

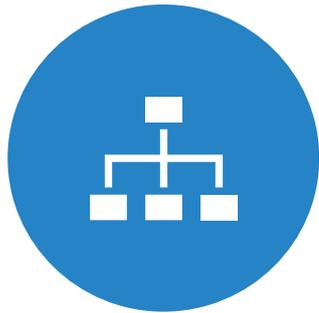
CONNECTING THE DOTS IN THE
BELT AND ROAD INITIATIVE:
TRADE FACILITATION,
INFRASTRUCTURE CONNECTIVITY
AND INSTITUTIONAL
COLLABORATION IN THE
CHINA-AFRICA RELATIONS

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AIM OF THE RESEARCH



ANALYSIS OF THE
REGULATORY FRAMEWORK
AND ACTORS INVOLVED FOR
THE CONSTRUCTION OF THE
BRI



ANALYSIS OF AFRICA AS AN
EXAMPLE OF REGIONAL
IMPLEMENTATION OF THE BRI



ANALYSIS OF TRADE
FACILITATION, INFRASTRUCTURE
CONNECTIVITY AND
INSTITUTIONAL
COLLABORATION UNDER THE BRI

STRUCTURE OF THE PRESENTATION



I. THE BELT AND
ROAD INITIATIVE:
AN OVERVIEW



II. THE BRI IN
AFRICA



III. THE BRI IN
ACTION



IV.
CONCLUSIONS

I. THE BRI: AN OVERVIEW

The BRI in the words of Xi Jinping is aimed at building a 'road' to: **peace, prosperity, openness, innovation, and civilization.**

Pillars of the BRI are **infrastructure** development, **economic integration, energy** and **security** cooperation, **innovation, human development.**

The BRI could be seen as a translation in a global context of the country model of **economic development**: massive **infrastructure spending** and strong **cooperation** between **public** and **private sector.**

The Initiative captured much attention (and also critiques) for the **geopolitical, socio-economics** and **energy** implications.

I. THE BRI: AN OVERVIEW

“The Vision and action to promote the Silk Road Economic Belt and the 21st Century Maritime Silk Road”(Vision) attempts to clarify the coverage and scope of the BRI and identifies five major goals: Policy coordination (政策沟通), Facilities connectivity (设施联通), Unimpeded trade (贸易畅通), Financial integration (资金融通), People-to-people bond (民心相通).

The BRI is under a process of **institutionalization** in China and have been included under the **Articles of Association** of the **CCP** and partially under the **Constitution** with the concept of ‘**a community of shared future for mankind**’(人类命运共同体)

Against the conventional wisdom the projects of the BRI are **mostly implemented by local governments, SOEs, private enterprises and foreign governments.**

No ‘official’ list of BRI projects released by the central government. **No mechanism** to verify at a central level if the project is aligned and consistent with BRI **scope**. **No specific guidelines.** No membership list.

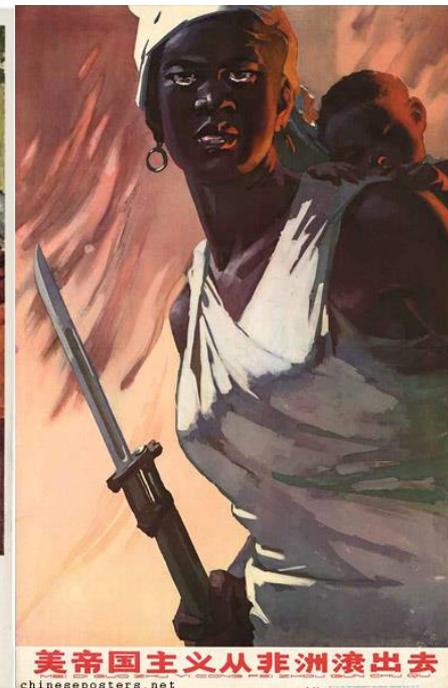
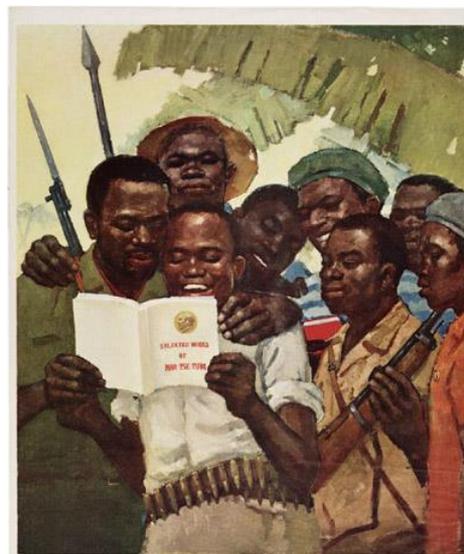
II. THE BRI IN AFRICA

We could both seize the opportunity created by the complementarity between our respective development strategies and the major opportunities presented by the Belt and Road Initiative. [...] With these efforts, we could expand areas of cooperation, unlock new cooperation potential, consolidate our traditional areas of cooperation, and foster new highlights of cooperation in the new economy.

Xi Jinping, WORK TOGETHER FOR COMMON DEVELOPMENT AND A SHARED FUTURE (2018 FOCAC Beijing Summit)

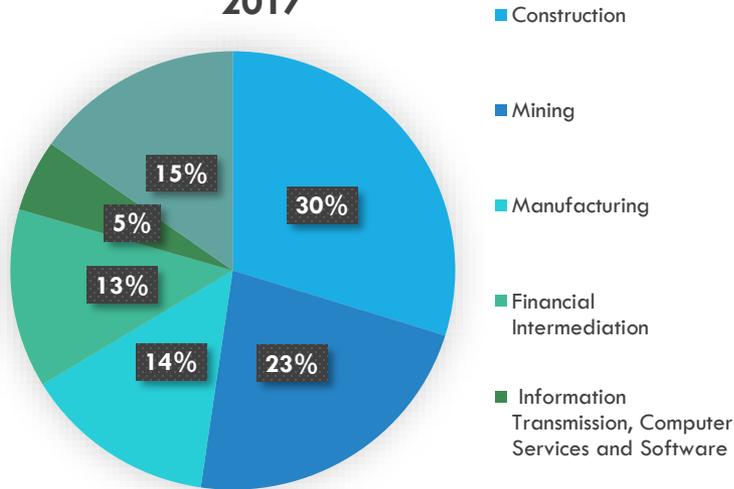
II. THE BRI IN AFRICA

- **Friendly relations** since the establishment of PRC in 1949
- **centrality** for the success of the BRI (especially the maritime component)
- High **availability** of agricultural products, **energy** and natural **resources**
- Various governmental systems and difficulties in reaching common position at a regional level
- **Security** and **governance** problems
- High potential for **economic development**
- Need for **financial** resources
- **Lack** of infrastructure
- **Young** workforce and **low cost** of labor
- **Relaxed regulatory** environment



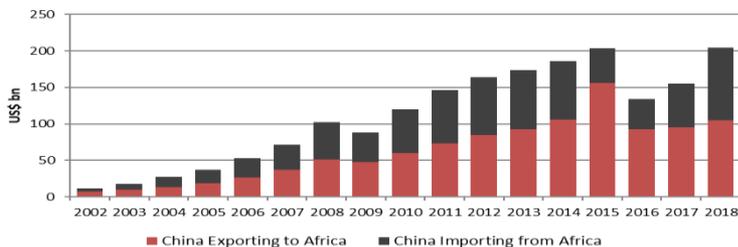
II. THE BRI IN AFRICA

China's FDI in Africa by sector in 2017



Source: China Africa Research Initiative, 2018

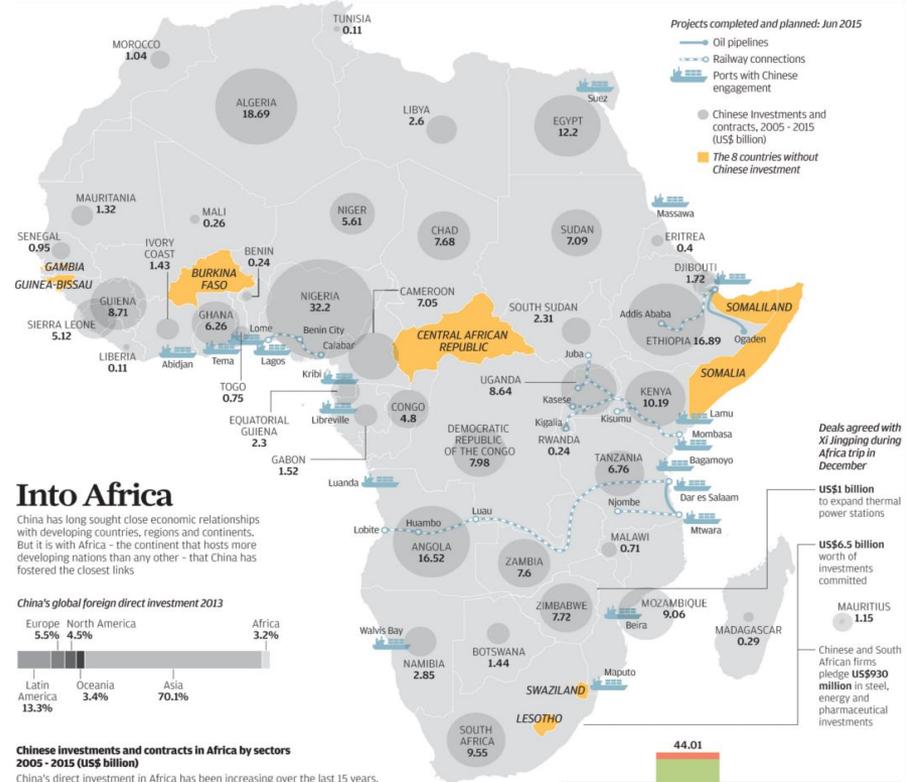
China-Africa Trade



May 2019

CHINA AFRICA RESEARCH INITIATIVE

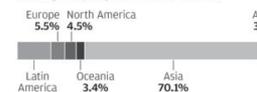
JOHNS HOPKINS UNIVERSITY INTERNATIONAL STUDIES



Into Africa

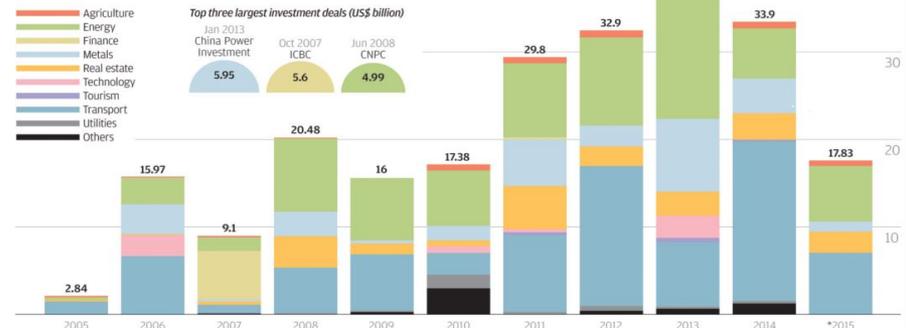
China has long sought close economic relationships with developing countries, regions and continents. But it is with Africa - the continent that hosts more developing nations than any other - that China has fostered the closest links

China's global foreign direct investment 2013



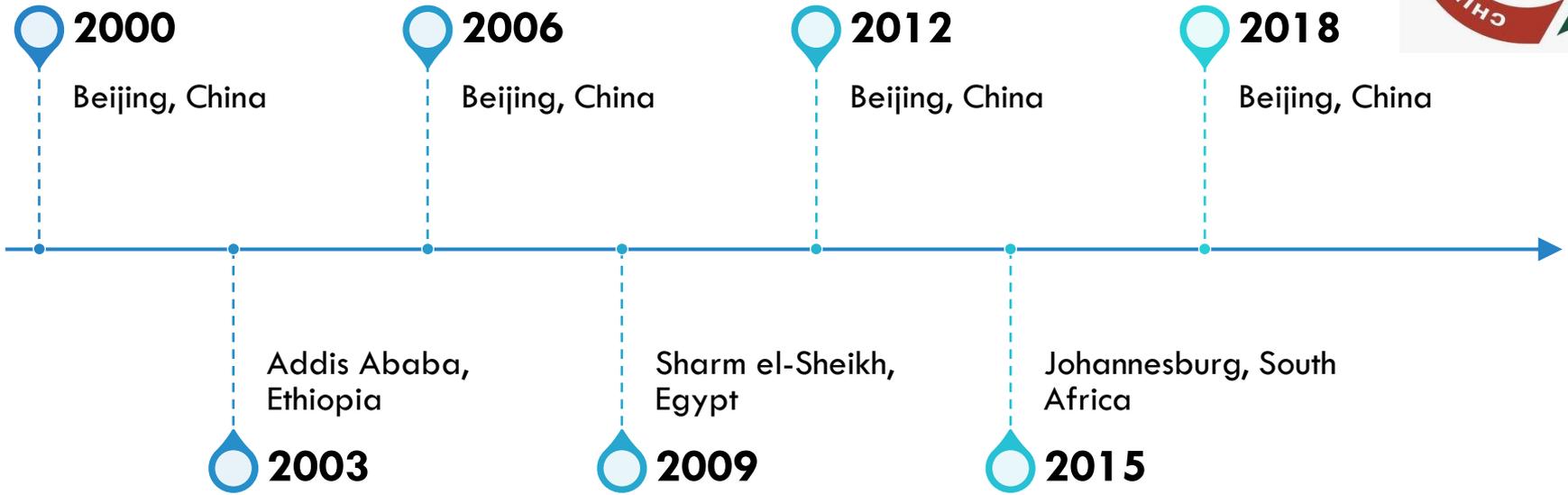
Chinese investments and contracts in Africa by sectors 2005 - 2015 (US\$ billion)

China's direct investment in Africa has been increasing over the last 15 years. More recently areas of cooperation have expanded to new fields such as finance, tourism and technology.



Source: American Enterprise Institute, Mercator Institute for China Studies, WSI

*Investments until June 2015



II. THE BRI IN AFRICA

8 Major Initiatives (八大行动)

II. THE BRI IN AFRICA

During the **seventh Forum** on China-Africa Cooperation (FOCAC) held in **Beijing** in 2018 president **Xi Jinping** announced the implementation of ‘**eight major initiatives**’ deemed to be necessary for the construction of the “**China-Africa community with a shared future that pursues win-win cooperation**”

The last FOCAC highlighted also the need for China to create a **sounder framework** for its **OFDI** to **avoid possible drawbacks** to the BRI

The BRI is presented as a tool to **strengthen regional integration** process of Africa



INDUSTRIAL PROMOTION



INFRASTRUCTURE CONNECTIVITY



TRADE FACILITATION



GREEN DEVELOPMENT



CAPACITY BUILDING



HEALTH CARE



PEOPLE-TO-PEOPLE EXCHANGES



PEACE AND SECURITY

II. THE BRI IN AFRICA

FOCAC 2018 Pledges



US\$15 billion of grants, interest-free loans and concessional loans,



US\$20 billion of credit lines,



US\$10 billion special fund for development financing



US\$5 billion special fund for financing imports from Africa.



encourage Chinese companies to make at least US\$10 billion of investment in Africa in the next three years



Government loans due to mature in 2018 granted to heavily indebted, poor and landlocked countries will be exempted.

II. THE BRI IN AFRICA

Discrepancy

Sinophobia

Asymmetries

Added value

III. THE BRI IN ACTION



TRADE
FACILITATION



INFRASTRUCTURE
CONNECTIVITY



INSTITUTIONAL
COLLABORATION

III. THE BRI IN ACTION



The **WTO Trade Facilitation Agreement (TFA)** is the **only** agreement belonging to the WTO system recalled in the **Vision**

The **TFA** entered into force on 22 February **2017** and is the **first multilateral agreement** enacted since the establishment of the WTO in 1996

Trade facilitation **measures** as contained under the **TFA** are expected to **reduce total trade costs** by **13-14%** and these measures would mostly **benefit developing** and least developed **countries** (WTO, 2018).

III. THE BRI IN ACTION

Trade cost reduction is crucial for developing countries but should be accompanied by investments in **infrastructure**.

The BRI aims to **facilitate trade** and provide the **infrastructure** needed for **increasing exchange** of goods and services **sourcing from China**.

Trade facilitation is one of the '**eight major initiatives**' launched by Xi Jinping in 2018 and have been identified for the implementation phase. **50 trade facilitation programs for Africa** have been identified by the Chinese government.

III. THE BRI IN ACTION

The **joint customs personnel training** organized by the **General Administration of Customs of China** and an experiment in the city of Jiangmen, Guangdong for the creation of **a fast lane track for helping exports** to Africa are two concrete and successful examples of trade facilitation

However, trade facilitation measures implemented by China are **unilateral** and carried out **outside** the **WTO** framework.

The implemented measures so far are however focused on **boosting Chinese exports** to the continent and **not on increasing intra-regional trade and economic integration** in Africa.

III. THE BRI IN ACTION

Infrastructure development is similarly central for the BRI and critical for **economic** and **social** development in Africa.

According to estimates of the African Development Bank the continent needs between **\$130** and **\$170 billion** in **financing** per year to close its **infrastructure gap**.

BRI labelled projects and China's OFDI in Africa are aimed at developing **hard** and **soft infrastructure** (mostly railway transportation systems, ports, energy and network infrastructure)

However, what is **missing** is the **connection** between the different **projects** and the coordination and collaboration at a **macro level** with **institutional actors** such as the African Union

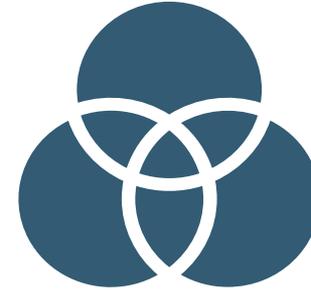
IV. CONCLUSIONS

Trade facilitation, infrastructure connectivity and institutional collaboration should not be addressed in a bilateral manner by China. To reach this aim, it is necessary that the BRI shift focus **from a China-lead to a multilateral initiative:**

- step up the **cooperation with existing actors** (WB, IMF, ADB, EU, USA etc.) in the selection, implementation and monitoring of BRI projects;
- increase **transparency** of lending policies and **disclose** terms and conditions to the general public;
- **integration** with other **regional connectivity strategies**;
- **transparent** and **non-discriminatory public procurement** and an increase of the share of local contractors;
- Increase the **environmental component** of the BRI.



Strengthening the **rule of law**, **legal capacity** and **regulatory framework** of Africa countries must be the **top priority of China** and could have positive effects on the BRI.



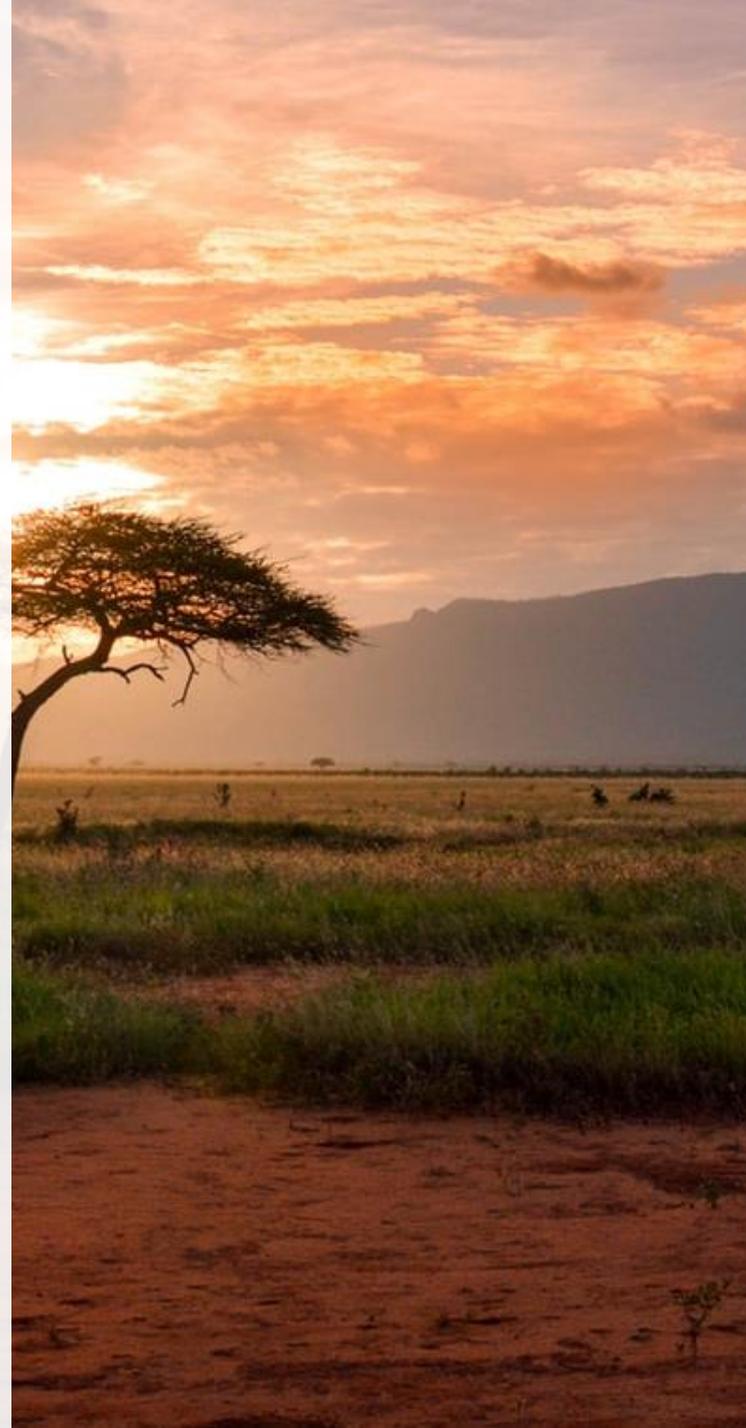
BRI Countries with **stronger governance framework** are in fact more **transparent** in project selection, tendering process and monitoring and this could also **reduce the risks of corruption** in BRI countries.

V. CONCLUSIONS

THANK YOU FOR YOUR ATTENTION

*“山高自有客行路，水深自有渡船人 -
The tall mountains will have their
passageways; The deep waters will have their
ferry boats.”*

西游记 - Journey to the West





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GLOBAL LAW AND SUSTAINABLE DEVELOPMENT
SERIES EDITOR: PAOLO DAVIDE FARAH

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