures and we can set up institutional or random cooperation with members of the International Think Tank Alliance. We welcome the think tanks from related countries to Beijing

for joint discussions. Our common ideas can be proposed as suggestions directly to the top leaders of the Party and Government. Accordingly, we would like to go out to frankly exchange views with other countries' think tanks. We expect friends from other think tanks to contribute efforts together for the cooperation and development of this area and related areas.

***D. Tsogtbaatar: Inherit the Great History of the Silk Road, Initiate the New Future of the Cooperation among Think Tanks***

For the International Think Tank Cooperation Alliance of “the Belt and Road”, we approve such a creativity to bring together think tanks from all over the world. Think tank is a country's mind of thought, which will have a major impact on the country's decision-making and trend of thought. A global think-tank organization lays a good foundation for sustainable development and the path of future cooperation. Concerning what the cooperative think tanks should do, there are some opinions:

Firstly, constantly seeking opportunities in the process of establishing “the Belt and Road” is a must. The significance of the Silk Road lies in that it is not built in a sudden but conceived in thousands of years of history. “The Belt and Road” also needs to be built on deep foundations. Recalling the origins of the Silk Road's prosperity, we need to actively take concerted actions now, to continue the glory and achievements which were already made hundreds of years ago.

Secondly, trade and investment are the important areas and spaces in today's cooperation. Cultural exchange is also very important. The industry of trade services can not only accumulate wealth, but also promote better understanding among countries. Another industry that can increase profits is sports events. In the framework of the Silk Road, organizing sports events can attract people to support the building of “the Belt and Road”. In addition, tourism, for many developing countries, is an industry that needs a small number of investment, particularly foreign exchange, and is easy to set up. It can not only increase the wealth of the tourist destination country, but also promote direct communication among people from different countries, fostering the concept of spiritual and cultural exchanges among civilizations.

Thirdly, the Mongolia Institute of Strategic Studies has contributions to the building of “the Belt and Road”. Before August this year, Mongolia will hold a symposium on “the Tea Road” which in history connected Mongolia, China, and Russia. Today Mongolia is committed to creating better conditions for trade and investment among three countries. In July

this year Mongolia will hold an Asian Summit, which is to establish a new mechanism to complement the concept of the Silk Road. The Silk Road mainly connects Asia and Europe, but the Asian Summit tries to connect the Silk Road in history with ASEAN, the important cooperation institution in the 21st century. The International Think Tank Cooperation Alliance should actively participate in various activities to elevate “the Belt and Road” initiative to a new height.

***Neil: Not the Marshall Plan—Inclusive Cooperation Forms the Force of Development***

Last year, the concept of “the Belt and Road” has attracted suspects from some critics. They argued that in essence the concept was another version of America’s “Return to Asia” strategy and some others compared it to the Chinese version of the Marshall Plan. Undoubtedly, the concept of “the Belt and Road” must include the relationship between investors and beneficiaries, which was also reflected in the Marshall Plan during the Cold War. However, the fundamental principles of “the Belt and Road” are completely different from the American style of international strategy in several aspects.

Firstly, “the Belt and Road” is not the product of geo-politics or the Cold War mentality. As Chinese Foreign Minister Wang Yi states, the principle of “the Belt and Road” is inclusive cooperation which requires countries, regions, and cities to perform their real abilities, using elements and endowments to stimulate the real economy and organically combining manufacturing, transportation, communications, and services to the economy. Along “the Belt and Road” are a large number of developing countries that lag behind in manufacturing, in particular, electromechanical manufacturing. Production chain is critical to the industrial development and Shenzhen’s miracle is considerably attributed to its complete industrial chain, providing the Asia-Pacific market and the international market with a large number of high quality products. The Think Tank Alliance of “the Belt and Road” shall, respecting the rules of market economy, seek legal and political support provided by governments, reduce risk and corruption, and study how the Eurasia industrial chain can further develop on the basis of “the Belt and Road” strategy.

Secondly, to form force through interconnection. “The Belt and Road” strategy generates more employment. Employment is an effective solution to the 2008 financial crisis. The Think Tank Alliance shall analyze the real stakeholders and seek and share each one’s proposals. Under the common

goal of development, “the Belt and Road” initiative is part of China Dream and part of the spirit of countries’ development objectives. On such basis, mutual understanding is possible.

Thirdly, local initiative is very important. Countries each have their own abilities and energy and are bound by their own national rules and regulations, and thus have advantages in different areas, creating more opportunities for cooperation. The relationship between Shenzhen and Hong Kong is a very good sample. Economic cooperation between the two is very good. The support from Hong Kong makes Shenzhen a miracle, from a small fishing village to an international financial center within several decades. Guangdong can communicate and cooperate with Guangxi as well as with other provinces to promote common development.

Fourthly, the requirement of a role as think tank is to remind people the ignored aspects in “the Belt and Road”. Eventually it needs to consider the scope of the concept of “the Belt and Road” initiative, whether to consider it from Asia to Europe or to consider it with more openness. What “the Belt and Road” means for non-European-and-Asian countries may contain a larger space for discussion. Therefore, “the Belt and Road” initiative should be a more organic concept. It may be the seed of investment which can be sown outside the countries along “the Belt and Road”. I think the above mentioned points are worth discussing.

***Constantine Korolyov: New Opportunities for Sino-Russia Cooperation: “the Belt and Road” in the Eurasian Pattern***

Russia plays a very important role in the Eurasian pattern, including “the Belt and Road”. Specifically, the Sino-Russian cooperation between the Eurasian Economic Union and the Shanghai Cooperation Organization has laid a good foundation for the development of “the Belt and Road” initiative.

Firstly, Russia has put forward the initiative of the Eurasian Economic Union. Its main purpose is to continue to promote economic development of the countries in the region, to strengthen cooperation, and to play inherent advantages, so as to improve the development environment and people’s livelihood of these countries. “The Belt and Road” initiative will contribute to achieving the objectives of the Eurasian Economic Union, promoting the Eurasian region’s development. Russia highly values the role of “the Belt and Road” in advancing the economic cooperation between China and Russia. Further deepening China-Russia partnership and jointly promoting mutual cooperation in “the Belt and Road” and the

Eurasian Economic Union are conducive to the future establishment of new mechanisms and institutions in “the Belt and Road” framework.

Secondly, the implementation of “the Belt and Road” initiative can absorb resources from the economic, historic, and cultural contact with the neighboring countries. Russia, China and other countries should explore to combine part of each country’s development planning and suggestions to the framework of “the Belt and Road” and start more cooperation projects. China and Russia should further strengthen regional development planning, security risk assessment and other aspects and fields in search of more convergent space for economic development, security cooperation and cultural exchanges. In 2016, China has become Russia’s largest trading partner, and Chinese enterprises have a lot of investment and development in Russia’s energy, space, nuclear energy, etc. Since then, 68 Sino-Russian cooperation projects have been approved and further implemented. Cooperation between China and Russia in areas such as trade, services, and industries will further strengthen in the future, concluding more agreements. So I think the Silk Road Economic Belt can make China and Russia to participate even more actively in more international organizations and other regional organizations.

Thirdly, China and Russia work together in close cooperation in the Shanghai Cooperation Organization. Russia attaches great importance to strengthening the comprehensive strategic partnership of coordination with China. In the process, Russia hopes to further safeguard the other signed and recognized principles by the two sides in other documents, and to further strengthen mutual understanding in international and social affairs. Russia, during the visit to China last December, reemphasized that constant coordination of the efforts and cooperation between China and the Eurasian Economic Union and its member states, i.e. “the Belt and Road” initiative, was essential. Such cooperation can help to promote the establishment of a new pattern of global economic cooperation. We are convinced that by strengthening the coordination between countries□ Russia and China will achieve a closer alliance and bring into play the strengths of both sides.

***Jin Xihuan: Connection, Communication, Coalition: The Belt and Road’s Integration into the World***

The Eurasia continent has intricate channels of communication. Along the avenues show the Eurasian civilization and history. Every country sees the important role of the Silk Road in exchanging ideas and cultures. Recently, with the gradual disappearance of the demarcation of the Cold

War, the countries along the Silk Road have realized their integration into the international community and globalized markets, for the first time achieving real coalition.

Firstly, factors of production widely circulate across borders. Guided by mutual investment, the transnational flow of capitals and human resources becomes closer and deeper. Technological exchanges also enable the Central and Eastern Eurasia to achieve great development. Enjoying the peace of Eurasia, countries are full of vitality thanks to a series of roads and dynamic activities represented by the Silk Road. Technology, ideas, art, and the modern experience are also mutually spread and penetrated. China's "the Belt and Road" initiative has solved the countries' problem of lack of funds, and has also eliminated the security and political concerns. This Silk Road is a dynamic highway which promotes the integration of Eastern and Western civilizations.

Secondly, the Silk Road promotes the development of human civilization and history. In the context of the 21st century, the Silk Road must make new changes. It must embrace more countries, must connect the Western and Eastern civilizations, must build a highway for exchanging ideas and technology, must realize the inclusion for diversified common development. The United States, China, Russia, Japan and South Korea have all conceived a similar idea. The development strategies of each country must reflect the spirit of the 21st century Silk Road, mutually respecting and communicating to develop the Silk Road.

Thirdly, we must further expand the scope beyond the traditional Silk Road countries by including other countries such as Serbia. The Silk Road has now become a link to connect different regions in the Eurasian continent. No country alone can solve the problems it confronts. The general challenges of interdependence are the common concerns of all countries, for instance, the decline of the international oil prices due to the imbalance between supply and demand, promoting the countries with great potential to realize development, improving competitiveness and productivity, and reducing economic inequality.

Fourthly, there are two suggestions to the realization of positive cooperation and communication between the European and Asian countries: first, to further upgrade the existing connections among countries; second, data connection must be adapted to our connection. Also, different cultures need to have exchanges. We know that the world is facing the eve of a fourth industrial revolution. Our technological development must give industrialization a new concept.



***Rui Dexing: Poland's Views on "the Belt and Road"—to Business and Communication***

Although "the Belt and Road" is a new thing, the majority of European and Asian countries are familiar with this new concept. Having a good connectivity, Poland and other countries have some foundation for interconnection. Poland is located between Russia and Germany and one-third of its trade volume is with EU countries, thus Poland is a potential bond to achieve "the Belt and Road". The Chinese President Xi Jinping and Poland's leaders have exchanged visits, paving the way for the two countries' business and communication. For "the Belt and Road" initiative, Poland has the following views:

Firstly, infrastructure is important for interconnection. Poland has a good foundation of infrastructure and has a great connectivity with neighboring countries such as Belarus, as well as with cities such as Suzhou and Chengdu. The interconnection between China and Poland is now facing some difficulties because Poland exports a large number of agricultural products to China mainly by sea transport. The focus of developing "the Belt and Road" is to open up a channel to China by road, which is a future challenge we will face.

Secondly, we have a strong will for "the Belt and Road" initiative but we lack funds and political influence to support. This is a challenge for the future, which is also the potential for future development. I think we should make full use of the existing perfect infrastructure to strengthen cooperation. Given the historical experience over the past decades, some people in Poland do not believe that "the Belt and Road" can achieve the planning targets and some even have fear. I think the first thing we need to do is to remove barriers of cooperation between both sides.

Thirdly, we should enhance publicity and the dissemination of information. We should educate and inform the public "the Belt and Road" initiative and reveal its prospects for success. We can develop programs according to audiences, for example, setting up a campaign specifically for the younger generation. In this way, in turn, people in ideas can further inspire the politicians. The President of Poland warmly welcomes such ideas, while Hungary's Prime Minister has already conducted such campaign in Central and Eastern Europe by creating a foundation. In this field, think tank is a bridge between the public on the one side and the governments and media on the other side, working to promote and seek more cooperation opportunities. Think tanks from different countries can communicate and exchange new information, building the bridge of communication for "the Belt and Road" countries.

Fourthly, the success of all plan depends on action. Comparing the

Chinese way and the European way, it is without doubt that the Chinese government is more influential while the Eastern European governments could do nothing. Despite positive responses, if there exists insufficient communication among different agencies, it would be difficult to conduct joint actions to achieve anything. Government may establish mechanisms to promote all sides, such as SMEs, to better utilize the existing infrastructure. It is relatively simple to realize in China and Asia but in Europe, it needs everyone's wisdom and efforts.

***Richard Turcsányi: Central and Eastern Europe in “the Belt and Road”: Developed Countries afterwards***

The key topic for our conference is how think tanks could help governments. Answers from another point of view provide some intelligence and information. I am from Slovakia and I have some participation in the think tank of the Czech Republic, thus I know some ideas of my Czech colleagues. I would like to offer some ideas about promoting “the Belt and Road”.

Firstly, the Czech Republic and Slovakia have a close relationship. The Central and Eastern European countries and other countries have their own views towards “the Belt and Road” concerning their own different national conditions. Many people have not realized that “the Belt and Road” includes not only many developing countries for South-South cooperation, but also some OECD countries. Every country needs development, such as constructing and updating infrastructure. Infrastructure is a focus of “the Belt and Road” initiative, but for developed countries such as the Czech Republic, they have a wide selection of infrastructure-building programs and China's initiative may not be the most competitive one. Compared with China's financial support, cooperation between the Czech Republic and Slovakia and the European Union is more efficient because there is less difficulty in loaning in the European financial market. Some Chinese enterprises do not have positive working experience in Central and Eastern Europe. In countries such as Poland and Hungary, projects undertaken by Chinese enterprises lack transparency and they are more used as tools for publicity and business cards. Therefore, Chinese enterprises must become more transparent so that the stakeholders can monitor and the public can be better informed.

Secondly, cooperation with China in some industries has broad prospects. For instance, the Czech Republic and Slovakia have advantages in the automobile industry, having skilled production system. The two countries may be able to provide support and assistance for Chinese enterprises

to enter the European market. Chinese enterprises, if conduct research and enter service industry, can open branches in the two countries. Joint venture is a good way to enter the European market, therefore the Chinese enterprises can cooperate with the local European companies. The local European companies have more knowledge while the Chinese enterprises can finance. In addition, the Chinese enterprises can consult the local experts, public relations in particular. Thus the two business models of China and Europe can mingle in an international market.

Thirdly, the Slovakia government lacks understanding of the conditions provided by China and awareness of the effect of “the Belt and Road” initiative. Every new government had sought to promote cooperation with China in the beginning but become less active due to a lack of follow-up from China. The Chinese counterpart has similar feelings. Governments should enhance exchanges, learn from each other, and offer greater transparency so as to achieve cooperation on infrastructure construction and other topics.

***Kakha Shengelia: Georgia in Participation, the Silk Road on the Caucasus Peaks***

As a principal and Georgia’s Congressman, I participate in the dialogues among think tanks on “the Belt and Road” on behalf of Georgia. In March 2015, Georgia and China have signed a cooperation framework agreement on “the Belt and Road”, agreeing that bilateral cooperation in areas such as infrastructure has a lot of potential and space. Georgia recognizes the importance of cooperating with China and is eager to participate in “the Belt and Road” initiative.

Firstly, Georgia hopes to combine “the Belt and Road” initiative with the “2020 initiative”. Georgia wishes to strengthen its infrastructure under the framework of China, maximizing Georgia’s advantages in agricultural products. In order to better combine the national development planning with “the Belt and Road”, the Georgia government is committed to further strengthening the domestic transportation infrastructure, including the development of transport facilities, roads, railways, highways and airports, etc. Georgia’s ultimate goal is to play its important role as the main transportation channel in Europe. Georgia, located in the essential node of the Eurasian continent and the junction of South-North and East-West of the European continent, is the gate for China to enter the Central and Western Europe.

Secondly, Georgia and China have signed the agreement to establish a free trade area in 2015. Georgia offers many facilities to China and more

than 2000 Chinese enterprises have already invested in Georgia. Georgia welcomes investment and entrepreneurs from China. Chinese enterprises are very active in Georgia and on the Eurasian stage. Georgia plays an important role of connecting various regions. “The Belt and Road” can further help Georgia to better integrate into the EU market. Georgia is gradually connecting with the EU, enabling goods and commodities to enter the European market and countries along “the Belt and Road” more conveniently. This will increase not only Georgia’s exports but also employment opportunities, capitals and funds.

Thirdly, we participate in the opportunities for partnership cooperation of “the Belt and Road”, especially for enhancing relations with various countries’ business circles to seek bilateral cooperation. By “the Belt and Road” initiative, the Georgia government hopes to further deepen the already smooth cooperation with China to create corridors between Europe and China as well as among the European countries. One of the very important projects in the development of “the Belt and Road” initiative is the establishment of the Asian Railway. Georgia, China’s Xinjiang and countries such as Turkmenistan have established a railway system, which is 1.5 times faster than maritime transportation and will further reduce the cost of transport. Such land transport is a more convenient and less costly way.

***Ernst Suter: From West to East: Conceptions on “the Belt and Road” by the European Think Tank***

The European Progress Research Organization and Foundation has long been studying how to better promote Europe’s economic and political progress and how to advance global coordination to realize continuous dialogue with various strategic partners of the European Union. For how to advance “the Belt and Road” initiative, the European Progress Research Organization holds the view that “the Belt and Road” initiative proposed by President Xi Jinping provides a great number of opportunities, especially under the context that the European continent is confronting unprecedented challenges and difficulties after the 2008 global crisis. Reactivating the Silk Road can further strengthen cooperation between Europe and China. At the EU-China Summit held last year, the two sides have reached a consensus. The flow of trade, finance and investment between China and Europe is also playing an increasingly important role in international community. To achieve a very satisfactory success of this initiative, there still exists many challenges.

Firstly, China, Europe and other participating countries, be it on the Belt

or on the Road, have proposed their own development planning. Every side's development planning entails different concepts of development, thus programs need to be communicated to strengthen the connection of development plans. The successful implementation of "the Belt and Road" initiative requires mutual respect and mutual benefit, taking into account each other's concerns in balance. Only in this way can good cooperation be achieved and opportunities be shared. To make it, it must be recognized that ensuring equal access to markets and market-opening require many measures. Operationable models need to be established to achieve equality among various countries, respecting national particularities and human rights, concerning aspects such as workers' rights, intellectual property rights as well as environmental protection.

Secondly, in the process of implementation, interference by the central government should be avoided, which is not restricted to infrastructure construction. In fact, the white paper of "the Belt and Road" also emphasizes this point by mentioning "five connections". To achieve the concept of "five connections", we need to encourage local talents and local innovation, and in a real sense encourage knowledge-sharing and capacity-building. In the process of implementing creation, we should adopt a step by step form and rhythm. We need to pay attention to the opportunities in these countries according to the realities, and the most important thing is to realize what the obstacles are at present. So we need to adopt a compromising and pragmatic way to avoid political infighting and power struggles which utilize "the Belt and Road".

Thirdly, the EU contains a great deal of profits for "the Belt and Road". Now "the Belt and Road" initiative is newly proposed, and Europe will put its interest into the framework. But the EU's participation and response must be consistent because the EU as a whole should not be scattered in the framework of bilateral relations. The EU's participation in "the Belt and Road" should be unified and coherent for Europe's own strategic considerations and strategic behavior. Although there are many difficult challenges, this new initiative should be a masterpiece jointly formed by our diplomacy, commerce and endurance rather than unilateral affairs. We must achieve mutual respect on the basis of all sides' active participation. Only in this way can the Silk Road, including "the Belt and Road" initiative, realize full potential.

***Xiong Meng: Industry, Progress and Civilization: The Destiny Community of "the Belt and Road"***

The Industrial Association of China, a representative of China's

industrial and commercial sectors, believes that the impacts of world multipolarization, economic globalization and the process of social informationization have triggered profound changes in China's economic structure, bringing many new and increasingly complex problems across the globe. The authority, effectiveness, and governance efficiency of the existing mechanisms of global governance need to be enhanced because there is a trend of fragmentation and an ever-widening gap between governance capacity and the real needs. Economic globalization needs to be rebalanced, and the healthy and sustainable development of the world economy needs a new engine, new power, and new patterns. International cooperation needs new models. Therefore, "the Belt and Road" is very urgent and in need.

Firstly, a new ideal of "moving towards a destiny community" emerges in the process of constructing "the Belt and Road" initiative. "The Belt and Road" is a new mechanism for sharing. In the process of discussing "the Belt and Road", be it political sector or business sector, system construction is laid in an important position. It is promoted from two important areas to explore road interconnection, policy communication and idea exchange. This is the higher-level things that international cooperation needs.

Secondly, "the Belt and Road" is a huge project which requires joint efforts of all countries and needs to be promoted as a whole, to be implemented step by step, and to make breakthroughs at key points. First of all, all countries need to strengthen connections of development planning, having operational programs. This is an important topic for discussion in this Forum. The Industrial Association of China, an organization contacting at the macro-level and micro-level, includes 178 organizations of the Industrial Association, members from 25 provinces and SMEs. Therefore, the Association undertakes the exploration of the responsibility for pragmatic cooperation in aspects of "the Belt and Road", which came up early in China. A five-in-one joint coordinate mechanism, which includes think tanks, unions, exhibitions, funds, and communities, establishes a connectivity platform and network of all factors from implementation's angle to achieve the concept of "the Belt and Road". The grand blueprint of "the Belt and Road" needs to be implemented and advanced.

Thirdly, the primary objective for the Association to propose the five-in-one model is to solve the problem of information asymmetry in international cooperation for capacity, as too many such cases are found in practice. Information asymmetry exists generally among countries, industries, and finances. The five-in-one interactive platform is expected

to solve the real problem. We should set up a think tank for international cooperation for capacity to address the problems of “the Belt and Road”. We can set up bilateral and multilateral think tanks. The Association and Lithuania will establish such a practical think tank to conduct assessment, consultation, technical services, and training around specific projects, with tasks being the bond. Now it has been preparing for several months and plans to set up a union of associations of industry and commerce in the Belt area. Seventeen countries’ associations of industry and commerce have officially confirmed to join the union, including Germany, Lithuania, and Egypt, to formally establish the union of associations of industry and commerce of “the Belt and Road”. More than ten organizations of industry and commerce from other countries are in the process of negotiating. We should hold a variety of meetings and conferences on the theme of “the Belt and Road”. Exhibitions, summits for international cooperation for capacity, seminars, project matchmaking meetings, negotiating meetings and fairs on various industries and fields are good solutions to information asymmetry. In addition, funds can promote the financial cooperation platform for international cooperation for capacity. Communities help to bring our discussions into reality. There will be a community for space distribution and cluster development. Next week we will build an industrial community for international cooperation with a number of countries.

Fourthly, in order to better address information asymmetry and realize the implementation of “the Belt and Road”, information technology should be widely used. Based on Internet Plus, we propose a five-in-one Internet Plus. Cloud network of big data has been gradually built up and the cloud network plan for international cooperation for capacity of “the Belt and Road” will be put into operation in June this year. Technical team is in place and may pilot run now to make sure that it will open officially in June. While we build the Association, we feel that all countries are eager to see the actual advance of “the Belt and Road”. More than 200 projects of international cooperation have already come to our cloud platform. With the advance of the next step, possibly more cooperation projects will appear on the platform.

***Mohamed Latif: The Pearl of the India Ocean: The Maldives and “the Belt and Road”***

No matter how small a country is, it will always be very active to start a business. The Maldives has joined the “the Belt and Road” initiative. China’s President Xi Jinping visited the Maldives in 2014, deepening bilateral relations. A number of memorandums and agreements were

signed by both sides, bringing a lot of investment and projects to the Maldives. The Maldives appreciates the establishment of the Asian Infrastructure Investment Bank, as well as “the Belt and Road” initiative. The initiative is named after the Silk Road, echoing the history of the Silk Road, but is actually a new, ambitious idea. Sri Lanka, for the following reasons, is very optimistic about the idea.

Firstly, the Silk Road has a long history, being the channel of trade between Asia and Europe for the past centuries. It could be dated back to the 11th or 12th century and its prosperity lasted until the 15th century. The objective of “the Belt and Road” initiative is the pursuit of a new strategy or idea for global development, not merely for a particular country or region. The themes of such an idea are peace and development. On the basis of establishing partnerships, countries should mutually benefit each other and form a destiny community. Therefore, this initiative and its idea are very popular.

Secondly, the Chinese leaders have a full understanding of history, and China is now the world’s second-largest economy. Chinese culture provides the basic concept for China’s development, laying the foundations. The 21st Century Maritime Silk Road is not merely a trade route, but a platform that all participants can be involved. It is an inclusive, rather than exclusive, initiative because everyone can join in. Its objectives are to achieve the development goals of all countries and to create a destiny community, for instance, the sustainable development goals set by the United Nations. Once joined, all sides can work together to realize the same goal.

Thirdly, “the Belt and Road” initiative needs to be carried out effectively. The existing various mechanisms in different countries must be coordinated. Thus a reasonable system needs to be formed in aspects such as coordination and connection among countries, which requires joint research. A joint research network should be set up as a global enterprise to promote and accelerate the implementation of “the Belt and Road” initiative. More research projects and research initiatives could be further proposed so that some research projects could be set up in areas of common interest. The Maldives’s areas of interest include fisheries, environment and renewable ability. In academic circles, not only the history of the Silk Road needs to be reviewed, but also the connotation of “the Belt and Road” needs to be understood in the new era of the Internet.

***Gant Hejduk: Connecting the Cities in Europe and Asia, Creating Global Values***



A basic model of the Silk Road that connects cities is provided here. There are long distances between the cities and how to find the criteria for deciding which ones are able to bring the most valuable interactions? In the global value chain and between two cities, which ones generate interactions with the largest value? Starting from the gravity theories, assumptions can be made that some cities are complementary. We need to verify which theories are valid through a variety of methods.

Firstly, factors, which determine some criteria, needed by a city can be judged from the angle of the economics. Through intuition and research, a method to describe the extent of interaction between two cities can be found. Moving from one city to the other takes time costs. In the late phase of development, a problem will develop in the opposite trend. A very important point is that interaction means the relationship between the two cities and the process of moving from one city to the other. Two cities must have comparative advantages. Some cities comparatively have some new advantages. In Europe, you can see trains coming from Chongqing, bringing with them a lot of resources and different elements. If it continues to run, some directions can be found. People want to dig more potential, but these two ways in fact do not dig the potential of the city. We need to increase the level of interaction between cities.

Secondly, there are other cities. The questions are how to include these cities into a new network and how to expand the activities between two cities to a network. We can create some new achievements which not only affect the starting point and the ending point but also influence costs determined by space distance along the line. The costs cannot be reflected in simple models. Cities along the network should participate in a more comprehensive system. In fact, this is a new and international concept. For example, it includes a global system of production and the production plans of specific countries. Although sometimes the connection is not a straight line, with the operation of some regional powerful countries, such distance, even several thousand kilometers, can bring a lot of benefits and results.

Thirdly, sometimes what we are discussing is not a straight line distance. This also means that the bonus effect of those faraway countries is relatively weak. The impact of gravity also involves other interested parties which can bring greater gravity influence. Think tanks contribute in several ways. First, think tanks should provide a model for analyzing the contemporary Silk Road. Second, think tanks need some testing theories to test whether these cities fully dig their advantages. Third, calculations can be reversed. If the cities along the road are not advantageous or have exhausted all methods, then we can see what other aspects they have from

the perspective of sustainable development and environment.

***Vasily Yuchishein: Independent, Independent, Independent: “the Belt and Road” and Independent Think Tank***

From the think tank’s perspective, think tanks, in “the Belt and Road” initiative, have a unique opportunity to lead the future development as well as to demonstrate and explore how to cooperate and how to form forces. Think tanks should think about how all parties can work together to provide our governments with good recommendations. The Think Tank Alliance is responsible for studying these questions and has produced some results.

Firstly, first of all, we should seek more opportunities for cooperation, give more influence to non-political forces, and open wider space. These efforts must be realized by joint cooperation projects, for example, assessing the possible impacts and reassessing the project at the end. There are two ways to improve the present situation of think tanks of “the Belt and Road”. The first way is to come into contact with the governments, that is, to communicate and connect with its home country’s government. At present, Ukraine’s independent think tank for example, provides research results that are favored by the government but the government is reluctant to offer financial reward. Therefore, it is important for think tanks to achieve economic independence so that think tanks from different countries can work together to connect cooperation and economic development among countries and governments. There is also a very important “independence” which is to have unique views on development and opportunity. Thus, we should find more forces which are willing to support the activities of think tanks. Ukraine has an editorial board that focuses on the public opinions and views of countries involved in “the Belt and Road” initiative. Though it is not a long-term track, experience of this aspect comes into various periodicals, helping us understand the research progress of “the Belt and Road” and related think tanks.

Secondly, platforms and mechanisms are of vital importance, such as communication and interaction in online communities. Via the Internet, not only public education and publicity can be enhanced, but also the role and impact of think tanks can be strengthened. The impact of “the Belt and Road” initiative should be extended to a variety of services and services projects through various channels, for example, providing ancillary services for other countries along “the Belt and Road”. If it touches deeper levels and wider areas, for example in aspects such as ecology, employment, social and food, it will undoubtedly encounter

sensitive problems. Only by addressing these sensitive issues can “the Belt and Road” become successful.

Thirdly, financing channels and funding sources are very important for the independent implementation of “the Belt and Road” initiative. Funding sources can come from the Silk Road funds, from the Asian Infrastructure Investment Bank, and from other financial institutions. After achieving economic independence, partners of think tanks have the ability to avoid political interference. Today’s meeting may talk about the Asian Infrastructure Investment Bank and the Silk Road funds, which are for long-term financing mechanisms rather than for a single project, and it will serve all the involved countries along “the Belt and Road” initiative.

***Noni Zolainna Ismi: Finding ASEAN’s Ambition from “the Belt and Road”***

“The Belt and Road” has close relations with ASEAN. The original Guangxi road corridor is financially supported by the Asian Infrastructure Investment Bank and the Silk Road funds. “The Belt and Road” initiative connects with other multilateral cooperation mechanism, for instance, the connectivity plans of ASEAN, which share many similarities with “the Belt and Road” initiative, aiming at improving transport connectivity and making countries within its region closer to each other. This will promote the development of cultural exchanges and tourism.

Firstly, ASEAN put forward many ambitious plans which require a great deal of funds and support from the Asian Development Bank. The countries of the region have a lot of demands for capital and infrastructure development. Now we need to better implement the relevant industrial policies and better integrate capitals. ASEAN has been participating in a number of projects, including ODB, and we are pleased to welcome China to join us. We hope to further strengthen our cooperation with China through the Asian Infrastructure Investment Bank and to further strengthen our coordination with China through platforms such as ODA. In terms of infrastructure, China has a good reputation, for instance, terminals, high-speed railways, etc. ASEAN understands that demands in this respect is very clear.

Secondly, “the Belt and Road” initiative will enhance the interconnectivity of land. For example, Kunming’s railways are closely related to the Chinese investment in the maritime Silk Road. Interconnecting with coastal countries in Southeast Asia is now facing many challenges. For example, if we have thousands of isolated islands, whether this region or some domestic markets will also face great challenges. One of the

initiatives is put forward by the interested parties that Indonesia wants to build a high-speed railway to reduce costs. However, this railway is too far for many Chinese. This can be an opportunity for China to better participate in coastal countries in Southeast Asia, managing the interactions with Malaysia, Brunei, the Philippines, etc. from a sub-region perspective. I believe that the railway is also a good opportunity for investment and I welcome Chinese enterprises to invest and set up factories. Coastal countries in Southeast Asia can further discuss how to promote cooperation with China in areas such as activities on land, road transportation of agriculture and some sub-regional areas which are also of great potential. These are also untapped frontier. All infrastructural development can promote further investment. Of course, there are pirates, smuggles and crimes at sea, particularly on unadmitted maritime roads.

Thirdly, economic and social cooperation in the North is a good opportunity, focusing on logistics and port. If fully achieved, it will bring more investment and will promote the interconnection between China and ASEAN, thus advancing the economic integration of Southeast Asia. Also, it will bring more economic opportunities and development opportunities. This force for development will not only promote the development of the existing mechanisms for bilateral cooperation, but also better implementate more existing projects. This will be a win-win economic cooperation.

***Shehab Khan: Side Wings of “the Belt and Road”: Cooperation and Future of South Asia***

In South Asia, the primary understanding of “the Belt and Road” is security. It is not simply about security because the main problem is distrust among countries. We lack confidence in each other. Trade ties among the South Asian countries are not close for in fact the trade volume is very small, less than that of Africa. This is the status quo of South Asia and we have some views.

Firstly, there is a lack of institutional cooperation among countries despite the existence of a meeting mechanism named “Think Tanks in South Asia”. Why does this region have no good interaction economically and politically? In terms of economy and trade, Pakistan has certain industrial capacity and in recent years it built many new industries. Another example is the customs. If its goal is to enhance the level of communication and trade, then it needs related policies. The South Asian region lacks such communication, hence the need to strengthen various institutions for interconnection. At present, there are some policy mistakes and think

tanks have to study these aspects. Some of the existing related institutions are platforms which can serve as the foundation for further construction.

Secondly, inspired by the successful experiences of cooperation in other regions, we can set up a regional University, for example, the University of South Asia, which includes representatives from different countries and from different sectors such as industry and commerce. We can establish a branch of social science in India and other disciplines in the other countries. Such framework of institutions can promote the cooperation among all countries, really exchanging our thoughts and ideas as well as research results. If countries carry out joint research, then it means that related research is not set up for a single country but for the region. If the dream of mutually understanding the latest research progress of colleagues from all countries comes true, it will be a great platform which can also help to have a better understanding of the ideas of Bangladesh and India.

Thirdly, the issues related to security and stability need to find solutions and require the attention from international community. Not many representatives in the Think Tank Alliance are from South Asia. We can invite more representatives from South Asia to discuss related suggestions together. A very important objective of the alliance is to build up more mutual trust, so that there will be good forces to ensure that the South Asian countries would not misunderstand Chinese friends, and vice versa. These platforms can have a public-private ownership which balances efficiency and risk. Could the Chinese government drive “the Belt and Road” alone because the present age is different from the past? Certainly not. It needs the method of PPT.

Fourthly, there is another problem from the opposite side, i.e., what things could not be discussed by the think tank of “the Belt and Road”? These may include the legal systems as well as multi-facet lifestyles of all countries. Every country has its own characteristics. If today you sit together with representatives from India or Pakistan, you may exchange views and point out that Pakistanis nowadays could not pursue their goals directly but through reasonable means. Therefore, we must study the methods for solving these issues.

*Translator / Fang Weiqian*

## Session III: Achieve Sustainable Development

### *Rastam Issa: the interests and concerns of Malaysia in "One Belt One Road"*

Malaysia International Institute for Strategic Studies attaches great importance to the idea of sustainable development that embodied in President Xi's speech. From the perspective of our participation in "One Belt One Road" project in our think tank project and green and sustainable development, we have some concerns.

1. First of all, in promoting global cooperation and production cooperation, the interests and the institutions of different groups should be noted as well as the differences between different people. Not only China, all countries should focus on these issues. Also, universal trust should be achieved among the countries. Operating mechanism involves issues of promoting trade connections and trade liberalization. Trade protectionism still exists among different countries. New economy demands diverse raw material resources, which requires the establishment of a mechanism for the flow of resources among the countries.

2. The interests of the international development demand regional cooperation. ASEAN is a community within a region, and in November 2015 in Malaysia a meeting was held to discuss economic development of the community. In the meeting, the interests, cultural life and economic development of each nation were paid attention to by the parties. Many tasks lay before International Development, such as narrowing the gap between developed and developing countries. In ASEAN, the economic development level of each country vary drastically, as in Europe. It is necessary to shorten the gap between the levels of national development, as well as to protect the cultures of different countries and establish appropriate communication mechanism.

3. In the process of industrialization we cannot ignore environmental protection. When dealing with environmental issues, it is necessary to keep in mind the national, regional and international context, such as sustainable development plan within the region of the country, as well as the goal of sustainable development within the UN framework. To achieve such goal, a relatively strong legislation environment, legal environment, regulatory and supervision system should be established. The development and application of green technologies are also very

essential. In regional development, the cooperation of the development in green science and technology are also very crucial. Such a cooperative relationship should be established between consumer users and developers in order to promote the development and application of high technology, green technology, and the popularization of science and technology. Especially in the countries along the "One Belt One Road," cooperation of this kind should be strengthened as the side of the transferring production of the countries in "One Belt One Road." Some people think that some industries rather than technologies that entail pollution should be transferred to the less developed countries. This is not the intention of "One Belt One Road."

***Li Yang: Regional Governance: the international anti-corruption cooperation in "One Belt One Road"***

Since the 18th National Congress of CPC, China's anti-corruption action has been raised to a new level. CPC Central Committee General Secretary President Xi is resolute to punish corruption and holds zero tolerance attitude towards corruption. Anti-corruption and sustainable development is closely related to "One Belt One Road." Anti-corruption is within the essence of sustainable development, which through continuous enrichment and development has gradually become a global consensus.

1. After the 18th National Congress of CPC, China continued to increase international cooperation in anti-corruption action. China has carried out Skynet action to hunt down corrupted officials fleeing overseas and in 2015 China has hunted a total of more than a thousand fleeing officials, and recovered billions of involved money. China is currently working with 89 countries and regions as well as anti-corruption institutions around the world and has established friendly exchange relations with them.

2. In September 2015, the United Nations passed the landmark global development agenda of sustainable development before 2030, which establishes 17 objectives of sustainable development. This agenda clearly puts forward the substantial reduction of all forms of corruption and bribery, as well as a substantial reduction of illicit flow of arms and funds. It also aims to strengthen efforts to return stolen goods and money and to combat all organized crime. Anti-corruption has become an important objective of global sustainable development. The development process of more and more countries indicate that corruption stifles economic growth and exacerbates social injustice and inequality, leading to the corruption or misuse of funds intended for health care, education, water, energy, public services, employment and other fields. This hinders the establishment

of an efficient, responsible government. Besides, corruption in the field of environmental resources is a direct result of environmental pollution, ecological imbalance and depletion of resources. It distorts market signals and undermines market rules, which are not in line with a mature market economy. The elimination of obstacles of the operation of the market mechanism, the promotion of fairness, and the establishment of an honest and transparent political environment and an equitable, sound market environment are fundamental for the sustainable and healthy development of the economic society.

3. Corruption is a challenge that all countries in “One Belt One Road” must face. Corruption exists since the very beginning of human civilization, both home and abroad. Corruption is not cases of one country or one system, which is a problem that all countries have to face. Any public authority is at risk of being corroded by corruption. Any political party, especially the ruling party is confronted with the challenge of corruption. It behaves differently in different periods in different areas in different countries. In recent years, corruption exhibits some new features: the trend of transnational corruption in the background of economic globalization and regional economic integration. With the advancement of “One Belt One Road,” the construction of a large number of basic facilities is being forwarded in countries along the belt, and trade along these countries is increasingly active. Capital-intensive areas are at high risk of corruption for the huge cash flow of construction investment banking activities will objectively attract corruption. Cross-border flows of people, finances, and material elements will become more frequent and will provide opportunity for cross-border corruptions objectively. Therefore, it is recommended that in the construction of “One Belt One Road” project, the countries along the belt must strengthen pragmatic cooperation to combat corruption offenses.

***Sohail Amin: opportunities of Sino-Pakistan cooperation along “One Belt One Road”***

Pakistan has much more than just a vision but solid action in “One Belt One Road” project. Now “One Belt One Road” project is carried out according to the plan, and cooperation between Pakistan and China and other countries opened the road to the opportunities and challenges.

1. The Sino-Pakistan Economic Corridor that China and Pakistan have established is an extension of “One Belt One Road” project, and is the implementation of the initiative of “One Belt One Road”. The China and Pakistan economic corridor is not only a trend of deeper economic development of the special economic zone, but also a new direction of



economic cooperation, the scale of which reaches \$46 billion. Many projects of international economic cooperation have created more opportunities between China and Pakistan, and these projects are all attainable in the future. The Chinese-Pakistan Economic Corridor is a milestone in the history of Sino-Pakistan cooperation. It brings great opportunities to the Pakistani people and will surely promote development, and both countries can benefit a lot from it.

2. In terms of environmental protection and sustainable development, Pakistan has implemented a series of international agreements. Pakistan has established an environmental development and protection mechanism, and an important framework of signed agreements and policies to guide future environmental work. Pakistan has also stipulated a lot of the necessary policies to ensure the implementation of the signed agreements as well as to guide industrial development to greener and more environmentally friendly direction, for the fulfillment of environmentally sustainable development. The infrastructure construction under Pakistan economic corridor such as roads and railroads, etc., caused some ecological environmental concerns. These concerns pose some negative possibilities for the economic cooperation between the two countries, for example, the construction of roads and railways could cause potential landslides. In Pakistan there exist such concerns. So it is important to make the infrastructure better withstand natural disasters, so as to enhance the resistance of industrial development against natural disasters. We want to protect the mountains and rivers and promote the development of industry, therefore we must bear in mind that in industrial development environmental conservation is a crucial point. Many international non-governmental organizations have also provided assistance to Pakistan, for example, international environmental organization. Infrastructure building is of vital importance to the construction and development of China-Pakistan Economic Corridor, and it has promoted the connections of the infrastructure as well as the progress of economic corridor. In this way the negative impact of China-Pakistan Economic Corridor can be brought in to a minimum.

3. There are also some specific projects, such as high power supply project in 2015. This is a vital project under the China-Pakistan economic corridor which has brought great win-win benefits to the two countries. The reason is that it is designed to promote the green cooperation of solar energy and wind energy as well as to provide green resources for two peoples. Under the economic corridor, 720-megawatt power supply can be achieved through solar energy. The establishment of such a green power plant not only promotes the development of both countries, but also promotes the regional development and unites the two countries to

work together to meet the challenges of climate change.

***Shi Wantong: governance and crime crackdown in “One Belt One Road”***

Social integration, regulatory strengthening and anti-corruption are actually different sides of the same problem. In some unstable political societies, such as Afghanistan, crime is rampant, and 90 percent of the world's black market weapons gathered there, which poses a great threat to the safety of local community and neighboring countries. Therefore it should be clear that we need to focus on the state as the main body when dealing with corruption issues. For some countries, it is difficult to form the willingness to participate in anti-corruption action. Thus it is important to rely on China, Europe and other countries to advance interactions among departments of legislation, prosecution and other authorities through various channels.

ASEAN is a regional organization formed by nations with close economic relations. A difficult balance among different countries should be built as regards to how to implement the ASEAN regulatory policy and coordinate customs tariffs. This is because equality of every country is essential to the ASEAN. For example, in transitional Myanmar, the guarantee of equality of all ethnic groups is a very hot potato. Moreover, within many countries the distribution of economic development outcome is unequal. There are poor cities, which will surely increase the potential for conflict.

For each nation, to create the basis for innovation is vital. In the countries of the region, it is important to create a more civilized community and build partnerships with other “corridors.” In some regions, it is important to not only strengthen infrastructure construction, but also to strengthen the system-building of the nation at the same time so as to solve problems in finance, funding and organizations that the establishment of infrastructure faces. Most countries in the region are now ready, but clearly Europe is not. And the United States is lacking in preparation. Therefore what ASEAN needs is more political input.

***Zakhari ZakhariEFF: China's influence and expansion***

In terms of political environment, in the twentieth century, China had formed socialism of its own characteristics, and had then entered a new stage. For us this is a new situation, and in the background of globalization it appears more important to forge global cooperation with China. Sustainable development is now on the global agenda, and has become the main way to achieve international cooperation. Traditional

national and democratic decision-making is no longer able to adapt to such changes in modern politics, thus we should pay attention to some of the measures taken by China.

1. China has expanded its influence globally, and "One Belt One Road" as a concrete measure, is a strategy proposed under such circumstance. Its concerns are interrelation and interdependence between the countries, reflecting Chinese people's understanding of the current development of the world. We should also note that "One Belt One Road" is built on the basis of mutual benefit and win-win situation. For example, between Europe and Asia there establishes a stable link and between the existing international institutions there also establishes relevant links. But what China promotes in its project like "9 + 1" project, is to work with countries in the Middle East and Eastern Europe.

2. So under such an inevitable political environment, the goal of "One Belt One Road" policy is to link the two continents, and to achieve further development between the two continents. It also aims to further its cooperation and connection through existing projects. From the point of view of some of the most famous political analysis, current events are about geopolitics. Geopolitical changes in geopolitical regions will change some aspects of the world of the 21st century. Our goal is to promote links between existing institutions, and land more projects to promote the integration of interests of both sides. We should find some new common interests to achieve better integration among these countries, and reduce geopolitical division, in order to promote the development of a global governance system and dispel pressure and tension in the region.

3. For China, "One Belt One Road" is to promote the common development of China and other countries, and beyond the challenges it has brought some great opportunities, which make further development of the relations among the countries possible, and in the meantime achieve greater interconnection and intercommunication between Europe and Asia continent through mechanisms such as the European Union. For example, the interconnection and intercommunication between Moscow and Beijing, and between other many big cities. We must compare the project initiated by China and the global policy of the United States. China is concerned about partnership in the environment field, the United States is concerned about the cooperation between the Pan Pacific area, the two have different points of interests. If a nation just focuses on its own national interests, there is no way for it to achieve common interests and to promote common development. Therefore, due to the transfer of this power, the establishment of our partnership can promote not only the integration of markets, but also the development of the fuel market. So these new policies that we have taken will help us to eliminate

barriers and division, and promote cooperation and the development of democracy, peace and security. The environment that we are now faced with is not an isolated one, but one that advocates political integration and cultural communication. We should not only promote the integration of transnational interests, but also promote the elimination of hegemony in order to advance the equitable national development.

***George Duominis: Sustainable development: Clusters and Big Powers***

What is sustainable development? Sustainable development is innovation and demographic dividend placed in a framework. If there is no environment, there is no development. If there is no environmental protection, the average temperature could increase three degrees per year, then the agriculture would be finished. If "One Belt One Road" aims to promote sustainable development, it must find out and locate various resources and utilize them comprehensively.

1. As for the governance of the new Silk Road, the environment of the infrastructure should be paid attention to, for the associating competition and conflict are very fierce. In the post-industrial society in the 21st century, people should no longer use coal and other fossil fuels. There should be a major transformation. This transformation is the move to new services, high-tech industries, mainly by young people, so that those who do not work can have social security, medical insurance, and will not feel abandoned by the society. That's why people should be move forward.

2. The large number of promoting factors behind a policy are called clusters. How many clusters are there in China's policy? May be more than ten, and the EU more than eight. This is the main clusters and main strategies. New Silk Road has two pivots, and one is about the strategy.

3. America lacks the willingness to participate in China's initiative. Whether it is the new Silk Road or Silk Road, it is difficult to tell who is the real partner. Russia is very interested in it, but it is not among the Central Asian participants, so it can not share oil resources with other countries. Those countries that have oil export business with Russia, do not have sound infrastructures temporarily in Central Asian countries. There is neither high-tech, nor particularly prominent oil industry. So it's important to push Central Asia forward, and to push the new Silk Road forward.

***Rome Kenihe: "One Belt One Road" in Latin America***

"One Belt One Road" is now beyond the continent's boundaries

and extended to Latin America. Rio de Janeiro is its center in Latin America. Now is undergoing a series of economic projects closely linked with "One Belt One Road", mainly related to the establishment of transport infrastructure, such as roads, highways, etc. Peru and Brazil also participate in this project, and has built a policy connection China to promote the landing of projects. In the two signed agreements of this project, China shows that it will take up all responsibilities of the project, and works as the main force responsible for promoting the project. In Latin America, whether it is the company executives, or political leaders, they applaud the idea that China implements, especially after Prime Minister Lee visited Brazil and Peru in 2015.

Currently Latin America has carried out a lot of feasibility studies, and is about to carry out more within this year. In Latin America some railway projects are financed by China, and are challenged with government corruption with style of South America. These highly concerned projects will bring very good prospects, but could also lead to environmental problems.

We should support and improve these projects, instead of attacking these projects with concerns about the environment. Some people hold opposing views of the projects, for example, some people feel that the project will damage the local mineral resources, and some think there will be acts in violation of local laws. The process of industrialization has caused conflicts in the local area, so this is a very acute problem. In this area, road and railway cover 60% of the relevant area, therefore we must have the support from local people. In some communities of Latin America, the public, including some civil rights organizations, will also express concerns about the projects. Therefore, we should consider the important opportunities these projects have brought to Latin America and the efforts made by the Chinese government, while taking into account the environmental impact of these projects. We should strictly comply with the highest purpose of environmental protection, which will help the Chinese government to achieve its desired effect.

### ***Wei Kaili: soil and water of "One Belt One Road"***

In Israel, to some extent, some people do not want to become major contributors in "One Belt One Road." This problem will cause some obstacles that will even subvert some of our efforts. China is using a lot of financial and material resources to promote the implementation of "One Belt One Road," and these barriers will make its efforts vain. Between Israel and China there are a lot of communications. We work in different countries, and have connections within the region, therefore

we should understand each other. We organized a symposium for the Deputy Prime Minister to communicate; we invited the Foreign Minister Wang Yi, deputy director of Development and Reform Commission and other people in our organization to give a speech to our department concerning how respond to the issues raised by the Israeli people. But in this process, we found that what Chinese people are talking about is not in line with the Israelis' understanding. Many of what the spokesmen have said are not what the people want to hear, which leads to a problem in the overall framework. This requires our further attention, and needs us to consider the means of effective communication between China and Israel. Now at the government level, in academia, there are some problems of miscommunication, which resulted in misunderstandings. Therefore, there is the need to prevent and solve the problems.

In innovation and sustainable development, the most important facility is water. Besides oxygen, water is the most important for the production of food is relied on water. An entrepreneur in Israel recognized water problem around the world, and he was looking for an answer, which will address the status quo of water globally. He wrote a book called "Let the world be full of water." He made a thorough survey of the water governance globally, and makes Israel a paradigm to provide water. Israel itself is a good case of water use and will be able to provide cooperation to the innovative development. In Israel, there are a lot of regulations on water. A series of methods on water governance were put forward. The concept of water protection in Israel has been penetrated into all aspects, such as drip irrigation methods, and the recycling of waste water for the benefit of agriculture. In Israel, water recycling is a focus of national strategy. They have greatly influenced methods of water production and conservation, and call for greater cooperation on a global scale. Five or six years ago, about 240 million Palestinians do not have an adequate supply of water, but now the water supply are sent to their homes directly under the jurisdiction of the government. Half of them are living in Israel. Israel and Jordan co-produces forty billion cubic water per year. Israel's water policy connects it to many aspects of the world, including relations with China, California and some other developing countries. Israel innovates internationalization of water supply and believe they have adopted a very good concept of water conservation. Israelis have changed the thinking mode. From the early 1950s, Israel has become a capitalist economy, and it took advantage of its adaption from socialism to the protection of water resources. It innovates in the use of water of "One Belt One Road," and some other important aspects are relevant to this field.

***Zhou Lie: industrialization of “One Belt One Road”: the history, the phenomenon and the future***

In the building process of “One Belt One Road,” industrial cooperation is an important field. The Arab world includes many important countries along “One Belt One Road.” Most of the countries have a single industrial structure, a low level of industrialization, and needs industrialization. A high level of or a rapid mode of cooperation to facilitate the development of the country is in great need to solve the problem of unemployment. But in the process of industrialization, environmental problems need to be dealt with first.

Now let’s think about whether industrialization is always accompanied by environmental degradation. Fifty or sixty years ago, Britain had haze, Germany had dirty streets, rivers of the United States were too polluted to take a bath in. This is the situation faced by early industrialized countries, a situation that now advanced industrialized countries had been through. China’s thirty years of reform and opening up policy have promoted economic development, but we are also faced with many environmental problems, such as Beijing’s heavy air pollution and water pollution; excessive exploitation of resources, for example, subsidence and mudslides caused by excessive coal mining. So is it right to say that industrialization will definitely cause environmental pollution? The answer is yes, for industrialization destroys the ecology, and surely will have a huge impact on the environment. Although the ecological damage and environmental pollution can not necessarily draw an equal sign with industrialization, the two are surely related. At least from history, it is proved that from the beginning to the present there is a certain connection between environmental degradation and industrialization. Why industrialization could lead to environmental degradation? There are two reasons.

One is the objective reason. First, industrialization consumes large amounts of natural resources, such as water, timber, minerals, and grain fields. Second, industrialization will inevitably produce large amounts of harmful substances, such as industrial waste, sewage, harmful gases, etc.

The second is the subjective reason. First, there is the lack of guiding ideology of scientific development in the process of industrial development, and some areas pay too much attention to the speed and development rather than efficiency and protection, which cause the problem of economic growth at the cost of ecological environment. Second, there is a lack of conscious awareness of environmental protection. China has always been a large agricultural country, and most people do not have a strong awareness of ecological environment

protection. The inner reason is that the average income levels per capita are relatively low, so that the demand for environmental quality is not very high since the first requirement is to feed and clothe.

The third reason lies in that the legal construction of institutional mechanisms for environmental protection is inadequate, for example, policies, regulations, legislation are not enough; supervision and enforcement are inadequate.

In the carrying-out of “One Belt One Road,” and compared with other relatively advanced and relatively backward countries, how do we avoid repeating such situation in our cooperation of industrialization process? I would like to make a few comments. The first is that the development process must be guided by the concept of environmental protection. Second, we must establish a sense of national protection. Third, a sound mechanism for legislation, enforcement and monitoring system should be established. Fourth, it is important to develop new industries. Our country has put forward the idea that a few years later 80% of new housing construction will use this assembly model: assembly the structure well in a fixed place and then install the assembly, which would reduce pollution. Now 3D printing technology has become moron and more popularly around the world, which will greatly reduce industrial pollution. Therefore it is fair to say that industrial pollution could be reduced. Fifth, we should vigorously develop the circular economy, such as water and energy. Sixth, if industrialization would cause pollution, we should increase the intensity of governance. We think in this part think tank should play our role, and offer our suggestions to the relevant government departments timely after a reasonable investigation.

***Dudarongnaik Sergeyevich: Sustainable development till integration***

Historically, Marxism development is a policy, and we must do for the prosperity of future generations. Now we have some old and new threats that affected our sustainable development, and caused some impact. So we need a broader understanding of the problem. For example, some of our national parks in Africa are violated by some armed groups. In this process they also threaten our natural resources. There are some controversial issues in Central Asia, for example, in Central Asian countries, there is a quarterly scarce of water. These problems demand us to pay more attention to the present rather than the future.

There are three main views, about three factors: economic, social and ecological factors. These are the three most important domains that need sustainable development. First when we talk about sustainability,



safety and effectiveness are also issues that need paying attention to in the process of integration. So “One Belt One Road” is no exception. It demands the efforts of us all and some original projects of each country, as well as efforts of large organization like Shanghai Cooperation Organization. In this process, not only the countries and institutions, some private companies should also join them. Domains of private investment also require government support, for we need efforts from all of them in order to solve international problems, such as controversial issues of water resources, as well as problems in some developing countries. We should work together to reduce competition, and bearing in mind the spirit and principles of “One Belt One Road,” inherit the spirit of the meeting. Our cooperation in realms of agriculture and transport, etc., integration in the long term project, innovation in science and technology, efforts in environmental protection, and the building of some information networks, should be worked with together. Today the problems we want to solve include some geopolitical mistrust and excess production capacity of some industries. These problems need to be addressed for we want to create a green economy, green politics, green civilization, as some scientists put it.

For example, Belarus is a good example. We have forged partnerships with a number of strategic partners, built up a large industrial park, set up a number of projects. We are all aware of the importance of cooperation about the production base. We will also work together to build some infrastructure and wind power plants and the like. These are built by different infrastructure projects.

***Shankar Sharma: Roads in the Mountains of Himalaya: Nepal and “One Belt One Road”***

“One Belt One Road” is closely related to the development and future of Nepal from Nepal’s perspective. In the past few years, Nepal has already taken a number of measures to reduce poverty, but there still exist three main problems:

The first problem is no doubt the inadequate of the number and poor quality of infrastructure, while in fact the demand for infrastructure in the region is very large. Many communities want to increase intercommunication and interconnection, therefore the demand for Nepal's infrastructure construction is very strong from top to bottom. The second problem is that GDP growth in Nepal, after the nineties became slack. Nepal had implemented many policies to promote the development of trade. But due to natural and geographical limitations, Nepal does not have a lot of partners, and its trade is mainly concentrated in the one or

two countries, and mainly to import their products. The third issue is that in 2015, Nepal suffered a major earthquake. Since then Nepalese learned vitality of infrastructure, especially infrastructure in northern Nepal which borders China.

Taking into account these three questions, "One Belt One Road" plays a very great role in the development of Nepal because of the needs of infrastructure and reconstruction after the earthquake. About 30 years ago, Nepal began to carry out business with some areas of China, and there were probably more than twenty channels. But in the past few years, border trade channels between the two countries have been reduced. From a historical perspective, many of the books record Nepal's preservation of traditional culture. Nepal was once a hub for trade between India and China. All of these trade routes are trade channels from India to Tibet, China are from, which are very historical.

About issues of trade, Nepal imported very small goods from India, accounting for 16%, probably only one-third of trade with South Asia. Nepal's main trading partner is China, especially the Tibet Autonomous Region. We hope to achieve a diversification of trading partners, not limited to trade between countries and regions. Affected by the earthquake, one of the two overland passages originally connected Nepal and China was a completely destroyed, and now this road hasn't been rebuilt yet. In the Tibet Autonomous Region, the channel connecting Tibet and Nepal is a very sensitive area, so it has been transferred. Therefore, we must conserve and further reconstruct this road. Nepalis hope to rebuild the two major thoroughfares and promote the diversification of trade.

As for the environment, Nepal hopes to promote sustainable development and produce some products in a sustainable way while carrying out trade with neighboring countries. Environmental protection awareness also needs to be established. In solving the problem of infrastructure construction, the ecological environment has been destroyed. We need the state to support the development of living standards of regional people. We also hope to protect ecological diversity. In the ever-changing connections, Nepal hopes to find a balance.

***Nikolai Tawu: "One Belt One Road" and the possibility of integration***

The spirit of "One Belt One Road" contains the possibility of integration. The European integration started from 1951, but it was not complete yet. Today what "One Belt One Road" pursues is more like a coalition of States, because this project could not be completed without the alliances

of the nations, which is integration of another dimension of struggle. So the projects that people know about “One Belt One Road” are the main policy exchange, infrastructure development, cultural exchanges, capital flows, and the interconnections in these fields. Speaking of which, we have to include the achievement of sustainable development. We must have confidence in the country. This is not just integration, it is also cooperation. So we have to cooperate with the countries concerned, and have large-scale cooperation at the national level.

Cooperation and integration are carried out in the economic zone when we refer to them. We are talking about now, we put very clearly that it is the matter of the state, because it is necessary in the construction of “One Belt One Road.” We should promote sustainable development through international economic cooperation, cooperation between the economic system as well as the rise of some knowledge center. China needs to make some innovative policies to promote more communication between different entities at the global level. Communications among small businesses also need to be strengthened, but this is also related to cooperation between countries. The cooperation of States are not just government cooperation within the organization. The interests of groups of workers, markets, etc. should also be considered. So we want to push forward this initiative through cooperation between small and medium sized entities. For in this way it can meet the current needs, without sacrificing the interests of future generations.

There are two important concepts in International cooperation. The first is the need for cooperation, especially between important ports; the second is the concept of sustainability, introduced by some social organizations. But we have to think of tomorrow, and the interests of future generations. How to build a sustainable economy, what kind opportunities the national companies have, is there a very mature market. Sustainable development and the common development are the philosophy to be followed by all countries, so that sustainable development could be realized in a multi-level, which also meets the green, low-carbon, efficient and environmentally friendly requirements. We must take into account all these factors, which will also enhance our capabilities in high-tech areas.

This is the process of integration and integration means the forwardness to coalition. The states do not need to sacrifice their national sovereignty in the process of integration. While maintaining their independence, all the states need to communicate actively and support the advancement of “One Belt One Road.”

***Dennis Lumley: Australia and “One Belt One Road” in the South***

A free trade zone has been established between China and Australia, and China is Australia's largest trade partner. Australia hopes to strengthen ties with China through "One Belt One Road," especially through policy research. The "One Belt One Road" projects are based on geopolitics. Many countries, including Australia cannot properly participate in the building of "One Belt One Road," but between China and Australia, the connection was actually very tight in history.

1. There is a very close relationship between north Australia and China. In 2014, president Xi put forward the initiative of "One Belt One Road" in his speech during his visit to Australia. In the view of Australia's side, "One Belt One Road" is a strategy to advance economic development on geopolitical basis. In Australia, a lot of suggestions about construction of "One Belt One Road" have been proposed. For example it is suggested that to promote joint action of the international cooperation in the production, the common interests, security and partnership of all parts should be taken into account. To Australia, the problems such as global international development interests are essential to "One Belt One Road" and the development of Australia and other countries.

2. Australia is also considering the establishment of energy security cooperation in the framework of "One Belt One Road." Cooperation in energy security can make all peoples to use energy more efficiently. Australia is the world's largest "coal republic", and has significant comparative advantage in the export of coal, because production costs are low. Besides, many people know that Australia also has a very large natural gas reserve which is a natural clean energy. These two resources are mature resources for our development. As for other types of energy resources, in Australia, uranium reserves are very huge. It is also a very important resource, but hasn't been fully developed yet, for most of uranium reserves are in relatively remote areas. We need to be more cooperative in this respect for the development of clean energy; we also need to establish relevant infrastructure to guarantee a win-win situation for the use of energy. Another problem is nuclear waste, which is the problem brought by the developing of energy. We must find a suitable nuclear waste disposal area. In addition to coal and gas, we also have huge reserves of renewable energy, such as solar energy, wind energy, hydro energy and so on. In order to develop the huge potential of our energy, we have to note that they are located in some very remote areas, and these areas are also areas of less dense population, and therefore international cooperation is needed to develop these resources.

3. "One Belt One Road" can also cooperate in issues of food safety, primarily the issue of food supplies. Is there a good way to get food, is the food clean and healthy enough? The problem of the diversity and security

of food confronts many countries where we are implementing projects. A saying goes that we must face the problem of food diversity and solve this problem. We have 24 million people that face this problem, but the food we are producing now can only support 5 million people, therefore we are facing a very big challenge in this aspect, for we must multiply our food production fourfold in order to meet people's needs.

4. There are some dry areas in central Australia, and the population of the region is relatively small. But the water reserve is very adequate, and the land very fertile in these areas. A lot of people there realize that the energy reserves are very large in the central region, so it needs a huge investment and efficient measures to develop these resources. By the building of "One Belt One Road," bridges between the continents and oceans can be built to promote the solution of Australia's energy security and food safety issues. Australia has a lot of ports that can connect the routes of "One Belt One Road" and expand cooperation. Therefore it is fair to say that Australia can make a great contribution in the construction of "One Belt One Road," and we will be committed to the development of green energy and green technology.

***Anthony Ross: Africa, environmental protection, "One Belt One Road": deeds and thoughts***

I want to put forward some pessimistic views. If we investigate "One Belt One Road" and China's economic policies, we can see that China has gradually transitioned to a market economy, along with some environmental issues. In fact Europe had gone through such a process since the Industrial Revolution of the 18th century, leading to the extinction of many rare animals. Crisis of climate change, species extinct faster and faster. This is a serious situation. Human beings are living in an era of extinction.

First, of all the participating countries of "One Belt One Road," there are many complicated political situations; but in economic terms, the objectives are consistent. For example, Asian Investment Bank is a concept of sustainability for infrastructure loans. The core of this system is that the state supports the enterprises to profit. This view is still pursued by some governments, but on some level, it does not work. In the United States and some other developed countries, it does usher in a greener and more prosperous future development, but some unfavorable factors have been accumulated concerning the environment. For example, East Asia, a populous place, is pushed to the point of crisis because of environmental problems. People are denying current problems, and the root is the market mechanism. It does not work to rely on market mechanisms to solve environmental problems. For example, northern Australia cut down a

large acre of trees in order to grow crops. Although the government is not profit-driven, it does not pay attention to such fact.

Second, in the economic development, many countries seem to repeat the same mistakes. Germany is one of the most developed countries in the world, and its products are cheaper; and China is now trying to replicate this model. For many years, in order to develop economy, China is also damaging its environment. From Africans' view, it is difficult to compete with China in the manufacturing sector. For example, if we compare South Africa and China, South Africa has a good labor federation, while China has cheap labor. Indeed, green economy could not bring benefits, because it does not work economically. If a company wants to be a green plant, the cost could be very high. So people will make some progress about the theories of this series in the 21st century. It is also important to strengthen efforts in environmental protection. Ultimately, however, many things will overthrow all this. Now it seems that the world is still getting warmer and warmer. Oceans are becoming dry lands, and islands are submerged into the sea.

Third, to Africa, the initiative of "One Belt One Road" is not strange, because China has already begun the opening-up strategy in the nineties. "One Belt One Road" make international exchanges more open, and more multiplied. Africa attaches great importance to the conservation of wild animals because Africa has the largest number of species in the world. Some species are unique in the world, but a large number of them are dying and on the verge of extinction. China makes a lot of rhino horn products with very good technology and quality, but this affects the security of species. Probably there is no serious policy and solutions to solve this problem. The policy of "One Belt One Road" is very good, but from what point of view? China is exporting its excess production capacity, and promotes the infrastructure development in other developing countries. But we also face a very serious environmental crisis in the meantime, and the two are not compatible.

*Translator: Liu Wencui*

# “One Belt, One Road” Lessons to Mexico

Dr. Daniel Lemus Delgado

## *China and Mexico in search of Development*

Despite the huge geographical distance, China and Mexico are two countries with many similarities. The two countries have ancient history. Both countries are inheritors of a rich culture that has been shaped by the worldview of ancient farming communities. Also, their societies are based on similar values. In both cases the family is a fundamental pillar as well as ancestor worship. At the same time, during the nineteenth century, both countries were violated in their internal processes of consolidation as modern states. Indeed, these countries suffered from various interventions by foreign powers thirsty for riches that both countries possessed. In addition, those imperialist countries imposed a model of incorporation into the capitalist system that benefited the industrialized economies and small local elites. The two countries were venues of important social revolutions in the twentieth century. The goal of these revolutions was to improve the living conditions of the vast population living in subhuman conditions. Since then, they have sought the political, economic and social modernization as a way to provide better living conditions for the population.

Currently, Mexico and China are middle-income countries that share common challenges. According to the World Bank, by 2014 the GNI per capita PPP of China was \$ 13.170 USD, while Mexico's was \$ 16.640 USD (World Bank, 2016). As for the Human Development Index, China ranks 90 and Mexico, 74 (UNDP, 2015). The two countries also belong to the G20, which seeks to create more appropriate conditions to build a new architecture for development. The Foreign Policy of both nations has supported the principle of non-intervention in other States and dialogue as a means of conflict resolution. Moreover, these countries believe that cooperation is an effective mechanism to build a better world.

In addition, China and Mexico launched at the beginning of the 1980s a series of reforms to modernize the economy. China and Mexico were closed economies seeking to become open to the outside and to be internationally competitive economies. Therefore, both countries sought to attract foreign direct investment as a means for financing the demands of their development projects and considered that exports should be the engine for economic growth. Thus, they conducted a series of structural

reforms for economic modernization.

However, the results have been different. While China's GDP grew in the period between 1980 and 2014 at an average annual rate of 9.82 %. Mexico in the same period accumulated an average growth of 2.68%. (World Bank, 2016). By 2016, the projected growth of the Chinese economy is 6.3% while for Mexico it is 2.6%. (IMF, 2016). In Mexico, the GDP per capita (in USD currency) increased from 2,830 to 10,325 between 1980 and 2014. By contrast, in the same period, China's story was different because it went from 193.3 to 7,590 (World Bank, 2016). That is to say, in the case of China, it grew more than 12 times while the Mexican economy growth was slightly less than 4 times.

In this context, it is clear that the development formula adopted by Mexico has not fully potentiated the possibilities that Mexico has as a country. Perhaps the main reason for this is that Mexico dogmatically adopted a model of economic modernization. However, in China, the trial and error formula provided further advance in this process. We are thus faced with two positions. While in Mexico, neoliberal dogmatism has not produced the necessary economic growth, in China the key player has been the creativity in designing an original model of economic modernization of their own with Chinese characteristics. Obviously, this path has led to better results for the Chinese economy.

Thus, I propose that the results obtained by the processes of economic modernization in Mexico require both government elites and academia to reflect more upon the process of Chinese economic modernization. Particularly regarding the initiative of President Xi Jinping "One Belt One Road". This initiative is an important point in analyzing new routes for development. My suggestion is that in so far as is known, to analyze and reflect upon this initiative, and it will be possible to learn some lessons for middle-income countries such as Mexico on new paths for development. Evidently, it is not possible to think of an exact copy of what China has implemented. Despite the similarities described above, China and Mexico have different contexts. However, I say that the better we know the proposal resulting from this initiative, it will be plausible to incorporate elements into public policy that could help Mexico in its own path to development in the context of a globalized world.

### ***The third wave of economic modernization: One Belt One Road***

The "One Belt One Road" (OBOR) initiative has been described by the Chinese government as the third wave of China's opening economy. The first was the establishment of Special Economic Zones. The second was the accession to the World Trade Organization. Now, this third wave



focuses on improving and building new trading routes, links and business opportunities. Specifically, the OBOR initiative are plans for a Silk Road Economic Belt on land and the 21st Century Maritime Silk Road at sea, which is an infrastructure investment involving 65 countries and 4.4 billion people or 63% of the world's population (Tsao, 2015). At first, this initiative was promoted as a network of regional infrastructure projects, but the scope of the "Belt and Road" initiative has continued to expand and will now include promotion of enhanced policy coordination across the Asian continent, financial integration, trade liberalization, and people-to-people connectivity (Kennedy and Parker, 2015).

So, one part of the initiative is a planned network of overland road and rail routes, oil and natural gas pipelines, and other infrastructure projects that will stretch from Xi'an in central China, through Central Asia, and ultimately reach as far as Moscow, Rotterdam, and Venice. The other part is a maritime route. In fact, it is a network that includes ports and other coastal infrastructure projects from South and Southeast Asia to East Africa and the northern Mediterranean Sea. The scope of this initiative extends beyond an infrastructure project: "The plan includes promoting greater financial integration and the use of the Renminbi by foreign countries, creating an "Information Silk Road" linking regional information and communications technologic networks, and lower barriers to cross-border trade and investment in the region, among other initiatives. New regional institutions, such as the Asian Infrastructure Investment Bank (AIIB) and New Silk Road Fund (NSRF), are also designed in part to complement and support the Belt and Road's development" (Kennedy and Parker, 2015).

In the words of Chinese President Xi Jinping OBOR: "... is expected to boost China's cooperation with the countries along the road, improve mutual trust and create a win-win situation. It can also be a new platform and mechanism of maritime security. The MSR is not just a road for China, but for the whole of Asia-Africa. It may also be called 'Civilizational Road', 'Economic and Trade Road,' and 'Tourism Road' of the Asian countries. China needs to connect with peoples of the Asia-African countries, of the West Pacific and the Indian Ocean so as to develop an industrial chain, guarantee maritime security passage, and deal with maritime non-traditional security" (Karim, 2015).

As for Mexico, in a way this country transited only the first two waves of economic modernization. The first was a structural adjustment to adapt to the neoliberal model of market economy. This adjustment began in 1982 derived from the pressure of international organizations to the state of bankruptcy that the Mexican economy was in. The second

phase was joining international organizations that promote free trade. The first significant step was joining the GATT in 1986. Perhaps the most decisive step was the signing of the North American Free Trade Agreement in 1993. However, these two processes while improving the competitiveness of certain industrial sectors, in the end did not generate a high and sustained economic growth. These measures were important but insufficient for economic modernization.

In particular, the free trade agreement with the United States and Canada was an important impetus for economic growth, but did not laid the foundation for development. Mexico grows at moderate rates. Poverty remains a huge problem. Income inequality is very large. The main problem was that NAFTA created an enabling environment for certain economic sectors, but did not build adequate mechanisms to promote development. Under NAFTA, no new forms of financing were established, nor the construction of infrastructure was boosted, and the establishment of a network of trust and commitment to the idea of a common future with common but differentiated responsibilities was not pushed. For example, some prominent politicians in North America today think more about building walls than they do on establishing bridges. The solution from some sectors of the US government is to separate and exclude than to integrate and include. For this reason, OBOR can be an opportunity to reflect on how to rethink the relationship of Mexico with Canada and the United States.

### ***Economic modernization 3.0***

In the constant process of change and transformation of the world economy it is essential that public policies in each country meet the structural changes in the global economy. Particularly, after the financial crisis of 2008, new challenges for the growth of the world economy emerged on the horizon, in which each country faced particular challenges. For example, Mexico and China, traditionally exporting countries were threatened by a pervasive environment of economic slowdown. This situation led the Chinese authorities to rethink the sources of economic growth. So it was decided to strengthen domestic consumption and growth of the tertiary sector of the economy. The OBOR initiative originated in this context. This initiative is, in the end, China's economic modernization 3.0. From this initiative, there are valuable lessons to be learned.

### ***Lessons for Mexico***

The main lessons that the Mexican government can get from OBOR are:

a) To think beyond a free trade area. Trade liberalization is a first step to

increase the competitiveness of certain industries and regions, but it is an insufficient step. One can not expect that all sectors may be competitive in such disparate economies. Therefore, without denying the benefits free trade can bring, it is important to go beyond trade agreements. So far, the vision of free trade is reductionist because it was adopted as the only way for development. Free trade should be perceived as an instrument to boost economic growth. But without forgetting that it is not the only thing to do. The potential benefits that free trade brings are diluted when everything is left to the market and a strong public policy is lacking, one that would allow a transition to economic modernization in an orderly manner.

b) To adopt a medium and long term planning for the integration of the region of North America, beyond short-term issues arising from specific contexts. The Mexican government must assume a medium and long term vision that considers broader trends, for example, migratory flows, the change in population dynamics, the evolution of industries, the performance of other regions of the world. Likewise, to adopt a prospective vision to understand current trends and their implications for the future. In China, the design and implementation of the five year plans are an example of how to conduct a policy aimed at specific targets in a long range public policy. OBOR is the latest example of this planning in the medium and long term. While specific measures are defined and gradually reached, the long-range vision is the one that drove the most significant transformations. The Chinese experience is very enriching about this. The famous phrase coined by Deng Xiaoping, "crossing the river by feeling the stones", truly describes this process.

c) To accompany free trade with the building of solid infrastructure. There is a disparity in the infrastructure that each country has. If you want to steadily increase competitiveness, it is important to build a solid infrastructure in the region. To raise the quantity and quality of ports, railways, highways and airports in Mexico. To adopt a regional vision that potentializes the dynamics and vocations of each region of Mexico. But this must happen within a framework of cooperation between the two countries. The Chinese lesson is very enriching. The establishment of this infrastructure can be an opportunity for companies and the government sector, to coincide in an effort to improve infrastructure in Mexico through specialized financial mechanisms and technology transfer. This infrastructure will not only facilitate the transit of goods and movement of people, but it will also give a new boost to tourism both ways.

d) Think of networks. While there are already certain industrial clusters in Mexico, such as the automotive in Central Mexico and the biomedical in the Tijuana-San Diego corridor, these cases are isolated experiences.

Governments should consider building productive networks that allow the finding of other common grounds. Networks must take advantage of complementarities in the economies of the region.

e) To look at development as a result of cooperation. Yafei noted that: founded in the idea of building a new network of global partnerships, OBOR provides a fresh way of thinking about regional and global cooperation, by including both bilateral and multilateral cooperation in political, economic, cultural and other fields. It emphasizes the adaptability of development strategies in China and other participating nations, in order to produce benefits that are shared by all in an economic “win-win” outcome (Yafei, 2015). In the case of US-Mexico, cooperation beyond national security issues must be emphasized, as it has been in the case of drug trafficking or migration so far. And it must be built on a genuine win-win principle.

f) To strengthen the idea of shared progress. The experience of East Asia, known as the “flying geese paradigm” indicates that countries need to design public policy that at the end of the day allows everyone involved in the region to have the opportunity to obtain concrete benefits. This first happened with Japan and the Asian Tigers. Now, China is becoming the pivot to drive a shared progress in the countries of Central Asia, Southeast Asia and Africa. The lesson is clear. Without a shared progress it is difficult to imagine a stable world stage. Therefore, the Mexican authorities have to advocate for dialogue aimed at generating a shared progress in the region. Benefits should not remain in one country.

g) Construction of trust. Perhaps the greatest contribution to the future that the OBOR initiative will generate is to bring people and communities of the countries within the route. This approach will result in a relationship based on greater trust. Trust is the key to generate an atmosphere of cordial relations. Trust allows moving from mistrust to mutual support and allows looking at issues from a common perspective. Trust builds empathy and creates bonds of solidarity. Obviously the problems are always present, especially when it comes to a complex relationship like that of Mexico and the United States. However, as shown by the peaceful rise of China, despite differences with neighbors, when there is a genuine commitment to a win-win relationship, differences can pass to the background. OBOR is proof of it. It is possible to drive on a route beyond simple economic benefit. China is starting to walk this path through measures derived from OBOR. Mexico and its trading partners in North America can also try.

### ***Recommendations for China***

The OBOR initiative can be a turning point in the way it conceptualizes development and concrete measures are taken to achieve it. But, because of its importance, the impact of this Chinese initiative cannot be reduced to the benefits it can have on the countries of Asia, Africa and Europe directly related to this initiative. China's experience can be useful for other countries and regions. A case in point is Mexico's relationship with its partners in North America. To do this it is necessary to:

a) Systematically disseminate experiences, challenges and opportunities resulting from the OBOR initiative. In this regard, you can take advantage of the institutional framework of the Comprehensive Strategic Partnership established by the presidents Enrique Peña Nieto and Xi Jinping in June 2013, which is aimed at achieving that bilateral ties reach their full potential in all areas. These meetings can set up a table to exchange experiences in which Chinese officials share to their Mexican counterparts the lessons learned in the implementation of the OBOR initiative, particularly regarding mechanisms for financing infrastructure.

b) Increase student exchange. In the case of Mexican students, to particularly encourage students to have the opportunity to study in Chinese universities located in the provinces that are most involved with the OBOR initiative, such as Xinjiang, Qinghai, Gansu, Shaanxi, Sichuan and Yunnan. At the same time, these student exchanges could favor the study programs associated with civil engineering, petrochemical engineering, telecommunications, economy and finance, among others.

c) Work tables among academics. Organize international conferences between academics to analyze the risks and opportunities of the OBOR initiative. In addition, these conferences can be a platform for academics to work together in the search for complementarities derived from this project with other world regions, not only North America but also Latin America. Similarly, these conferences allow you to have an objective and balanced view on this initiative, banishing the false fears about the rise of China.

d) Explore the possibilities of technology transfer, particularly with regard to the construction of oil pipelines, gas pipelines and railways. The launch of the OBOR initiative enhances technological capabilities in specific sectors. The transfer of these technologies may allow a beneficial relationship for both nations.

### ***Conclusions***

President of China, Xi Jinping, has made that the OBOR initiative be a centerpiece of both foreign policy and national economic strategy. For his part, the Minister of Foreign Affairs Wang Yi has established that this

initiative "in the spirit of mutual learning and harmonious coexistence reminiscent of the ancient Silk Road, are designed to boost common development and shared prosperity in all countries along the routes, As They uphold the vision for a community of shared destiny" (Zhang, 2015).

Thus, One Belt One Road is a joint effort that aims to promote both cooperation and economic growth as a prerequisite for development and prosperity of a region. Without these two components, cooperation could be useless or economic growth could be more polarizing, widening the gap between nations. Therefore, the most important teaching of OBOR is inviting us to think that it is possible to move to higher levels of development as long as cooperation and boosting economic growth go hand in hand. This fact should make Mexico rethink its trade agreements with its northern neighbors. In other words, it must take a step towards the next stage of economic modernization. Modernization 3.0. On a broader vision that builds bonds of trust and shared but differentiated commitment between the countries of NAFTA to successfully face the new challenges of the XXI century.

# Taiwanese Politicians' Manipulation of Cross-strait Issues in the Case of Taiwan Telecom Fraud

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Several days ago, Taiwanese telecom fraud suspects were repatriated from Kenya to Beijing, stirring a great tempest in Taiwan. Taiwanese media and members of the Legislative Yuan claimed that although acquitted of a charge in Kenya, these Taiwanese were deported to China, which triggered antagonism in Taiwan towards Chinese Mainland; recently, however, 20 Taiwanese telecom fraud suspects were arrested in Malaysia. The diplomatic section, Mainland Affairs Council and Ministry of Justice in Taiwan spared no effort to putting the suspects under their wings and escorting them to Taiwan. Since these people were not active criminals and there was no sufficient evidence, all of them were released in the airport. The incident once again caused disturbance in public. Taiwan's judicial departments and relevant officials were accused of handing an amnesty to criminals in Taiwanese society. In such quarrels, Taiwan invariably disregards international laws and cross-strait agreements. Especially in issues relevant to Chinese Mainland, its politicians tend to manipulate populism, which we should undertake researches and adopt certain tactics.

## *I. The right of jurisdiction in overseas Taiwanese telecom fraud*

In terms of cross-boundary crimes, relative countries enjoy the right of jurisdiction at the same time, namely, the right concurrence. As for the Kenya repatriation case, Kenya had the right of jurisdiction according to the 'principle of territorial jurisdiction'; Taiwan shared right based on the 'principle of nationality jurisdiction'; Chinese mainland also enjoyed the same right in line with the 'principle of passive nationality jurisdiction'. As such, these three countries clashed over the 'jurisdiction concurrence'. Right now, there is a trend on this issue: levels of intimacy to the crime have to be taken into account; in practice, relative countries use to follow principles of compromise, mutual respect and proportionality to settle the problem of jurisdiction concurrence.

Both Taiwan and Chinese mainland belong to One China. However, since the cross-strait relation is subtle these years, a prototype was set up in Philippines in 2001. That is, if Chinese mainlanders and Taiwanese jointly commit telecom fraud, Taiwanese should be repatriated or extradited to the Taiwan authorities while Mainlanders to Chinese mainland. This is the so-called 'southeast pattern'. Both sides should give priority to cracking

down on crimes, temporarily leaving state sovereignty and jurisdiction aside. Currently, the Taiwanese society stagnates in the predicament: populism prevails; the legislation concerning fraud is insufficient; the judicial section gives light sentences to fraud suspects. For instance, on June 18th term of penalty for such crimes ranges from 1 to 7 years. The sentence seems too light. In practice, the Court has gotten used to giving the lightest sentence to the suspects. The underlying reason is that the Taiwanese society pays great attention to human rights and the rule of laws, which comes into shape during the social progress. However, such emphasis is more often than not mingled with populism. Hence, Taiwanese invariably focus on their own concepts of human rights while seldom concerning about human rights of ordinary people in Chinese mainland, since the mainlanders are often demonized by Taiwan authorities and its media. Many innocent mainlanders are driven desperate by telecom fraud. They have no choice but to commit suicide or take extreme actions. Facts are that the negligence led to an increase of swindlers in Taiwan in the past decade (according to Taiwanese media, the number reached 100,000). Moreover, since the penalty and fines are light, Taiwan has become a paradise for swindlers.

## ***II. Taiwanese politicians' manipulation of public opinions concerning cross-strait issues***

A group of politicians in Taiwan are extremely antagonistic to Chinese mainland. They are 'opposite to everything relevant to Chinese mainland'. Some statements of them often mislead Taiwanese people and brew cross-strait antagonism. In terms of the current Taiwan telecom fraud, their two main opinions go as follows:

1. Bullying of Chinese mainland. First, they cited the sentence of Kenyan Court, 'this group of Taiwanese in Kenya is acquitted of a charge.' So they argue that these 'innocent' Taiwanese shouldn't be taken away and then criticize Chinese mainland not a society ruled by law. As a matter of fact, mainlanders are the real victims of the telecom fraud rather than Kenyan people. Therefore, Kenyan government had to send the suspects to the victims' country and deport them out of Kenyan boundary. Ridiculously, the mother of the swindler asked DPP legislator for help and directed a tragic farce that Taiwanese were abducted by Chinese mainland from Kenyan prisons. She claimed that her son just went to a trip in Kenya, but the lie was soon exposed after the swindler admitted the crime before the mainland media. Secondly, they held that 'democratic' Taiwanese shouldn't be sent to 'automatic' mainland and asked Luo Yingxue, the minister of Justice for an explanation. Such populist mindset encountered LUO's immediate refute. She further put a fierce press release on the official website of Ministry of Justice, saying 'we shouldn't blame our fault on others'. That release also criticized some legislators including Xu



Yongming in discriminating the right and wrong, manipulating populism and jeopardizing Taiwan. Luo said, Chinese mainland enjoyed right of jurisdiction according to territoriality and since there were many victims in the mainland, it was not improper to send the suspects to the mainland. However, her statements caused a fuss in some Taiwanese. They considered it inappropriate to cede the jurisdiction to the authoritarian China. As a matter of fact, they should be engaged to the improvement of the laws and regulations rather than request Taiwanese administrative and judicial departments to bring the swindlers back. In the end, due to the light penalty given by the judicial sectors, it would once again lead to social conflicts like the Malaysian case mentioned above.

2. The conspiracy of Chinese mainland. People sharing this opinion suspected that the whole incident was plotted by Chinese mainland. In the Kenyan case, Chinese mainland disregarded cross-strait consensus. As for the Malaysian case, only at the last minute did Malaysian and Chinese government let suspects go back to Taiwan. However, such behavior went against the juridical routine that suspects and files is a integration. However, Malaysia and China only gave suspects back without files. Due to lack of evidence, Taiwanese police had no choice but to release suspects, triggering chaos in Taiwanese society. Taiwan was also labeled as ‘the paradise for swindlers’. All of these encouraged the legitimacy upheld by Chinese mainland in the Kenyan case. Even some Taiwanese thought, ‘See, Taiwanese authorities only knows to release suspects. It’s better to let those guys sentenced in Chinese mainland.’

### ***III. Conclusion***

In the first place, we should pay attention to the populism in Taiwan, actively release correct information and then win over understandings of Taiwanese society. The mainstream society in Taiwan lacks knowledge of Chinese mainland, but most people have sympathy towards the weakness. Our media should release more reports about victims of telecom frauds, let Taiwanese society realize harms of swindlers and win their support.

In the second place, we should take actions in time and give out correct information, preventing the manipulation of Taiwan politicians. A swindler’s mother asked legislators for help. They used videos and incorrect information to slander Chinese mainland as a tough hegemony and deliberately pick out police’s motions to accuse Kenyan authorities ignorant of human rights so as to mobilize Chinese mainland. To such slander, we should make instant response. In this case, we let suspects admit his crime on television, which to some extent reduced negative impact and also set up a good example.

*Translator/ Hua Zhiyun*

# To Replace the Business Tax with a Value-added Tax: A Key Point in Establishing the Modern Value-added Tax System with Chinese Characteristics

Wang Dehua

In accordance with the State Council direction deployment, the Ministry of Finance and the State Administration of Taxation jointly issued Circular [2016] No.36 on finance and taxation, which has clearly established that from May 1st, 2016, industrial sectors of real estate, construction, financial services, and life services will be included within the system of replacing the business tax with a value-added tax. Therefore, the pilot launched in Shanghai in 2012 has entered the crucial ending stage and the business tax will formally withdraw from the arena of history. It also indicates that the modern value-added tax system geared to international standards and with Chinese characteristics has gradually come to the joint definition phase.

## ***I. What is the so-called modern value-added tax system?***

Unlike other tax types, value-added tax is an item which is designed based on theories, its base is not that intuitive. Traced back to the very past, we have a long history of levying tax on commodities and its trading. Since the industrial era, the simple indirect tax on commodities has led to double taxation in socialized mass production, and thus hindered the division of labour. Therefore in 1917, Adams, the economist of Yale University, first brought about the concept of taxing on added value. In 1919, German Seimens suggested that replace multi-phase trade tax with value-added tax obtained by tax base subtracting. This has become the main idea of modern value-added tax. In 1948, France adopted a tax system similar to the modern value-added tax, which meant to levy taxes in the phase of producing and allow a range of deduction. From 1954, the ranges of phases and deduction have been further expanded. It's a wide recognition that the value-added tax system of France in 1954 is the first value-added tax in the world. Since then, the European countries have generally accepted the value-added tax, and it then became one of the requirements to join the European Union. Besides, the World Bank and International Monetary Fund also strongly recommended value-added tax to the vast developing countries. Therefore, it soon became popular around the world. Until now, about 160 countries and regions, except for the United States, a few island countries and petroleum exporting countries, have adopted value-added tax, which has involved more 90% of population and has collected over 20% of taxation.

Unlike some Chinese scholars holding a doubting attitude towards value-added tax, in the international society, it is known as a marvelous creation. No fiscal tool has expanded as fast as value-added tax in the world. However, there's a lot of diversity in its implementation in international society. According to some scholars, value-added tax is not a simplex taxation type. In fact, it's a series of taxes. Its diversity mainly displays in three aspects:

First, differentiated range of deduction has led to different disparity in tax bases. Without thinking about government policies and foreign trades, according to the national income accounting approach:  $GDP=C+I=W+P+D$ . It means that the national income of a country equals the sum of wages (W), profits (P) and deduction (D), and also equals the sum of Consumption (C) and Investment (I). The main trend in the international society is the consumption-oriented value-added tax, which means to levy tax on consumption in GDP. The way of implementation is that input credit on fixed capital assets can counteract the tax. Its tax base can be described as:  $C=W+P+D-I$ . The second one is production-oriented value-added tax, which does not allow deduction of fixed capital assets investment. Its tax base can be described as:  $C+I=W+P+D$ . The third one is income-oriented value-added tax, which only allows fixed assets depreciation deduction. Its tax base can be described as:  $C+I+D=W+P$ .

Second is the method of taxation. The first method is invoice deduction, which using the invoice of input VAT for deduction to avoid double taxation. It's now the most common way; the second method is factor income summation, which is adopted by Israel and Argentina in levy tax on financial industries; the third method is reduction, which means to calculate the tax base of a company on the base of its financial account. Comparatively speaking, the first method—invoice deduction, realizes the interaction of taxpayers, has great advantages in strengthening taxation management, and therefore is commonly adopted in the world.

Third, there are differences in the industries it covers. Viewed from the point of keeping the tax neutral and avoiding repeated tax, the value-added tax should involve all the industries with a fixed tax rate. However, affected by facts like social equality, the range of industries involved in valued-added tax of different countries are not always the same.

Diversity in practice has caused difficulties in defining modern value-added tax system. At present, the most widely recognized conclusion is the one made by the World Monetary Fund: Value-added tax is a tax type that “collected in the phase of producing and selling of commodities, with a broad tax base, and the main point of this tax system is that the input tax can deduct the output tax.” According to this description, the essential

characteristics of modern value-added tax can be summed up in three points: first is that it adopts deduction in its taxation management process to avoid repeated tax; second is that it has a broad tax base, which means it covers as much industries as possible; third is that it's an indirect tax that levies tax on the producing and selling of commodities.

## ***II. To Replace the Business Tax with a Value-added Tax is key Point in Establishing the Modern Value-added Tax System with Chinese Characteristics***

The tax reform in 1994 has established the value-added tax as one of the main taxes in China. In the designing of tax system, China has learned a lot from international experiences, such as adopting invoice deduction system, setting up 17% as the main tax rate, etc. However, it also has many differences with the international mainstream. The two major differences are: input credit on fixed capital assets is cannot be deducted, which means China adopts the less common production-oriented value-added tax; China's value-added tax has only involved the industry of manufacturing and retailing and wholesaling, while most of the service industry sectors still adopt business tax. Therefore, to complete its' tax system, China's value-added tax should transferred form the production-oriented type to the consumption-oriented one, and its coverage should be expanded to the service industry. These are the so-called two missions of "transition" and "expansion".

Thereinto, the fact that the service industry and the manufacturing industry respectively adopt business and value-added tax has distorted economic growth should not be ignored. On the one hand, business tax is to levy tax on total output, so the problem of repeated taxation cannot be avoided and will accordingly hinder the decision-making of service industry. On the other hand, since the business tax of service industries cannot be deducted in the chain of value-added tax, therefore under the same condition, the industry sectors should rather have inside services than purchase from outside. This kind of tax system would suppress the externalization of services and will lead to the result that while China's economy is going through servitization in general, its manufacturing industries reduce invest on external services.

After a lot of pilot launched in the year of 2004, China has started its reform on value-added tax in 2009. It has allowed input credit on fixed capital assets like machinery equipment to be involved in deduction. However, at that time the industry of construction adopted business tax, so the 2009 "transition" was still halfway, and the value-added tax at that time can only be referred to as half-consumption-oriented value-added tax.

While the reform launched on May 1st, 2016 is promoting at the same time the two major tasks of “expansion” and “transition”. It marked that China’s value-added tax system has geared to the international standards, which is the key process in establishing modern tax system. On the one hand, all the service industries have business tax with value-added tax, the task of “expansion” has been completed and therefore repeated taxation can be avoided. On the other hand, with the construction industries adopting value-added tax, input credit on fixed capital assets like plants and other buildings been involved in deduction, the value-added tax system was finally established.

This time, the reform has also set up the principle that tax bearing of all the industries will only keep decrease, which will realize a tax reduction of 500 billion yuan of that year. It shows that the proactive fiscal policy has been more powerful. However, tax reduction is only part of the reform dividends, and the more important dividends are reducing the distortion of economic operation and enhance economic efficiency. Researches based on the pilot spot have founded that with the implementation of replacing business tax with valued-added tax, the division of labour among enterprises will be deepened, and the industrial linkage will become closer. For establishing modern value-added tax system, this kind of reform dividends will have more profound influence.

### ***III. Value-added tax reform should be further promoted***

Comprehensively promoting the reform of replacing business tax with value-added tax indicates that China’s modern value-added tax system has come to the stage of definition. In this process, we are still facing with lots of challenges, and the effect remains to be seen. After the framework of modern value-added tax is established, there are still a lot of reforms to achieve.

First is how to degenerate multi-range tax rate. This time the reform has set up two separate tax rate of 11% and 6% for service industry, which results in the current situation of multi-range tax rate. Viewed from the international trend of development, only one of the major tax rates can be considered as the direction of reform, which is the indication of neutral tax. If the reform become much too often, it will distort the economic operation. How to seize advantageous opportunities to balance profits among different industries and generate tax rate at one go will become a great challenge.

Second is how to complete the value-added tax system in certain industries. Under the presumption that value-added tax covers all the industries, how to design tax system for financial industry and public service industry has become an advanced question in the international

society. Especially for the financial industry, the reform of replacing business tax with tax-value-added tax has only simply translated the former business tax base. While from the international point of view, the mode of value-added tax of financial service industries will gradually transferred to the “EU mode”, “Canadian mode”, and “Australia-New Zealand mode”, It include different way of choosing tax base and collecting tax. In the future, how to choose appropriate mode of value-added tax for these industries will be the most challenging area.

Third is whether the function of value-added tax can be extended. Since some enterprises that choose compensation as its tax base has many problems inefficiency and equity, many countries have started reform of using value-added tax to raise money for all kinds of social insurances, which is normally referred to as “social insurance value-added tax”. It’s an important extension of the function of value-added tax, and also a new direction for development. Viewed from China’s current situation, we can know that its social insurance expends rate is so high that causes negative effects on the burden of enterprises and employment situation. Whether China can take example by international experience to launch the “social insurance value-added tax” to replace part of expends of social insurance? That’s what deserves discussion.

*Translator/ Dong Xin*

# 2016 – A Year of Bankruptcy and Restructuring for Chinese Shipping Companies

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Chinese shipping companies are going through a period of painful transformation. At the end of 2015, Shanghai International Shipping Institute (SISI) conducted a shipping prosperity survey among more than 200 shipping companies, which revealed that the China Shipping Prosperity Index (CSPI) was 83.37 points in Q4 2015, remaining in the stagnant interval for four quarters in a row, and China Shipping Confidence Index (CSFI) was 51.44 points, remaining in the stagnant interval for 4.5 consecutive years. Chinese shipping companies generally suffered from operation decline and the industry came to a period of profound adjustment.

## *I. Shipping companies are being on the verge of bankruptcy*

In Q4 2015, the prosperity index of shipping companies was 82.04 points, in the relatively stagnant interval, and their confidence index was 34.42 points, in the moderately stagnant interval. Shipping companies found themselves in the stagnant interval because of a number of factors including shipping capacity release, shipping space utilization rate, freight income, profit, corporate financing and loan, with business performance declining.

Dry bulk shipping companies have been losing money for many years in a row. In Q4 2015, their prosperity index was 68.67 points, in the stagnant interval for two years in a row, and their confidence index was 40.56 points, still in the stagnant interval since this index was first released in Q2 2011. In particular, their profit prosperity index stood at 36.67 points, staying in the stagnant interval for almost two years, and their current fund prosperity index was only 62.78 points, falling for the fourth consecutive year and indicating an extremely tight capital chain. A large number of dry bulk shipping companies can hardly stay in business and are threatened of bankruptcy.

The prosperity index of container shipping companies fell to a four-year low. In Q4 2015, their prosperity index was 79.25 points, falling to the stagnant interval and creating a new low in four years, and their confidence index was 33.75 points, in the moderately stagnant interval. Although container shipping companies have kept improving the dispatching of their shipping capacity, their utilization rate of shipping space has dropped considerably. The prosperity index of shipping space

utilization rate was 50 points this quarter, a sharp fall of 26.43 points from last quarter into the moderately stagnant interval. As a result, more container shipping companies registered reduced profits and increased losses, and their profit prosperity index quickly fell to 51.25 points in the moderately stagnant interval.

## ***II. Shipping companies face a wave of bankruptcy and restructuring in 2016***

First, more than 60% of surveyed companies believe BDI will be lower than 800 points in 2016. As the bulk cargo market remains in recession and shipping overcapacity is serious, dry bulk freight has constantly seen historic new lows. In 2016, the downstream demand for bulk cargo will continue to shrink, shipping demand may grow at a slower pace, and shipping capacity cannot be effectively absorbed in the short term, thus the international dry bulk shipping market will continue its negative trend. 61.29% of dry bulk shipping companies hold that BDI will be in the 498-800 range in 2016, 29.03% believe it will be in the 800-1,000 range, 6.45% believe it will be lower than 498 points, and only 3.23% think it will be in the 1,000-1,500 range. No dry bulk shipping company thinks BDI will rise to be above 1,500 points, while generally speaking, the companies' breakeven point (BEP) corresponds to the BDI range of 1,500-2,000 points.

Second, Chinese shipping companies experienced larger operation pressure in Q1. Chinese shipping companies' operations continued to decline in Q1 2016, and their prosperity index was forecasted to be 87 points, still in the relatively stagnant interval and the situation is likely to deteriorate. Among that, dry bulk shipping companies expect to have a prosperity index of 67.97 points, in the stagnant interval, and container shipping companies expect to have a prosperity index of 94.5 points, also in the stagnant interval. In Q1 2016, shipping companies' confidence index is expected to reach 39.09 points, in the moderately stagnant interval, indicating entrepreneurs' lack of confidence in the industry. Among that, the confidence index of dry bulk shipping companies is expected to be 13.33 points, falling to the extremely stagnant interval, and that of container shipping companies is expected to be 55 points, in the stagnant interval.

Third, dry bulk shipping companies may trigger bankruptcy wave. Surveys show that more than 60% of the dry bulk shipping companies experience long-term losses, and about 40% of them have limited current fund for a prolonged period of time, but corporate financing is extremely difficult and costly, thus quite a number of dry bulk shipping companies may face bankruptcy in near future. As the dry bulk shipping market will



remain relatively sluggish in 2016, more dry bulk shipping companies will lose money, which will further threaten the existing tight capital chain and may trigger a bankruptcy wave in dry bulk shipping industry.

### ***III. Government should take measures to ensure stable development of the industry***

Chinese shipping companies face a serious challenge. Shanghai is the hub of global shipping elements, and competent authorities of this city should take effective measures aimed to ensure the stable development of shipping industry.

First, lighten the burden on companies by reducing tax. Shanghai should apply for support from national fiscal and tax administrations, expand the scope of deduction of VAT withholdings for modern shipping service industry to keep the integrity of VAT withholding chain, and actively strive for policies in Shanghai on pilot income tax reduction and exemption for sailors.

Second, support the development of medium and small shipping companies with financial and fiscal measures. Shanghai should set up a development fund for medium and small shipping companies in order to guarantee their current fund; encourage banks to lower the interest rate on ship mortgage and extend the maturity of ship owners' loans to mitigate their financing pressure; and establish a financing guarantee mechanism for medium and small shipping companies to mitigate their capital pressure.

Third, urge industrial associations to carry out stricter discipline and management of the industry. Shanghai should urge industrial associations to carry out stricter discipline, regulate and manage improper competition in the industry, and avoid freight that is far below the rational level. It should put in place an internal coordination mechanism for medium and small shipping companies in order to enhance their bargaining power. It should also work with bank guarantee agents and intermediaries to establish a credit rating system for medium and small companies in order to reduce information asymmetry in the financial market.

Fourth, accelerate the reform of state-owned shipping companies. Shanghai should implement the State Council's guidelines on expanding the reform of state-owned enterprises (SOEs) more quickly. It should push the reform of Shanghai-based state-owned shipping companies comprehensively, actively introduce other state-owned capital or various non-state-owned capitals to diversify the equity structure, and improve modern corporate management system and remuneration system, so as to fully motivate the vitality of state-owned shipping companies.

Fifth, improve the environment for corporate restructuring and encourage enterprises to grow faster. On the premise of letting the market play a decisive role, relevant government departments should adhere to the concept of "saving industry rather than companies" in the critical period for the transformation and upgrade of shipping industry. They should sort out regulations that restrict cross-regional merger and restructuring, straighten out interest distribution among different regions, give private investors wider market access, remove barriers to merger and restructuring of shipping companies, and properly address such matters as settlement of redundant personnel, re-allocation of corporate assets, debt consolidation and disposal, and distribution of fiscal revenue, tax and interests. Meanwhile, Shanghai should improve fiscal and tax policies that support merger and restructuring of companies, and actively guide medium and small shipping companies in that direction by means of capital injection and credit financing, in an attempt to stimulate them to grow at a faster pace.



# *Inviting Contributions to China Watch 2016*

To construct new-type think tanks, promote the conversion between research and policy-making advice, and provide more high-quality reports and advices, Fudan Development Institute and Centre for Think-tanks Research and Management in Shanghai decide to solicit contributions from Chinese and overseas scholars to *China Watch*. *China Watch* focuses on hot issues in various fields of China. In the first semimonthly, it selects the latest achievements of top foreign think tanks, themed by ‘International Perspectives and Forefront Issues’; in the second one, it collects the policy analysis of Chinese experts, themed by ‘Chinese Think Tanks and Contributions to Development’.

## ***Requirements***

1. This contribution should be policy analysis or advice, reflecting author’s deep thinking of forward-looking and comprehensive issues. Topics include but are not limited to Chinese domestic affairs, foreign policies, economy, society, education and other issues involving China’s development.
2. The English edition could be articles published by foreign think tanks or major media in English (if the article is in other foreign language, please attach a 200-word abstract), or English research achievements of yourself. If the contribution is accepted by editorial department, it will be translated by the referrer or editorial department.
3. The Chinese edition is open to all the institutions and individuals. The topic is decided by yourself and the language should be succinct and not academic. 3000 words are proper, and there should be an introduction of the author within 100 words in the end. If the contribution is involved in sensitive issues, please burn it onto disc and post it to the editorial department with paper edition instead of sending it by email.

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# CHINA WATCH

# WATCH CHINA

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