# THE BELT AND ROAD INITIATIVE: CHINA'S FINANCING EFFORTS AND IMPLICATIONS

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*EAI Background Brief No. 1277*

Date of Publication: 30 August 2017

# Executive Summary

1. At the recent inaugural Belt and Road Forum (BRF) held from 14 to 15 May 2017, China announced it will inject at least RMB780 billion (US$113 billion) via its state funds and banks into infrastructure projects under the Belt and Road Initiative (BRI).

2. China also called for better financial integration and enhanced policy co-operation to offer long-term, sustainable financial support to facilitate BRI-related projects.

3. The renewed effort towards policy cooperation within the BRI framework is aimed at boosting trade and investment flows in the Belt and Road countries in the next few years and has significant implications.

4. First, the initiative will raise RMB's international use in trade settlement and financing. Although RMB internationalisation still depends on the progress in financial reforms and capital account liberalisation, the scope for RMB usage may increase in tandem with the expansion in China's trade and investment in the region.

5. Second, it will help address Asia's infrastructure deficit and lift economic and social development in the region.

6. China not only is well-equipped in providing the necessary engineering skills and construction experiences, but also has capital machinery and raw materials like cement and steel to supply to the Belt and Road countries for infrastructure use.

7. The BRI is expected to bolster regional integration between China and ASEAN by developing physical infrastructure in the region and deepening regional interconnectivity among the countries.

8. International financial centres such as Hong Kong and Singapore can provide professional project finance and risk management services to BRI-related projects in the region and enhance operational efficiency and reduce currency risk.