

International Development Finance in China's "One Belt, One Road" Low-Carbon and Energy Reciprocal Cooperation

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China established the Asian Infrastructure Investment Bank (AIIB) in 2015, and began development in earnest of the joint construction of the "One Belt, One Road" (OBOR) economic area. It also made an essential contribution to the formation of agreement on the legally-binding Framework Convention on Climate Change "Paris Agreement" from 2020. In the future, what will draw attention is how China, as a responsible superpower, will upgrade the international development finance system, and whether it move forward "One Belt, One Road" low-carbon and energy reciprocal cooperation.

1. China's Fundamental Strategy toward a Low-Carbon Society

China proposed to the United Nations in June 2015 its intended nationally determined contribution (INDC) aiming at a peak in its CO₂ emissions as early as possible by around 2030, and an increase of around 20% in its proportion of non-fossil-fuel energy consumption by 2030, amongst other things. In the "Communist Party of China (CPC) Central Committee's Proposal on Formulating the 13th Five-Year Program (2016–2020) on National Economic and Social Development" adopted at the October plenum of the Central Committee of the Communist Party of China, they moved forward an energy revolution and low-carbon and recycling-oriented development, and stipulated the effective curbing of the volume of energy consumption, and the volume of CO₂ emissions, and the promoting of the "One Belt, One Road" construction as part of its external strategy. China, via domestic initiatives and the strengthening of international cooperation, has shown "shuaixian chuifan [leadership by example]" in the construction of a low-carbon society in international society also following the "Paris Agreement", and its strategy aims at the practical advantage of the lead actor.

2. Aiming at "One Belt, One Road" Low-Carbon and Energy Cooperation

"One Belt, One Road" denotes a broad area made up of "one belt" stretching from China's interior via Central Asia to Europe, and "one road" stretching from the coastal ports via the South China Sea, Indian Ocean, and East Coast of Africa to Europe, and via the South China Sea to the South Pacific. In the narrower sense, it includes 60 nations, but there has been no official announcement by the government. In the broader sense, it is a "Zone of Friends" in which all interested countries are able to take part. The "Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road" announced in March 2015, in addition to the development of fossil-fuel resources, stipulated striving for mutual cooperation in the energy sector toward low-carbon usage, including the development of nuclear power and renewable energy, upgrading of pipeline and electricity transmission networks, and the fostering of low-carbon industry. That aim is considered to be the constructing of the "One Belt, One Road" low-carbon and energy community, as a part of a "benefit, destiny and responsibility community".

3. The Current Situation and Challenges for "One Belt, One Road" International Development Finance

For the "One Belt, One Road" collaborative construction, China's existing policy banks and investment

institutions have offered a large amount of funding. For example, the Industrial and Commercial Bank of China made US\$19.9 billion in funding for 115 projects to the end of June 2015, and prepared US\$209.2 billion of funding for 139 projects. In addition, the China Export & Credit Insurance Corporation provided insurance for projects of US\$570.6 billion to the first part of December 2015, and paid out insurance of US\$1.86 billion.

However, with it being estimated that in Asia alone annual infrastructure investment of approximately US\$800 billion is necessary to 2020, the existing development finance system alone, including international institutions, is insufficient. Consequently, China has taken the lead and increased the capital of the AIIB by US\$100 billion, established amongst others the US\$3 billion China South–South Climate Change Cooperation Fund, the RMB300 billion (approximately US\$46 billion) China Insurance Investment Fund, the US\$40 billion Silk Road Fund, and the RMB30 billion (approximately US\$4.6 billion) Green Silk Road Fund, and has begun to attempt the strengthening of the international development finance system.

In the future, there are the challenges of how to divide up and coordinate with the World Bank (WB) and the Asian Development Bank (ADB), and the European Bank for Reconstruction and Development (EBRD), which China has also announced its intention to join. In addition, because international development is collaborative development with partners, besides studying the experience and lessons of currently supporting many developing nations, getting the support of already developed nations, it is necessary to attempt to differentiate the development finance to match the actual situation for each country. There will be the challenges of how to ascertain the needs of partner countries, how to cooperate in the areas of the compilation of development plans, project management, and the fostering of human resources, and how to attempt the curbing of financial risk and the raising of efficiency.

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