

Report on the International Conference on BRI: Sharing China's Experience with Partner Countries

On April 28th, back-to-back with the Second Belt and Road Initiative Forum, UNCTAD and Chinese Academy of International Trade and Economic Cooperation (CAITEC) co-hosted “International Conference on Belt and Road Initiative: Sharing Policy Experiences” in Beijing.

The conference attracted around 80 participants from Chinese governments, diplomatic missions in Beijing, think tanks, universities and media, including Ministry of Commerce of China (MOFCOM), Ministry of Industry and Commerce of Sri Lanka, Embassy of Equator, Embassy of Zimbabwe, representative office of EBRD, Sustainable Development Policy Institute of Pakistan, Khazanah Research Institute of Malaysia, Development and Research Center of State Council of China (DRC), Chinese Academy of Social Science (CASS), Chinese Academy of ICT (CAICT), Chinese Academy of Financial Studies, Research Center of SASAC, Tsinghua University (THU), University of International Business and Economics (UIBE), China Institute of Finance and Capital Markets, CGTN and Xinhua News Agency etc.

Key messages:

- BRI is proposed by China, but shared by the world, which will bring new opportunities to partner countries.
- BRI is all about connectivity, including through sharing knowledge and experiences.
- UNCTAD BRI Platform will pool resources, expertise, wisdom and experiences, harnessing the opportunities arising from BRI, to facilitate peer-learning and capacity building among developing countries aiming for better policy to achieve 2030 Agenda.
- BRI could benefit the people around the world through building shared vision of community.
- Trade and investment flow could play their role better when they are connected with better industrial policy and improved productive capacity.
- Two key learning process from China's participation in Global Value Chains are enhancing infrastructure and industrialization.
- Regional Value Chains is also important to developing countries.
- Globalization does not lift all boats. Trade liberalization and FDI could be a double edge sword, therefore proper policies are needed to manage and regulate them.

- BRI and related policies should address the concern of small and vulnerable economies.
- Two key dimensions of China's financial sector reform is resource allocation and risk management.
- Developing countries need balance the financial opening-up and regulation and follow the principle of green financing.
- Financial flows should enhance productive capacity, rather than just maximize the returns to shareholders.
- BRI could facilitate improving regional integration, forming logistic networks and industrial layout, and promoting trade and investment.
- China has progressed rapidly in digital transformation benefiting from enabling policy environment, large population and market scale, low labor cost, big manufacturing sector, and late-mover advantage.
- WTO E-commerce negotiation should address the issue of development imbalance.

Opening Session

The opening session of the Conference was chaired by Mr. Gu Xueming, President of CAITEC. He stated that BRI would provide new opportunities for development not only for other countries, but also for China. He welcomed the sharing of ideas and experiences about BRI and China's reform and opening-up policy.

Vice-Minister of Commerce of China, H.E. Qian Keming, in the opening session, reiterated the points made by President Xi Jinping in his speech to the Second BRI Forum that BRI partners should hold the principles of extensive consultation, joint contribution and shared benefits and pursue a high standard of cooperation in order to improve people's lives and promote sustainable development. He reiterated that BRI was proposed by China, but owned by the world, which will not only bring new opportunities to partner countries, but also provide new space for China's development. He highlighted the importance of this conference including the launching of UNCTAD BRI Platform, saying "China's experience could facilitate the development of other developing countries".

Richard Kozul-Wright, Director of the Division on Globalization and Development Studies, extended his welcome to the participants and congratulations to China on successfully organizing the Second BRI Forum, on behalf of UNCTAD. In his welcome remarks, he concurred with Chinese President Xi on emphasizing the challenges of development gap among countries. "The Belt and Road Initiative is all about connectivity, including through infrastructure, trade, investment, financing, technology and people. It is also about connecting through sharing knowledge and experiences."

In this opening session, Richard Kozul-Wright also officially launched the UNCTAD BRI Platform aimed at promoting experienced peer-learning, capacity building for better policy formulation in developing countries, and harnessing the opportunities arising from Belt and Road Initiatives. He briefed the long history that UNCTAD had been working on South-South cooperation since 1960s. Comparing with other organizations, UNCTAD, with its expertise and knowledge, is in a unique position and has comparative advantage to leverage BRI to help developing countries from the perspective of strengthening South-South cooperation. The Platform will pool the resources, expertise, wisdom and experience to facilitate the peer-learning among BRI partners and assist partner countries in learning from experiences and China's development. He introduced the major components, functions and objectives of the Platform and emphasized the work done by UNCTAD in six key policy areas, namely macro-financial policies, trade policies, industrial policies, debt management, investment policies, and digital economy policies. He welcomed all stakeholders including policy makers and researchers to join UNCTAD to build this Platform. The Platform webpage is now accessible through the link of <https://unctad.org/en/Projects/BRI-Platform/Pages/index.aspx>

H.E. Ambassador Carlos Larrea Dávila from Ecuador to China addressed in the opening, attaching great importance of South-South Cooperation and BRI to Ecuador, which is a small but resource abundant country.

H.E. Ambassador Paul Chikawa from Zimbabwe to China expressed his congratulations to China on a successful BRI Forum. He said Zimbabwe felt proud to join in BRI and connect to the world. He highlighted the importance of peer-learning based on experience as it would help BRI partners to know how to fish rather than just get fishes.

Ms. Liang Hong, Deputy Director-General in Ministry of Commerce of China, made keynote speech in the opening. She commended the positive role of DGDS in advancing the cooperation between China and UNCTAD, which had been very active in recent years and had strengthened the relationship. She said BRI meet the demand to reform the global governance system and would benefit the people around the world through building a shared vision of community. She expressed her sincere hope that China would share its development experience through the cooperation with the UNCTAD.

In the opening, CAITEC also launched their BRI series reports on BRI trade and investment cooperation, the China Railway Express to Europe, and Overseas Economic and Trade Cooperation Zones along BRI.

The conference convened the policy makers and researchers from China and several BRI partner countries to conduct though provoking debate on trade and industrial policies, financial sector reform and digital economy policies.

Thematic Session 1: Trade and FDI Policy: Engine for China's Transformative Growth

Richard Kozul-Wright moderated the first thematic session. He highlighted the importance of understanding the experience from China, and more broadly from East Asian region, in integrating global trading system., He believed trade and investment flow could play their role more effectively when connecting to industrial policies, as the latter is an important development policy tool. UNCTAD has been working on this area for decades. And other international organizations like IMF have recently recognized the role of industrialization.

Zhang Jianping from CAITEC said in his presentation that China would not coach others on development model, but would like to share two key experiences, infrastructure and industrialization. In past 4 decades, China had used its comparative advantage of low-cost labor to promote export-orientated growth and with great success. In the future, India and AESAN countries could emerge as the new global manufacturing center. China's experiences and capacity could play a key role in helping them. The essence of BRI, based on connectivity, is to expand Global Value Chains through trade and investment aiming for boost shared development among all partner countries. Two key learning experiences from China are those of infrastructure and industrialization, which are essential for achieving 2030 Agenda through South-South Cooperation.

Another CAITEC trade policy expert, Liang Ming, shared the experience of China in participating in Global Value Chains through processing trade, which was the starting point of China's opening-up policy. He believed the role of trade in service, technology of automation and regionalism would be more essential in shaping the future GVCs. He highlighted that the current GVCs were still favor developed countries rather than developing countries. Therefore, the latter and SMEs need more support in participating in GVCs, which BRI could play a role in this regard. He also suggested developing countries should pay more attention to regional value chains.

Sang Baichuan, from University of International Business and Economics (UIBE), summarized three key experiences of China's opening up strategy in past decades namely (1) adopting a gradual approach so that China well managed the external shocks and related risks in opening-up process; (2) learning from other countries and foreign enterprises in terms of management, designing, to upgrade technology, capacity, and

industry. By doing so, China avoid being locked in the low end of GVCs and climbing the development ladder; (3) following international economic rules and practices, including improving the law making aiming for creating a sound policy and legal environment for economic growth

Jomo Kwame Sundaram, Senior Advisor of Khazanah Research Institute in Malaysia, deliberated on trade and development relations from the perspective of economic history. He emphasized several points concerning how to utilize trade and FDI as growth engines. He believed trade liberalization and FDI were double-edged swords with both pros and cons. For example, FDI could bring capital, management, market access, and technology. However, its effect depends on the terms of how to manage FDI. Concerning China's experience, he believed economy and population size, geography location, history and politics all mattered. He particularly highlighted two key points of China's policy experiences that are experimentalism and pragmatism.

Susiri Kumararatne, former Ambassador of Sri Lanka to the WTO, shared his insights from the point of smaller countries. He believed BRI and related policy design should address the concern of small economies including food importing countries. For example, BRI could play a role in assisting developing countries to improve trade facilitation capacity. Given that multilateral trading system now is under some challenges, BRI could help to strengthen the MTS to respond the challenges. and called for the creation of a dedicated institution of research to help developing countries to strengthen the new economic issues and challenges. He also briefly shared his view about Intellectual Property Rights (IPR) that it should balanced the IPR protection and allowing fair development opportunities for small developing countries.

Thematic Session 2: Financial Sector Reform: Mobilizing Resources for Structural Transformation

Mr. Qu Weixi, vice-president of CAITEC, moderated the second thematic session. He quoted President Xi's remarks in BRI Forum, stressed the importance of financial sector to economic growth. In this session, three Chinese experts, Liang Yanfen from CAITEC, Cui Fan from UIBE, and Jiang Xiheng from China Center for International Knowledge of Development (CIKD) shared their understanding of the history of China's financial sector reform.

Liang reviewed the history of financial sector reform in China since 1978 and summarized two key dimensions when advancing reform process that was resource allocation and risk management. And at early stage of China's reform, risk management was put the center of policy formulation. For the future, further opening-up of financial sector might be advanced based on national treatment and negative list management ,

but with effective regulation mechanism. Generally, she highlighted, based on China's experience, that different countries may have different specifics so need to choose different roads in opening up their financial sector to the world economy, which should be according to local conditions and needs of various development stages..

Cui Fan believed China's financial sector opening-up remained at quite low level at present comparing with other countries, though China did honor its commitment concerning financial sector when join the WTO. He argued there's great potential to open up this sector which would drive further growth. He used the history of commercial banking sector reform in 1990s and internet financing in recent years to emphasize the that the risk of financial opening-up could be managed. But he also stressed further opening up of China's financial sector needed to be paired with adequate regulation measures.

Jiang Xiheng echoed his point that balance is needed between opening-up and regulation in the financial sector. She also affirmed that financial sector should serve the real economy. She referred a lesson from China that since early 2000s, the added value of financial sector accounted 8.6% share of GDP (15% in some regions), but its capability to serve the real economy has been weakened. China has to put a lot efforts to address the problem. She also mentioned that financial sector should be aligned with 2030 Agenda like following the principle of green financing and green investment.

Abid Qaiyum Suleri, Executive Director of Sustainable Development Policy Institute in Pakistan, summarized China's vision in promoting BRI including improving regional integration, forming logistic networks and industrial layout, and promoting trade and investment. He was convinced that CPEC (China-Pakistan Economic Corridor), as part of BRI, will boost mutual development of two countries using China's advantage of funds, technology, production, engineering, and operational capability. Concerning the policy experiences sharing, he proposed four points regarding the role of financial cooperation in building China Pakistan Development Partnership including: the multi-level cooperative mechanism; policy coordination; financial reform and opening-up; and the market mechanism and innovative financial products.

Richard Kozul-Wright described the work that UNCTAD has done in the area of debt management and sustainability, saying it could contribute to China's recent efforts in designing debt sustainability framework for BRI cooperation. He also called on government to make policies that encourage the financial flows to enhance the productive capacity, rather than just maximizing the returns to the shareholders.

Qu Weixi concluded the session and invited UNCTAD to conduct joint research with CAITEC and other China's think tanks in those BRI and SDG related area.

Thematic Session 3: The Emergence of China as a Digital Leader: Learnings for BRI Partner Countries

Mr. Wang Dawei from UNCTAD moderated this session joined by He Wei from CAICT, Zhang Li from CAITEC, Chen Yubo from THU, and Li Xiaohua from CASS.

Wang Dawei highlighted that digital economy is one of the most innovative areas in which China had made rapid progress and become a digital leader. He provoked the panelists with questions of China's policy experiences and challenges faced, as well as the scenario of WTO e-commerce negotiation.

Chen Yubo from Tsinghua University described digital transformation process in China into three phases: (1) phase I in 1990s driven by ICT technology; (2) phase II in early 2000s driven by internet technology; and (3) phase III, from 2014, driven by artificial intelligence (AI) and big data technology. Particularly since 2017, China has entered a phase of digital transformation, even in the less-developed mid-west region.

Li Xiaohua, from Chinese Academy of Social Science, shared the three phase description made by Prof. Chen. He estimated the scale of digital economy which ranked China second in the world, and a global digital leader. He summarized eight points of China's digital experience including large population, low-wage level, big overall economy scale, low-cost but big manufacturing sector, late-mover advantage, enabling policy environment and positive feedback mechanism.

He Wei revisited the policy making of China since the Eighteenth Party Congress in 2012, mentioning that most of the digital polices has been formulated since then. From 2013-2015, the policy focus was Internet of Things (IoT), cloud computing and digital infrastructure. From 2015-2016, the focus is how to harness the new technology to drive the economic growth including encouraging start-up business. And since 2017, the focus is how to use ICT to facilitate the traditional economy transformation, like boosting industrial Internet development.

Zhang Li from CAITEC quoted an estimate that the scale of digital economy in China had reached the level of 31.3 trillion RMB, accounting 1/3 of overall GDP. She highlighted 3 characteristics of China's digital economy, namely broad industries coverage, dual-driver of government support and enterprise innovation, and high-level social awareness and public support. She believed the WTO E-commerce negotiation should be conducted in a new model which highlight innovation and inclusiveness. There's a gap between developed and developing countries in terms of development level, capability and infrastructure. Therefore, she proposed that the negotiation outcome should give the flexibility of members to explore their own ways of digital development and address the issue of development imbalance.

Closing

The conference was closed jointly by Richard Kozul-Wright and Qu Weixi, both thanked the panelists, participants and conference staff in delivering this fruitful and successful BRI conference, which allowed sharing of valuable experiences in three related policy sectors and hoped this would lead to more such occasions in the future.