

Belt and Road Cooperation: For A Better World

**Report on the Findings and Recommendations from
the First Meeting of the Advisory Council of
the Belt and Road Forum for International Cooperation**

H.E. Mr. YANG Jiechi
Chair of the Organizing Committee
The 2nd Belt and Road Forum for International Cooperation
Beijing, China
10 April 2019

**Letter from the Rapporteurs of the Advisory Council of
the Belt and Road Forum for International Cooperation**

Your Excellency,

We, the rapporteurs of the Advisory Council of the Belt and Road Forum for International Cooperation (the BRF Advisory Council), have the honor to submit to you, on behalf of the Advisory Council, the attached Report on the Findings and Recommendations of the BRF Advisory Council, which reflects the analysis of the current state of the Belt and Road cooperation, including the Belt and Road Forum for International Cooperation, based on the discussions at the First Meeting of the BRF Advisory Council, as well as the research and evidence conducted by reputable international agencies and researchers and emerging policy recommendations.

In preparing this submission, we were guided by the roles and functions of the BRF Advisory Council as defined in its Terms of Reference and the discussions at our first meeting on 16-17 December 2018 in Beijing. We were also inspired by your insightful remarks and recommendations offered at the Opening Ceremony, and the information offered by the relevant Chinese government agencies during the meeting. Both have helped to broaden our understanding on the Belt and Road cooperation and its execution. As agreed by the Advisory Council, we were entrusted to take the lead in drafting the report with close communication with the Advisory Council members and the special guest.

In the report, we reviewed the progress of the Belt and Road cooperation over the past six years, and made assessment of its impact on world economic growth. We came to the conclusion that the Belt and Road cooperation, by improving infrastructure connectivity, could contribute to removing a major bottleneck for economic growth,

facilitating trade and investment across the developing countries and reinforcing regional economic integration endeavors along the Belt and Road, which will in turn provide new sources for growth in the post global financial crisis era.

We analyzed the synergy between the Belt and Road Initiative and the 2030 Agenda for Sustainable Development, and put forward the recommendation that the Belt and Road cooperation, with its contribution, among others, to addressing poverty and climate change as well as channeling alternative sources of development financing, could serve as an important vehicle for the implementation of the 2030 Agenda.


We also explored the priorities of the Belt and Road cooperation in the future. A number of priority areas stood out in our deliberations, which include: 1) Enhancing the multilateral dimension of the Belt and Road cooperation; 2) Reinforcing the open world economy by promoting trade and investment liberalization and facilitation; 3) Improving soft connectivity alongside hard infrastructure; 4) Promoting project-based cooperation for more concrete results; 5) Strengthening industrial cooperation and promoting industrialization in Africa; 6) Expanding and leveraging diversified sources of financial support for projects; and 7) Better branding the Belt and Road cooperation.

Last but not least, to support the long-term development of the Belt and Road Forum, we recommended that the forum be convened regularly every 2-3 years with a number of satellite events held during the interval as follow-ups.

We believe that our findings and recommendations included in the report will further enrich the discussions on high-quality Belt and Road cooperation.

We thank you for your trust and would like to express our gratitude to all who have supported us during this process and look forward to your continued support.

Yours sincerely,



Shamshad Akhtar



Justin Yifu Lin

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FOREWORD

As one of the deliverables of the 1st Belt and Road Forum for International Cooperation (BRF) in May 2017, the Advisory Council of the Belt and Road Forum for International Cooperation (the BRF Advisory Council) is established as a non-profit, international policy advisory body, offering intellectual support to the BRF. Members of the Advisory Council, who work independently in their personal capacity, are as follows:

- Shamshad Akhtar, former Executive Secretary of the Economic and Social Commission for Asia and the Pacific of the United Nations;
- Douglas Jardine Flint, HM Treasury's Financial and Professional Services Envoy to the Belt and Road Initiative, United Kingdom;
- Igor Ivanov, President of the Russian International Affairs Council, former Foreign Minister and former Secretary of the Security Council of the Russian Federation;
- Justin Yifu Lin, former Senior Vice President of the World Bank and Honorary Dean of National School of Development, Peking University;
- Kishore Mahbubani, former Dean of Lee Kuan Yew School of Public Policy, National University of Singapore;
- Erastus J.O. Mwencha, former Deputy Chairperson of the African Union Commission;
- Mari Elka Pangestu, former Minister of Trade and former Minister of Tourism and Creative Economy of Indonesia;
- Romano Prodi, former President of the European Commission and former Prime Minister of Italy;
- Jean-Pierre Raffarin, former Prime Minister of France;
- Essam Sharaf, former Prime Minister of Egypt;
- ZHANG Jun, Assistant Foreign Minister of China (Convenor of the Advisory Council)

Alicia Bárcena, Executive Secretary of the Economic Commission for Latin America and the Caribbean of the United Nations, is the special guest of the Advisory Council.

The First Meeting of the Advisory Council was held on 16-17 December 2018 in

Beijing, with its discussion focused on the following three topics: 1) Synergy between the Belt and Road Initiative and the 2030 Agenda for Sustainable Development in promoting world economic growth; 2) Priorities for the Belt and Road cooperation, and 3) Ways forward in strengthening the architecture and capacity building for the Belt and Road cooperation.

As agreed at the meeting, a report, which is based on the Advisory Council's discussions and reflects its findings and recommendations, would be submitted to the Organizing Committee of the 2nd BRF for consideration.

The Advisory Council is of the view that the Belt and Road cooperation is providing new sources of growth for the world economy, and contributing to the implementation of the 2030 Agenda for Sustainable Development across and within countries. By improving infrastructure connectivity, the Belt and Road cooperation could remove infrastructure bottlenecks impeding growth, and facilitate cross-border flow of goods, services, trade, investment and people. The cooperation, with its contribution to addressing poverty and climate change, could also serve as an important vehicle for achieving the Sustainable Development Goals.

Through this report, some priority areas of the Belt and Road cooperation in the future are identified and recommended, which include, inter alia, enhancing the multilateral dimension of the Belt and Road cooperation; reinforcing the open world economy by promoting trade and investment liberalization and facilitation; improving soft connectivity alongside hard infrastructure; promoting project-based cooperation for more concrete results; strengthening industrial cooperation and promoting industrialization in Africa; expanding and leveraging diversified sources of financial support for projects; and better branding the Belt and Road cooperation.

To maximise its positive impact, the Belt and Road cooperation should also focus on delivering projects of high quality which optimize their catalytic effect for development. Efforts are called for to ensure the BRI brand is associated with the building of high quality, reliable, resilient and sustainable infrastructure which is financially viable and broadly beneficial.

The 2nd BRF will be held in April 2019 in Beijing, which will provide another opportunity to further consolidate consensus on and deepen understanding of the merits of the Belt and Road cooperation. Taking into account the findings and recommendations of the report, the Advisory Council hopes that the 2nd BRF would focus on high-quality Belt and Road cooperation by galvanizing shared commitment to multilateralism, as anchored in the 2030 Agenda for Sustainable Development, to promote an open world economy by fostering a global, broad-based partnership built on connectivity. In addition, strengthening the architecture and capacity of the Forum, including establishing the continued role of the BRF and the development of cooperative financing and sectoral multilateral mechanisms, would also be essential for sustaining further development of the Belt and Road cooperation in the long term.

Chapter 1: The Belt and Road Cooperation: the Progress So Far

1.1 Background

Since the financial crisis in 2008, international cooperation has been focusing on exploring new sources of economic growth to drive the sluggish world economy to a new growth cycle. In this context, Chinese President H.E. Xi Jinping proposed in 2013 to build the Silk Road Economic Belt and the 21st Century Maritime Silk Road (the Belt and Road Initiative, or BRI). This initiative, with its focus on strengthening connectivity by promoting development policy synergy, infrastructure development, increased trade, stronger financial cooperation and people-to-people bond, aims to create new opportunities for common development and shared prosperity. With rising global support, the Belt and Road cooperation has evolved as a constructive, holistic and largely well-received platform for international economic cooperation.

The Belt and Road Forum for International Cooperation (BRF) is a high-level and comprehensive multilateral platform for the Belt and Road cooperation. The 1st BRF was convened in May 2017 in Beijing, with a view to fostering synergy among national and regional development strategies and promoting practical cooperation among participating countries. The participants included 30 heads of state or government, over 1600 representatives from more than 140 countries and 80-plus international organizations. A Joint Communiqué of the Leaders' Roundtable as well as a List of Deliverables were released as the Forum's outcomes.

In the Joint Communiqué, leaders stated their commitment to the Silk Road spirit of peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit by strengthening cooperation based on extensive consultation, joint efforts and shared benefits. They affirmed the need to promote policy consultation, infrastructure connectivity, trade promotion, financial cooperation and people-to-people exchanges as priority areas of cooperation. They agreed that their “joint endeavor on the Belt and

Road Initiative and seeking complementarities with other connectivity initiatives provide new opportunities and impetus for international cooperation”.

The 2nd BRF will be held in April 2019 in Beijing under the theme “Belt and Road Cooperation: Shaping a Brighter Shared Future”, which will be another opportunity for the Belt and Road partners to exchange views, build consensus and deepen cooperation.

As one of the deliverables of the 1st BRF, the BRF Advisory Council has been established as a non-profit, international policy advisory body, offering intellectual support to the BRF. Its main functions include: advising on the theme, topics, agenda and expected outcomes of the BRF; providing policy recommendations for the medium and long-term development of the BRF and the Belt and Road Cooperation; fostering the Belt and Road related practical cooperation; and promoting the understanding of the Belt and Road Initiative and the BRF in the international arena.

The First Meeting of the BRF Advisory Council was held on 16-17 December 2018 in Beijing, China. The Advisory Council members and the special guest focused their discussions on three topics of the meeting, namely, 1) Synergy between the BRI and the 2030 Agenda for Sustainable Development in promoting world economic growth; 2) Priorities for the Belt and Road cooperation, and 3) Ways forward in strengthening the architecture and capacity building for the Belt and Road Cooperation. The Advisory Council agreed to submit a report with policy recommendations to the Organizing Committee of the 2nd BRF.

1.2 History as a Mirror: From the ancient Silk Road to the Belt and Road Initiative

The Silk Road refers to the ancient corridors connecting countries in Asia, Europe and Africa with large and complex networks of trade routes. Originated from the land-borne trade channels across the vast Eurasian continent over 2000 years ago, it

derived its name from silk, one of the major goods traded along these routes. Later, with the southward shift of China's economic center during the Tang Dynasty (618-907), a maritime Silk Road prospered, which shipped, in addition to silk, Chinese tea, porcelain, bronze and iron wares to the West, bringing back spices, jewelries and other goods in return. These ancient silk routes opened windows of friendly engagement among nations, adding a splendid chapter to the history of human progress. For thousands of years, the Silk Road Spirit of peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit has been passed down through generations, promoted the progress of human civilization, and contributed greatly to the prosperity and development of the countries along the Silk Road over land or across the sea.

The BRI incorporates efforts to build the Silk Road Economic Belt and the 21st Century Maritime Silk Road. While the Belt focuses on connectivity across the Eurasian continent, the Road looks at links by sea routes among economies in Asia, Africa, America and Europe.

On land, the BRI promotes the joint development of a New Eurasian Land Bridge and China-Mongolia-Russia, China-Central Asia-West Asia and China-Indochina Peninsula Economic Corridors by taking advantage of international transport routes, and supports the development of economic or industrial parks as cooperation platforms. At sea, the BRI focuses on jointly building smooth, secure and efficient transport routes connecting major sea ports along the way. The China-Pakistan Economic Corridor and the Bangladesh-China-India-Myanmar Economic Corridor are closely related to both the Belt and the Road.¹

By rejuvenating the ancient Silk Road Spirit, the Belt and Road cooperation aims at providing new sources of growth for the world economy and creating new space for

¹ *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council's authorization, March 2015.

international economic cooperation. With the main focus on infrastructure development, it promotes both hard and soft connectivity in its five priority areas, covering bilateral, trilateral and multilateral cooperation.

1.3 Progress Already Made

With joint efforts of all partners, the past six years have witnessed remarkable progress in the Belt and Road cooperation.

1.3.1 Policy Synergy

By the end of March 2019, 125 countries and 29 international organizations had signed instruments of cooperation with China to promote the Belt and Road cooperation. The concept of the Belt and Road cooperation has been referred to favourably in many documents of the United Nations. Moreover, there have been efforts to identify and promote synergy between the BRI and various national, regional and global plans and initiatives, such as those of the United Nations, the African Union, ASEAN, the European Union, the Eurasian Union and CELAC.

1.3.2 Infrastructure Connectivity

A number of key infrastructure projects such as railways, ports and pipelines are moving forward in Asia, Europe, Africa and even beyond. The six economic corridors² put forth by participating countries are making steady progress. The newly built Mombasa-Nairobi Railway has reduced the travel time between Kenya's biggest port and its capital from 10 hours to 4 hours, while the Addis Ababa-Djibouti Railway has shortened the journey between the two cities from 7 days to 12 hours. By the end of 2018, the China Railway Express to Europe had operated over 13,000 freight trains, reaching 49 cities in 15 European countries. With the construction of the China-Laos Railway, Laos is expected to be transformed from a landlocked to a land-linked

² Namely, the New Eurasian Land Bridge, the China-Mongolia-Russia Economic Corridor, the China-Central Asia-West Asia Economic Corridor, the China-Indochina Peninsula Economic Corridor, the China-Pakistan Economic Corridor, and the Bangladesh-China-India-Myanmar Economic Corridor

country. Transport links have been further enhanced by air transport agreements that helped to open new air routes.

1.3.3 Trade Promotion

By the end of 2018, trade in goods between China and countries along the Belt and Road had exceeded US\$6 trillion. The outward direct investment from China in these countries had amounted to over US\$70 billion. From 2013 to 2018, 82 economic and trade cooperation zones and industrial parks were established in 24 countries, with the total investment exceeding US\$28 billion, hosting nearly 4,000 enterprises from all over the world and creating 244,000 local jobs.³ With the adoption of the Astana Proposal for Enhancing Cooperation in Tax Matters, the Belt and Road Initiative Tax Administration Cooperation Mechanism is going to be launched to further promote trade and investment facilitation and improve the business environment in Belt and Road countries.

1.3.4 Financial Cooperation

By the end of 2018, 28 countries had approved the *Guiding Principles on Financing the Development of the Belt and Road*. Multilateral development banks such as the World Bank, the Asia Infrastructure Investment Bank, the Asia Development Bank, the New Development Bank, the European Bank for Reconstruction and Development the European Investment Bank and the African Development Bank are involved in the Belt and Road investment and financial cooperation. By the end of 2018, the Silk Road Fund had supported 28 projects, with pledged funding of US\$11 billion. The special lending scheme of RMB380 billion announced by China at the 1st BRF had been committed. Under the cooperation between the Silk Road Fund and the European Investment Fund, the China-EU Co-Investment Fund was put into operation and completed its first fund-raising in July 2018. The China-Africa Development

³ Asia Economic Weekly, Research and Training Institute, Boao Forum for Asia, Vol. 37, p19. See also at <http://www.boaoforum.org/u/cms/www/201809/25103233ma9i.pdf>, 2018.9

Fund and other co-financing facilities established through bilateral cooperation are also involved in financing the Belt and Road cooperation.

1.3.5 People-to-People Bond

The people-to-people exchanges and cooperation in education, science and technology, culture, tourism, media and think tanks are further enhanced. The number of people involved in two-way tourism exchange between China and the countries along the Belt and Road is expected to exceed 85 million, and the tourism gains will reach around US\$110 billion by 2020. To promote cultural exchange among the Belt and Road partners, the Silk Road International League of Theaters, the International Alliance of Museums of the Silk Road, the Network of Silk Road Arts Festival, the Silk Road International Library Alliance, and the Silk Road International Alliance of Art Museums and Galleries have been established. Think tank networks among partners were also set up to advise on the Belt and Road cooperation.

The Advisory Council members recognize the tremendous progress achieved in the last six years, and note that there is of course scope for improvement on the way forward, to ensure that the Belt and Road cooperation really fulfills its vision of win-win cooperation and mutual benefit for all. Suggestions for continued improvements are made in the subsequent chapters.

Chapter 2: Belt and Road Cooperation: Exploring New Sources of Economic Growth

The quest for new sources of growth for the world economy has been a top priority of international economic cooperation since the global financial crisis in 2008. Nevertheless, more than a decade after the crisis, world economic growth remains sluggish and uneven, with protectionism and uncertainties weighing on future growth.

As indicated in a recent report of the International Monetary Fund (IMF), the global growth forecast for 2019 and 2020 will have to be again revised downward. Risks to global growth tilt to the downside. A range of triggers could spark a further deterioration in risk sentiment with adverse growth implications. The policy priority to tackle these challenges suggested by the IMF includes multilateral cooperation to address sources of dissatisfaction with the rules-based trading system, reduce trade costs, and resolve disagreements without raising tariff and non-tariff barriers, as well as harness domestic policies to boost potential output growth, enhance inclusiveness and sustainability, and strengthen fiscal and financial buffers⁴.

Against this backdrop, the Belt and Road cooperation, which aims at promoting efficient flow of economic factors and market integration through efficient and improved infrastructure connectivity, could help to remove infrastructure bottlenecks impeding long-term economic growth for many countries, and facilitate trade and investment, thereby providing new sources for the world economic growth to meet the needs of our times.

2.1 Infrastructure and Economic Growth: An Analytical Review

The impact of infrastructure on economic growth has been assessed by many studies.

⁴ *World Economic Outlook Update: A Weakening Global Expansion*, January 2019, the International Monetary Fund, see at: <https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019>

Infrastructure development enhances competitiveness and productivity, while improving accessibility of public services. Furthermore, it has the potential to generate jobs critical for catalyzing broad-based socioeconomic progress. Roads, ports, airports, railways, and telecom networks are the conduits of trade and mobility; while energy transition, driven by low carbon pathways is facilitating the ‘right’ fuel mix, including renewable sources of electricity that offer clean energy, which, along with water infrastructure, underpins public health. The socioeconomic rates of return of infrastructure are high; and one study estimated a dollar of infrastructure investment could raise GDP by 20 cents in the long run by boosting productivity.⁵ The choice and appropriate mix of investment in public services has the potential to enhance the quality of economic growth.

An ADB study further confirms that infrastructure development supports growth and has implications for poverty reduction and, with deployment of appropriate technologies, raises factor (capital and labor) productivity. Efficient and balanced infrastructure development has externalities and economies of scale and scope.⁶ For instance, improvement of road and railway networks lowers transportation costs and facilitates better inventory management, and reduces costs and commuting time to work and related stress. The development of social infrastructure uplifts health and education services. Enhanced access to communication networks is likely to result in efficient market clearing and enhanced competition as a result of improved information flows. This would result in different patterns of agglomeration, as well as changes in the pattern of specialization of agents and in their incentives to innovate.⁷

Increasing level of infrastructure stock has direct implications for poverty reduction⁸ as people can access basic services, getting what they need or want — water and sanitation, power, telephone and computer access, and transport. Poverty reduction in

⁵ *Bridging Global Infrastructure Gaps*, McKinsey Global Institute, June 2016

⁶ Stéphane Straub and Akiko Terada-Hagiwara, *Infrastructure and Growth in Developing Asia*, ADB Economics Working Paper Series, No. 231, November 2010, Asia Development Bank, Page 1.

⁷ *Ibid*, Page 10.

⁸ *Ibid*, Page 1.

turn sustains long-term economic growth.

Factoring in demographic transition, global economic dynamics and spatial disparities, global investment requirements evidence ever-expanding needs. McKinsey Report estimates infrastructure investment needs to be 3.8 percent of GDP, or an average of USD3.3 trillion a year from 2016 through 2030, to support expected rates of growth. Emerging economies account for some 60 percent of that need.⁹ The Global Infrastructure Hub (GIH) report forecasts that global infrastructure investment will reach US\$94 trillion from 2016 to 2040, which is 19 percent higher than what would be delivered under current trends. If GDP growth is higher than forecast, the requirement for infrastructure will be higher. Spending needs are greatest for energy and roads, which together account for more than two-thirds of global investment needs, and almost three-quarters of the US\$14.9 trillion global infrastructure gap is attributed to these two sectors. Countries all over the world are encouraged to invest heavily in infrastructure to meet the needs of their citizens and underpin productivity throughout their economies.¹⁰

2.2 Belt and Road Cooperation to Remove Bottlenecks for Growth

It is the shared view of the Advisory Council that the Belt and Road cooperation across countries, especially among developing countries, with its emphasis on infrastructure development within national and regional corridors, could play an instrumental role in removing a primary bottleneck impeding industrialization. Improved infrastructure connectivity, delivered to a high quality with a focus on viability, resilience and sustainability would catalyze the development of new industrial chains, value chains and supply chains, create jobs, nurture human capital, and support the long-term growth of these countries.

The conceptual approach and framework of the China-Pakistan Economic Corridor

⁹ *Bridging Global Infrastructure Gaps*, McKinsey Global Institute, June 2016.

¹⁰ *Global Infrastructure Outlook*, Global Infrastructure Hub, July 2017.

(CPEC) is one example of how the Belt and Road cooperation can be strategized to address a country's critical economic constraints and challenges and how to sequence infrastructure projects to stimulate economic growth, while positioning development more broadly to support its long term development goals.

Over the past decade or so, Pakistan faced power crises that had crippled the economy and industry and caused sufferings for its people. Even in Islamabad, Pakistan's capital, electricity outages for about 12 hours a day persisted in the summer. Frequent power outages and unstable voltage induced high costs, discontinuity of manufacturing assembly lines and risk of machinery breakdowns. Long-standing power crises eventually hampered the country's industrialization as well as its productivity and competitiveness, with attendant negative impact on economic growth. Recognizing energy as a lifeline for people and industry, 15 energy projects including hydro, solar, wind and coal-fired power plants were planned as the priority of CPEC with a total generation capacity of 11,110MW. Of these, 7 had been completed and put into operation and 6 were under construction as of the end of 2018. The completed projects have added 3240 MW capacity to the country's national grid, amounting to more than 11% of the total installed capacity of 29,000 MW in Pakistan.¹¹ The CPHGC's 2*660MW Power Plant Project at Hub in Balochistan alone could meet the power needs of 4 million Pakistani families and create nearly 10 thousand jobs¹².

Full scale development of CPEC would unlock more growth potential. CPEC projects executed thus far have created more than 75,000 direct job opportunities for Pakistani people, besides catalyzing relevant upstream and downstream industries, such as raw material processing and catering, which provide more employment opportunities for local people.¹³ CPEC has the potential to create between 700,000 jobs for Pakistan

¹¹ *Latest Progress of CPEC*, Website of the Embassy of the People's Republic of China in the Islamic Republic of Pakistan, 29 December 2018, see at: pk.chineseembassy.org/eng/zbgs/t1626097.htm

¹² *CPHGC's Unit 1 Successfully Synchronized with Pakistan National Grid*, Website of China-Pakistan Economic Corridor, 1 January 2019, see at: <http://www.cpecinfo.com/news/cphgc-unit-1-successfully-synchronized-with-pakistan-national-grid/NjQ4Mg==>

¹³ *Latest Progress of CPEC*, Website of the Embassy of the People's Republic of China in the Islamic Republic of Pakistan, 29 December 2018, see at: pk.chineseembassy.org/eng/zbgs/t1626097.htm

from 2015 to 2030, according to a 2017 Deloitte study¹⁴, and 1.2 million jobs, as estimated by the CPEC Centre of Excellence, Ministry of Planning, Development and Reform of Pakistan.¹⁵ Human resource development is further evident as employees have benefited from advanced techniques and best practices. As a result, GDP growth of Pakistan has accelerated from 3.5% in 2013 to 5.7% in 2017 according to the World Bank statistics.

Besides the impact of the Belt and Road cooperation on the economic growth of developing countries, some Advisory Council members also pointed out the beneficial economic and social spillovers for developed countries. For example, the rapid growth of population amid poor socioeconomic development is generating an increased level of migration from Africa to Europe, which, if left unchecked, will become one of the biggest challenges for European countries in the foreseeable future. The Belt and Road cooperation, by removing the infrastructure bottlenecks that impede economic growth, can foster growth and socioeconomic development in African countries, hence providing more job opportunities and better lives for local people in their own countries. On this score the Belt and Road cooperation could be deemed as “A Gift to Europe”. And some specific proposals of investment developed and financed jointly by China and European Union to help the development of Africa could be further explored.

2.3 Belt and Road Cooperation to Facilitate Trade and Investment for Regional Economic Integration

The Advisory Council members and the special guest share the opinion that the Belt and Road cooperation can facilitate the expansion of trade and investment through reducing trade and investment barriers, which will further contribute to regional economic integration.

¹⁴ *How will CPEC boost Pakistan economy?*, Deloitte, see at: <https://www2.deloitte.com/content/dam/Deloitte/pk/Documents/risk/pak-china-eco-corridor-deloittepk-noexp.pdf>

¹⁵ Dr. Shahid Rashid, Muhammad Muzammil Zia and Shujaa Waqar, *Employment Outlook of China Pakistan Economic Corridor: A Meta Analysis*, Center of Excellence for CPEC, Issue 2, 2018, Working paper #028

According to a study of the World Bank, by improving infrastructure connectivity, the Belt and Road cooperation will significantly reduce shipping time and trade costs. For the world, the average reduction in shipping time is estimated to range between 1.2 and 2.5 percent, leading to reduction in aggregate trade costs between 1.1 and 2.2 percent. For the Belt and Road economies, the decrease in shipping time and trade costs is estimated to range between 1.7 and 3.2 percent and 1.5 and 2.8 percent, respectively. The largest gains were found in the Belt and Road economies located along the corridors, as the shipping time along these corridors declined by up to 11.9 percent and trade costs by up to 10.2 percent¹⁶.

Reduced shipping time and trade costs could in turn increase trade among the Belt and Road economies. Studies showed that the Belt and Road transportation projects increase total exports among the Belt and Road economies by 4.6 percent in the presence of improved economic corridors and by 7.2 percent when border delays are reduced. In addition, effective trade agreements and improved market access would magnify the trade impact of BRI infrastructure projects, increasing total exports by 11.2 and 12.9 percent with trade gains larger if trade cooperation complemented infrastructure cooperation.¹⁷ An analysis by RAND also tested the impact on trade volume caused by improved connectivity of different transport modals; in particular the existence of a rail connection is associated with the largest impact on improving trade. (See Table 1)¹⁸.

¹⁶ François de Soyres, Alen Mulabdic, Siobhan Murray, Nadia Rocha, Michele Ruta, *How Much Will the Belt and Road Initiative Reduce Trade Costs?* World Bank Group, October 2018, Policy Research Working Paper 8614.

¹⁷ Suprabha Baniya, Nadia Rocha, Michele Ruta, *Trade Effects of the New Silk Road A Gravity Analysis*, World Bank 2019

¹⁸ Hui Lu, Charlene Rohr, Marco Hafner, and Anna Knack, *China Belt and Road Initiative: Measuring the impact of improving transportation connectivity on trade in the region*. Santa Monica, CA: RAND Corporation, 2018. https://www.rand.org/pubs/research_reports/RR2625.html.

Table 1: Sensitivity test of the impact of transport connectivity and infrastructure on export trade volumes

Change of transport indices	Change in trade
Added a rail connection	+ 2.8 per cent
Air distance reduced by 10 per cent	+ 0.41 per cent
Maritime distance reduced by 10 per cent	+ 0.13 per cent
Road density improved by 10 per cent	+ 0.34 per cent
Rail density improved by 10 per cent	+ 0.21 per cent

Source: Lu & Charlene etc., RAND 2018.

The Mombasa-Nairobi Railway is another case study of how the Belt and Road cooperation could facilitate trade. Following the completion of this railway in May 2017, the travel time between Mombasa, the largest port of both Kenya and East Africa, and Nairobi, Kenya’s capital has been cut from 10 hours to 4 hours, while the cost of cargo shipment is expected to drop from US\$0.20 to US\$0.08 per tonne per kilometre due to the use of block trains which offer economies of scale compared to narrow gauge and road transport.¹⁹ With the logistics cost being reduced by 10-40 percent,²⁰ the cargo throughput at Mombasa Port between January and September 2018 increased to 23.2 million dead weight tonnes (dwt), up from 22.7 million dwt over the same period in 2017, and trans-shipment cargo handled by Mombasa port rose by 40.1 percent, according to a recent report issued by the Northern Corridor Transit and Transport Co-ordination Authority (NCTTCA).²¹ The railway has not only created more business opportunities for Kenya, but also reinforced its economic links with other landlocked countries in East Africa as one of the main transiting

¹⁹ *High-Speed Rail Will Be an Economic Boost to Kenya*, Ministry of Industry, Trade and Cooperatives, Republic of Kenya, see at: <http://www.industrialization.go.ke/index.php/media-center/blog/358-high-speed-rail-will-be-an-economic-boost-to-kenya>

²⁰ <http://world.people.com.cn/n1/2018/0813/c1002-30223878.html>

²¹ *Efficiency, SGR Seen Driving Growth at Mombasa Port*, Business Daily Africa, see at: <https://www.businessdailyafrica.com/corporate/shipping/Efficiency--SGR-seen-driving-growth-at-Mombasa-port-/4003122-4917434-9oyhp1/index.html>

points for their exports and imports, which might help Kenya to develop into a regional logistic and manufacturing hub in the future.

Evidence also shows that improvement of infrastructure connectivity can promote investment. According to a study of the World Bank, the travel time reductions brought about by the proposed Belt and Road transportation network are associated with a 4.97-percent increase in total FDI flows for the Belt and Road countries and 4.36-percent increase in FDI flows within the Belt and Road countries. Among the Belt and Road countries, the proposed Belt and Road transportation network is estimated to increase FDI flows to the Belt and Road's East Asia Pacific region by 6.25 percent, Europe and Central Asia by 4.7 percent, Middle East and North Africa by 3.37 percent, South Asia by 5.19 percent, and Sub-Saharan Africa by 7.47 percent. Non-Belt and Road countries will also benefit from the spillover of a more integrated regional economy, especially in Africa, where those countries are expected to see a 3.98-percent increase in FDI inflow with the Belt and Road transportation network and, through the increase in FDI, a 0.13 % increase in GDP growth.²²

Commending the noteworthy impact of the infrastructure connectivity on economic growth, some Advisory Council members highlighted that there is scope for further tapping its potential provided countries harmonize the differences in, among others, norms, standards, regulations and customs procedures while keeping in perspective internationally agreed practices, rules, conventions and technical standards. Therefore, the Advisory Council recommends that harmonization in these areas would need to be further strengthened, so as to unleash the catalytic effect of infrastructure connectivity to its fullest extent, and provide more impetus to economic growth in countries involved and beyond. Besides, some Advisory Council members highlighted that the Belt and Road cooperation could provide an opportunity to achieve both economic growth and sustainable development if high-quality, reliable, resilient and sustainable

²² Maggie Xiaoyang Chen, Chuanhao Lin, *Foreign Investment across the Belt and Road Patterns, Determinants and Effects*, the World Bank Group, October 2018, Policy Research Working Paper 8607

infrastructure is built. The contribution of the Belt and Road cooperation to supporting sustainable development will be further explored in the next chapter.

Chapter 3 : Belt and Road Cooperation for Supporting the 2030 Agenda for Sustainable Development

The 2030 Agenda for Sustainable Development (the 2030 Agenda), adopted by the United Nations General Assembly in 2015, provides a shared global vision and blueprint for collective efforts towards sustainable development. At its heart are 17 Sustainable Development Goals (SDGs) (See Table 2), which are a call for action by all countries to promote prosperity while protecting the environment. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, equality and job opportunities, while tackling climate change and working to preserve our ocean and forests.²³

Table 2: The 17 Sustainable Development Goals of the 2030 Agenda

- Goal 1: No poverty
- Goal 2: Zero hunger
- Goal 3: Good health and well-being for people
- Goal 4: Quality education
- Goal 5: Gender equality
- Goal 6: Clean water and sanitation
- Goal 7: Affordable and clean energy
- Goal 8: Decent work and economic growth
- Goal 9: Industry, Innovation, and Infrastructure
- Goal 10: Reducing inequalities
- Goal 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 13: Climate action
- Goal 14: Life below water
- Goal 15: Life on land
- Goal 16: Peace, justice and strong institutions
- Goal 17: Partnerships for the goals

²³ UN webpage on the 2030 Agenda for Sustainable Development. <https://sustainabledevelopment.un.org>, and <https://sustainabledevelopment.un.org/sdgs>

It was generally recognized by the Advisory Council that, although the Belt and Road Initiative and the 2030 Agenda are different in nature and scope, they share many commonalities with the potential to derive mutual synergy.

3.1 Synergy between the Belt and Road Cooperation and the 2030 Agenda

The 2030 Agenda contains a comprehensive, far-reaching and people-centered set of universal and transformative goals and targets for sustainable development and the Belt and Road cooperation pursues overarching economic, social, fiscal, financial and environmental sustainability goals. In other words, they share similar goals and objectives. By providing new sources of economic growth through improved connectivity, the BRI helps to alleviate poverty and meet a range of social needs including education, health, equality and employment. It also emphasizes the importance “of promoting high environmental standards, while striking a good balance among economic growth, social progress and environmental protection”²⁴, which would contribute to environmental protection and help to address climate change.

As for the means of implementation, the 2030 Agenda focuses on a revitalized Global Partnership to “facilitate an intensive global engagement in support of implementation of all the Goals and targets, bringing together Governments, the private sector, civil society, the United Nations system and other actors and mobilizing all available resources”²⁵. And the Belt and Road cooperation fosters policy synergy with various global, regional and national development strategies and plans to provide a platform for international economic cooperation based on the principle of extensive consultation, joint efforts and shared benefits.

²⁴ *Joint Communique of the Leaders Roundtable of the Belt and Road Forum for International Cooperation*, 15 May 2017, Beijing, China, <http://www.beltandroadforum.org/english/n100/2017/0516/c22-423.html>

²⁵ *Transforming Our World: the 2030 Agenda for Sustainable Development*, adopted by United Nations General Assembly on 25 September 2015.

Comprehensive connectivity-enhancing actions under the Belt and Road cooperation are extensively and intrinsically linked with a number of SDGs of the 2030 Agenda, and can effectively facilitate the achievement of them. For example, promoting facilities connectivity could catalyze economic growth, thereby contributing to ending poverty and hunger, improving people’s well-being, providing access to affordable energy, and nurturing industry and innovation, which are also at the center of the 2030 Agenda. And the effort to build high-quality, reliable, resilient and sustainable infrastructure helps countries to tackle climate change as well. (See Table 3)

Table 3: Linkage between Priorities of the Belt and Road Cooperation and SDGs		
Content	Impact	Relevant SDGs
Policy Coordination		
<ul style="list-style-type: none"> - Signed cooperation documents with 154 countries and IOs(as of March 2019). - Enhancing coordination between BRI and various national, regional and international initiatives. 	<ul style="list-style-type: none"> - Improve synergies among policies and development strategies of different countries and regions. - Closer BRI partnership. 	SDG 17: Partnerships for the Goals
Facilities Connectivity		
<ul style="list-style-type: none"> - Cooperation on Infrastructure connectivity. - Projects on roads, railways, ports, energy pipelines, power grids and ICT infrastructure. 	<ul style="list-style-type: none"> - Improve condition of infrastructure and connectivity. - Enhance accessibility of market and resources, and raised productivity. - Catalyze industry chains, value chains and supply chains. - Contribute to economic growth and people’s well-beings. 	SDG 1: No poverty SDG 2: Zero hunger SDG 5: Gender equality SDG 7: Affordable and clean energy SDG 8: Decent work and economy growth SDG 9: Industry, innovation and infrastructure SDG 10: Reduced inequalities SDG 11: Sustainable cities and communities SDG 13: Climate Change
Unimpeded Trade		
<ul style="list-style-type: none"> - Trade facilitation - Economic and trade cooperation zones - Free trade agreements - Economic corridors - Investment facilitation 	<ul style="list-style-type: none"> - Increase trade volume - Provide new impetus to local value chains, local industries and local economic growth - Create local jobs - Enhance the ease of doing business 	SDG 1: No poverty SDG 2: Zero hunger SDG 5: Gender equality SDG 8: Decent work and economy growth SDG 9: Industry, innovation and infrastructure SDG 10: Reduced inequalities

Financial Integration		
<ul style="list-style-type: none"> - Formulating Guiding Principles on Financing the Development of the Belt and Road - Setting up special lending schemes for infrastructure development - Setting up Silk Road Fund, China-EU Co-investment Fund, China-Africa Fund for Industrial Cooperation, etc. - Conducting capacity building with IMF 	<ul style="list-style-type: none"> - Bridge the investment gap - Promote economic growth by expanding financing channels for infrastructure and trade 	<ul style="list-style-type: none"> SDG 1: No poverty SDG 2: Zero hunger SDG 8: Decent work and economy growth SDG 9: Industry, innovation and infrastructure SDG 10: Reduced inequalities
People-to-people Bond		
<ul style="list-style-type: none"> - Health Silk Road - Clean Silk Road - Green Silk Road - Cultural exchange & Tourism - Silk Road scholarship - Media and think tank cooperation - Projects to improve people's well-beings 	<ul style="list-style-type: none"> - Improve people's health and well-beings - Improve education quality and stimulate innovation - Promote sustainable economic and social development - Enhance mutual understanding of different cultures and civilizations 	<ul style="list-style-type: none"> SDG 1: No poverty SDG 3: Good health and well-being SDG 4: Quality education SDG 6: Clean water and sanitation SDG 9: Industry, innovation and infrastructure SDG 10: Reduced inequalities SDG 13: Climate action

3.2 How the Belt and Road Cooperation Contributes More to the Implementation of the 2030 Agenda

It is agreed by many Advisory Council members and the special guest that the Belt and Road cooperation, with the aforementioned synergy with the 2030 Agenda, the vast geographic area and massive population it covers, and the platform and resources it provides and mobilizes, could serve as an important vehicle for the implementation of the 2030 Agenda. A report jointly issued by UNDP and China Center for International Economic Exchanges suggests that the Belt and Road cooperation could serve as an accelerator and an effective enabler to achieve the SDGs.²⁶ At the same time, there is an opinion that the 2030 Agenda is much broader in scope than the Belt and Road cooperation. Hence, the Belt and Road cooperation should focus on the most relevant ones.

²⁶ *The Belt and Road Initiative: A new means to transformative global governance towards sustainable development*, UNDP and China Center for International Economic Exchanges, 2017.

- **Provide public goods for sustainable development.** This could include, inter alia, the following approaches or actions:
 - 1) Policy synergy should be high on sustainable development agenda;
 - 2) Meeting the global infrastructure needs to explore new sources of growth for sustainable development;
 - 3) Promoting, alongside other multilateral initiatives, trade and investment liberalization and facilitation, supporting globalization and regional economic integration in an open world economy;
 - 4) Providing diversified and long-term sustainable financing support for projects that help to achieve sustainable development.

- **Promote high-quality practical cooperation.** With the Belt and Road cooperation placing “high quality” at the center of its agenda, the Advisory Council members are confident that its future development will further reinforce the support for the implementation of the 2030 Agenda. High quality could be reflected in the following areas:
 - 1) Ensure the economic, social, fiscal, financial and environmental sustainability of projects, consistent with national legal and regulatory frameworks, while drawing upon universally accepted international norms and standards;
 - 2) Build a green silk road towards ecological sustainability, with the proposed launch of the International Coalition for Green Development on the Belt and Road, supported by efforts to implement the Paris Agreement as well as improved green finance including issuance of green bonds;
 - 3) Build a clean silk road with zero tolerance, zero loophole, and zero obstacle for cooperation to root out corruption;
 - 4) Explore innovative silk road to harness the opportunities arising from the digital economy and new industrial revolution, including by improving global digital infrastructure connectivity;
 - 5) Pursue people-centered development, and strive for early harvest in health, education, etc.

Chapter 4: Proposed Key Priorities of the Belt and Road Cooperation in the Future

As noted by members of the Advisory Council, the Belt and Road cooperation has made remarkable progress in the past six years. Yet more work still needs to be done to ensure its steady and sustained progress towards more concrete outcomes in the future. Building on the current trend of its work, the Advisory Council shared views on how to further refine and calibrate its focus during the meeting, and came up with the following recommended priorities for the Belt and Road cooperation on the way forward.

4.1 Enhancing the Multilateral Dimension of the Belt and Road Cooperation

The principle of extensive consultation, joint efforts and shared benefits calls intrinsically for a multilateral approach towards working together. Going more multilateral could broaden the supporter base of the Belt and Road cooperation and enhance the sense of ownership of all partners.

In this regard, greater synergy needs to be tapped between the BRI and various national, regional and global development strategies or plans, including, among others, the 2030 Agenda, the Agenda 2063 of the African Union, the development plan of the Eurasian Economic Union, the Master Plan on ASEAN Connectivity, the APEC Connectivity Blueprint, and the EU Strategy on Connecting Europe and Asia.

Some members of the Advisory Council emphasized the importance of connectivity of the Eurasian Continent, and believed that Belt and Road cooperation should prioritize linking the production centers in Asia and the world's largest market in Europe,.

In addition, the Advisory Council members highlighted that an open, inclusive and

transparent approach to the Belt and Road cooperation will further strengthen its appeal to potential partners while building on its multilateral nature. All interested countries should be welcome to join in the cooperation on a bilateral, trilateral or multilateral basis. The cooperation should also be open to various stakeholders, including governments, enterprises, financial institutions and international organizations, to build on complementarity and leverage resources from different actors.

4.2 Reinforcing the Open World Economy by Promoting Trade and Investment Liberalization and Facilitation

In view of the fact that an open, inclusive and inter-connected world economy serves the interests of all, it is suggested that the Belt and Road cooperation stay committed to upholding multilateralism, safeguarding the rules-based multilateral trading system centered on the WTO, promoting free and open trade and investment, and opposing all forms of protectionism.

In this regard, promoting unimpeded trade should continue to be one of the priorities of the Belt and Road cooperation in the future. Partner countries are encouraged to pursue free trade arrangements, reduce trade costs, remove barriers for trade and investment both at and behind the borders, and create an enabling environment for doing business. In recognition of the transformative role of digital technologies in facilitating trade and investment, it is suggested that countries make further efforts to harness the potential of digitalization and e-commerce for more integrated and stronger economies.

4.3 Improving Soft Connectivity Alongside Hard Infrastructure

Just as computers cannot operate without software, connectivity on the “soft side” is an integral part of overall connectivity and serves as the foundation for the hard infrastructure. It is noted by members of the Advisory Council that, while remarkable impact of infrastructure connectivity on catalyzing economic growth has been

witnessed, its potential hasn't been fully tapped due to the differences in, among others, norms, standards, regulations and customs procedures among countries. Therefore, soft connectivity, or in other words, the harmonization in the above-mentioned areas, based on national laws and regulatory frameworks, while keeping in perspective internationally agreed rules, conventions, technical standards and best practice, would need to be further enhanced.

Customs cooperation to reduce the time, cost and uncertainty of cross-border trade is a key component of trade facilitation. Partner countries are encouraged to improve customs facilitation in areas of border clearance, mutual exchange of information, and streamlining of customs and transit procedures.

Harmonization of regulations and standards is another key area of cooperation. Partner countries are encouraged to promote information exchanges, standard recognition and standardization of cooperation in areas such as infrastructure, equipment, trade, environment, and finance.

Travel facilitation will help to ease cross-border flows in persons. In recognition of the setup of the Belt and Road Special Lane for fast-track entry and exit at airports in Mongolia, it is suggested that such practice be further encouraged to facilitate the ease of travel among partner countries.

At the same time, in view of the capacity gap of developing countries in these fields, technical assistance as well as technology and know-how transfer to build up the capacity for developing countries are advised.

4.4 Promoting Project-based Cooperation for More Concrete Outcomes

Key to the Belt and Road cooperation delivering outcomes, practical cooperation on projects needs to be further promoted.

As complementary to the traditional bilateral cooperation, it is suggested that tripartite or the third-market cooperation be further enhanced with a visible role of different participating countries, so as to forge broader partnerships and synergize expertise for better delivery of project outcomes. As noted, tripartite cooperation under the Belt and Road cooperation, proposed for the first time by China and France in 2015, is gaining acceptance and momentum recently, with more than 10 countries including Germany, the UK, Spain, Portugal, Singapore, Republic of Korea and Japan joining in. Tripartite cooperation has the potential to bring about more flexibility and ampler room for countries to participate in the Belt and Road cooperation, together with their comparative advantages in terms of production capability, project implementation and advanced technologies, which could provide efficient, cost-effective and quality solutions to project implementation to benefit the host countries, especially developing countries.

The Belt and Road cooperation should also focus on the quality of projects and optimize their catalytic effect on development. Efforts are called for to build high-quality, reliable, resilient and sustainable, including environmentally sustainable infrastructure, and ensure that such infrastructure is affordable, accessible, inclusive and broadly beneficial, and could contribute to the industrialization of developing countries and their integration into the global value chains.

4.5 Strengthening Industrial Cooperation and Promoting Industrialization in Africa

Industrial cooperation is an important component of the Belt and Road cooperation, which serves as a platform to translate the catalytic effect of infrastructure connectivity on industrialization and economic growth into concrete outcomes. A number of industrial parks have already been established with positive outcomes achieved in recent years. In recognition of the industrialization needs of developing countries, especially African countries, it is suggested that industrial cooperation should be further strengthened to integrate these countries into and build up their

capacity to move up the global industrial chains, value chains and supply chains, so as to promote sustainable industrialization in African countries, and provide new impetus for long-term economic growth to address the development deficit.

In view of the fact that the new industrial revolution has a profound impact on improving productivity and competitiveness, it is suggested that industrial cooperation should enable partner countries to benefit from technology innovation and harness opportunities arising from the new industrial revolution, especially from the emerging digital economy. In this regard, there is a need to improve global digital infrastructure connectivity, and build the capacity of developing countries to narrow the digital divide, with a view to developing a digital silk road.

4.6 Expanding and Leveraging Diversified Sources of Financial Support for Projects

Noting the infrastructure investment gap highlighted by many studies, the Advisory Council emphasizes the importance of expanding financial supports for projects.

While public financing, as a traditional source of funding, in the infrastructure investment remains irreplaceable, it is important to crowd in investment from multilateral development banks, international and local financial institutions, and the private sector through co-finance, public-private partnership (PPP) etc., so as to provide long-term and sustainable financial support for projects. The elements noted below, taken from section 3.2 above concerning high-quality practical cooperation are essential for building international financial support; namely

- 1) Ensure the economic, social, fiscal, financial and environmental sustainability of projects, consistent with national legal and regulatory frameworks, while drawing upon universally accepted international norms and standards;
- 2) Build a green silk road towards ecological sustainability, with the proposed launch of the International Coalition for Green Development on the Belt and Road, supported

by efforts to implement of the Paris Agreement as well as improved green finance including issuance of green bonds;

3) Build a clean silk road with zero tolerance, zero loophole, and zero obstacle for cooperation to root out corruption;

It is equally necessary to encourage financial institutions to roll out more innovative financial models, channels, tools and services, including risk management and insurance to facilitate more bankable projects. The high capital intensity, high up-front costs, lack of liquidity and a long asset life, which infrastructure projects are always known for, mean that these projects may not generate positive cash flows in the early phases, but tend to produce stable cash flows once the infrastructure facility moves into the operational phase. Therefore, it is encouraged that the financial industry, with the support of financial regulators, develops an asset class for infrastructure, which would pave the way for mobilizing more private capital into infrastructure investment.

In view of the fact that the *Guiding Principles on Financing the Development of the Belt and Road* has been adopted by 28 countries, it is encouraged that more countries could participate in it. Multilateral development and other international institutions are encouraged to reinforce their support for connectivity projects and share their expertise with Belt and Road partners.

4.7 Better Branding the Belt and Road Cooperation

Since that there is still some misunderstanding and misperception of the Belt and Road cooperation, it is suggested that the cooperation should better brand itself to the world, in order to garner more public support, boost broad confidence and address concerns of various stakeholders. It will also be important to ensure that the Belt and Road projects are consistently of high quality, sustainable, viable and inclusive so that project delivery matches the vision for the Belt and Road.

Better branding could include efforts to accomplish a series of model projects,

including both landmark projects that would fundamentally contribute to the socioeconomic development of the host countries and some quick-wins that allow people to feel the real benefits of the Belt and Road cooperation in the short run, so as to increase the sense of gaining for local communities, establish the good reputation of the Belt and Road projects in their host countries, and avoid the risk that the misperception may pose obstacles to the goal of maximizing cooperation among countries.

Better branding also needs improved publicity for the Belt and Road projects. It is suggested that all partners, not only the governments, but also the private sector, civil society, non-governmental organizations and academia, should be engaged in improving understanding of the Belt and Road cooperation among the general public by raising the profile of success stories and model projects and sharing lessons learned. It will be important to elaborate on the full story line of the projects in order to cover the whole life cycle of the projects, so as to clear the misunderstanding and present clearly the full impact of outcomes of the Belt and Road cooperation. Research-based thematic papers on the Belt and Road cooperation are also encouraged.

Chapter 5: Strengthening the Architecture and Capacity Building for the Belt and Road Cooperation

As mentioned in the chapters above, the Belt and Road cooperation has made remarkable progress in recent years. With the growing number of partners and projects globally, the dynamic evolution of its agenda, and the rising expectation from stakeholders for achieving more outcomes and better managing risks, there is a need for improved communication and better-coordinated collaboration among stakeholders, which in turn calls for more efficient and effective multilateral institutional support and capacity building for the Belt and Road cooperation. And it is a shared view of many Advisory Council members and the special guest that a well-defined multilateral mechanism would enhance the sense of ownership of participating countries, and thereby help the Belt and Road cooperation to take deeper roots for its long-term development.

As a step for the Belt and Road cooperation going multilateral, the Belt and Road Forum for International Cooperation (BRF) was initiated and convened for the first time in May 2017 in Beijing, China, for governments of the Belt and Road partner countries and other stakeholders to define common visions and approaches, identify common priorities and map out common courses of action in relation to the Belt and Road cooperation. While applauding the fruitful outcomes of the 1st BRF, the Advisory Council notes that the newly established sectoral multilateral platforms are still in their infancy and further efforts need to be made to augment their functioning.

5.1 Meeting Patterns of the BRF

The Advisory Council welcomes China's hosting of the 2nd BRF in April 2019. Yet it is noteworthy that the BRF hasn't formalized its frequency and meeting patterns so far. There is a general support from the Advisory Council for the BRF to be held at fixed intervals, e.g. every 2-3 years, so that participating countries could meet up regularly

to review the progress of the Belt and Road cooperation, forge consensus on its future direction, and plan actions for practical cooperation and concrete outcomes. Many Advisory Council members are of the opinion that the BRF could be complemented by a number of satellite events, such as regular ministerial/sectoral meetings, business forums as well as inter-sessional thematic dialogues, workshops and seminars, with either regular or issue-based participation from government officials, and representatives from the business community, civil society, academia and media etc; the possibility of holding such satellite events periodically in Belt and Road countries was encouraged.

There was also a proposal that the BRF could look into promoting the Belt and Road cooperation at two levels. One is policy orientation, focusing on the big picture of the Belt and Road cooperation and providing guidance for its development. The other is project-based cooperation, focusing on practical cooperation in various areas including both taking stock of best practices and exploring more deliverables.

5.2 Supporting Mechanism for the BRF

As observed by the Advisory Council, unlike many international platforms for economic cooperation, the BRF currently has neither a centralized coordinating mechanism to oversee and facilitate the inter-sessional coordination and collaboration, nor a clear set of underpinning work streams to support the implementation of its meeting outcomes and foster technical discussion and capacity building in thematic areas for further progress. In this regard, it is imperative to institute an effective architecture of supporting mechanisms for the BRF, so as to promote in-depth cooperation for concrete outcomes and ensure steady and sustained progress of the Belt and Road cooperation.

It is encouraging to note that some steps have already been taken in this field with joint efforts of all stakeholders. The launch of the BRF Advisory Council to provide intellectual support for the future development of the BRF and the BRI, and the

establishment of the BRF Liaison Office to coordinate inter-sessional and inter-governmental work for BRF related affairs are two examples of this endeavor. Quite a number of specialized work streams are also in development and taking initial shape. Some of them have already developed or envisaged certain cooperation institutions featuring an agreed mission and regular meetings²⁷.

The Advisory Council welcomes the aforementioned efforts to establish and improve multilateral sectoral mechanisms for the Belt and Road cooperation, and encourages such efforts to be further streamlined and better coordinated towards a well-defined architecture of supporting mechanisms for the BRF. To this end, a few models of existing international institutions are highlighted as possible ways forward for the BRF to strengthen its architecture.

Several Advisory Council members and the special guest suggested that the BRF could learn from the Boao Forum for Asia, which is supported by the following institutions: 1) a Board of Directors as the supreme executive body to oversee the activities of the forum; 2) a Secretariat as a standing body responsible for the forum's daily operation; 3) a Council of Advisers for policy recommendations, and 4) a Research and Training Institute for intellectual support. In this regard, there is a suggestion that the BRF Liaison Office could serve as a preliminary Secretariat for the BRF at the moment and be gradually developed into a full-fledged one in the future.

Some members proposed that the G20 architecture could be used as a framework of reference. Though without a physical secretariat, the BRF could be underpinned by a clear set of supporting mechanisms, which include a Sherpa Meeting to supervise and coordinate all the inter-sessional work, various working groups to foster technical discussions in each specialized work stream for building blocks of the BRF's

²⁷ This type of work streams include, inter alia, Joint Working Group on China Railway Express to Europe, Ningbo Initiative on Maritime Silk Road Port Cooperation, Belt and Road Energy Partnership, Belt and Road Initiative Tax Administration Cooperation Mechanism, International Coalition for Green Development on the Belt and Road, etc.

outcomes, and engagement groups such as T20, B20, C20 to incorporate inputs from a broader constituency, including think tanks, business sector, and civil society etc.

Certain members raised the option of an OECD model, where the BRF could function as a platform for information sharing and policy coordination, while a few mentioned the practice of the World Economic Forum, which is guided by a Board of Trustees comprising leaders from politics, business, academia and civil society, and relies on a Managing Board for execution.

There was also a proposal that the BRF could learn from the structure of the Financial Stability Board (FSB) which comprises a Plenary as the sole decision-making body, a Steering Committee to take forward operational work in between Plenary meetings, and four Standing Committees to carry out specific but complementary responsibilities.

In addition to those sample models, the establishment of a data portal of projects under the Belt and Road cooperation and a managing office of the database was also suggested by some members.

5.3 Capacity Building for the Belt and Road Cooperation

Noting the development gap in many countries, the Advisory Council highlights the importance of capacity building in the Belt and Road cooperation to meet the needs of those countries. A few specific areas for capacity building are suggested by some members, such as human resources development, and training on project preparation, including building up the capacity of participating countries to undertake feasibility studies of projects.

It is the view of many Advisory Council members that sectoral multilateral platforms could be the appropriate vehicles to carry out capacity building through training, seminars, symposiums or workshops, etc. Some other members and the special guest

suggested that the BRF work with existing international institutions, especially the UN family of international organizations, such as the United Nations Development Programme (UNDP), the United Nations Industrial Development Organization (UNIDO), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Department of Economic and Social Affairs (UNDESA), as well as multilateral development banks, to carry out capacity building activities.

Conclusion

Based on the above, the Advisory Council believes the Belt and Road cooperation is an opportunity for the world with broad-based benefits, promoting economic growth and international cooperation. In this context, the Advisory Council's key findings and recommendations are summarized as follows:

- The Belt and Road, by improving infrastructure connectivity, will promote growth, trade, investment and employment, unleashing new sources of global growth.
- The Belt and Road cooperation is an important vehicle for the implementation of the 2030 Agenda for Sustainable Development, providing public goods and catalyzing international cooperation for sustainable development.
- Remarkable progress has been made in the past six years in strengthening connectivity by promoting development policy synergy, infrastructure development, increased trade, stronger financial cooperation, and people-to-people bond.
- Future high-quality Belt and Road cooperation should focus on the following priorities:
 - 1) Enhancing the multilateral dimension of the Belt and Road cooperation;
 - 2) Reinforcing the open world economy by promoting trade and investment liberalization and facilitation;
 - 3) Improving soft connectivity alongside hard infrastructure;
 - 4) Promoting project-based cooperation for more concrete outcomes;
 - 5) Strengthening industrial cooperation and promoting industrialization in Africa;
 - 6) Expanding and leveraging diversified sources of financial support for

projects; and

7) Better branding the Belt and Road cooperation.

- The BRF, as the major multilateral platform on the Belt and Road cooperation, is well-placed to travel far. The forum could be convened regularly with a number of satellite events held inter-sessionally as follow-ups. It may also benefit from the models of some existing multilateral platforms to institute an architecture of supporting mechanisms.

The 2nd BRF in 2019 could focus on High-quality Belt and Road cooperation and deliver a series of positive messages to the world, which include, inter alia, upholding multilateralism; supporting free and open trade; further enhancing the sense of ownership of the Belt and Road partners; forging partnership on connectivity; promoting practical cooperation; and improving the architecture of the BRF.

Appendix

Terms of Reference on the Advisory Council of the Belt and Road Forum for International Cooperation

1. Roles and Functions

The Advisory Council of the Belt and Road Forum for International Cooperation (hereinafter referred as the BRF Advisory Council) is a non-profit, international policy advisory body, offering expertise and intellectual support to the BRF. It will focus on the following:

- Advising on the theme, topics, agenda and expected outcomes of each BRF;
- Providing policy recommendations for the medium and long-term development of the BRF and the Belt and Road cooperation;
- Fostering the Belt and Road related pragmatic cooperation;
- Promoting the understanding of the Belt and Road Initiative and the BRF in the international arena;

2. Composition

Currently, the BRF Advisory Council is composed of 11 members and 1 special guest serving a term of 5 years. The Council's membership is designated to globally eminent persons, including former political leaders, former and incumbent heads of international organizations, business leaders as well as distinguished scholars. New members and special guests can be invited to the Council based on the invitation from the Chair of the Organizing Committee of the BRF.

The Convenor of the Council will chair the Council meetings and coordinate inter-sessional discussions as well as virtual communication.

3. Modus Operandi

- The Council reports to the BRF Organizing Committee;
- The Council meets in principle once a year, and may hold thematic meetings as needed;
- Decisions of the Council will be based on consensus;
- Council members can advise on matters relating to BRFs through various means other than face-to-face meetings; Suggestions from Council members will be submitted to the BRF Organizing Committee;
- Interested Council members can participate in BRF-related events as invited by the Chair of the Organizing Committee of the BRF.