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## **One Belt, One Road from the Perspective of Funding Sources**

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**Abstract:**

**Purpose:** *The aim of this study is to present the investment needs for the implementation of the project, one belt one road, possible sources of its financing, as well as the investments accepted under the initiative.*

**Design/Methodology/Approach:** *The concept of the New Silk Road connecting Europe and Asia, although officially announced in 2013 at the University of Nazarbayev in Kazakhstan, was created a few years earlier. This study combines related sources to light the initiative from different perspectives.*

**Findings:** *The conclusion is that the One Belt, One Road route is to ensure connectivity and cooperation within six major economic corridors, which include, the PRC, Mongolia, the Russian Federation, the Indian subcontinent with Pakistan, Central and Western Asia. As a result, the full implementation of the project requires communication in the dimension of several corridors.*

**Practical Implications:** *From a geopolitical point of view, the New Silk Road is an expression of the PRC's expansion, constituting a Chinese form of globalization, which can be a useful tool for the economic development of the regions involved in this project.*

**Originality/Value:** *To the author's knowledge there is not other research presenting the investment needs for the new silk road.*

**Keywords:** *Silk road, China, economic corridors.*

**JEL classification:** *O1, O5.*

**Paper Type:** *Research article.*

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## **1. Introduction**

The concept of building the New Silk Road, officially initiated in September 2013 by Xi Jinping, the chairman of the People's Republic of China, which was assumed to be a source of accelerating growth and strengthening the economic development of the PRC, is also strongly oriented towards the intensification of the country's foreign expansion. The implementation of the assumed project requires two key activities. The first is to define the final route, and the second is to provide funds for its implementation.

The aim of this study is to present the investment needs for the implementation of the project, possible sources of its financing, as well as the investments accepted under the initiative, which are to support both the economies of the countries co-creating the project, and - in a holistic dimension - to become the basis for their connection in as part of the largest infrastructure plan ever undertaken in the history of the world, initiated by the PRC. This study is to verify the hypothesis that Chinese financial resources are crucial for the implementation of the One Belt, One Road initiative, which are to contribute not only to the co-creation of both planned transport corridors, but are also oriented at taking into account the general development needs of the economies involved in the project.

## **2. The Genesis and Background of the Project**

The concept of the New Silk Road connecting Europe and Asia, as mentioned above, although officially announced in 2013 at the University of Nazarbayev in Kazakhstan, was created a few years earlier. This project was already discussed in October 2011 in Warsaw during the summit of 22 leaders of Central and Eastern European countries, convened just a few days in advance by the then Polish prime minister, Donald Tusk, with the participation of the Chinese Prime Minister - Wen Jiabao<sup>2</sup>. During the meeting, the Prime Minister of the PRC referred to the cooperation established in 2010 by the Chinese government with representatives of the academic world on the concept of economic rapprochement between countries located along the historical Silk Road linking Asia with Europe through the proposed new initiative - the New Silk Road.

In October 2013 in Jakarta, at the forum of the Indonesian parliament, Xi Jinping gave a speech on the idea of building a new, 21st Century Maritime Silk Road, which was an extension of the previously presented project (Silk Road Economic Belt) with a different geographic dimension. Thus, the combination of both

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<sup>2</sup>*It should be added that this meeting was an introduction to the annual China-CEE summits established a year later. The first of them, in 2012, also took place in Warsaw. For more see: H. Chang, The One Belt One Road Initiative – Who's Going to Pay For It?, [in:] China's One Belt One Road Initiative, eds T. W. Lim, H. Chan, K. Tseng, W. X. Lim, Imperial College Press, World Scientific Publishing, Singapore 2016, pp. 169-170.*

concepts, i.e., the road (belt) from 2010 and the sea road (road) from 2013 was named as One Belt, One Road (OBOR). The main goal of the project is to strengthen Chinese trade and financial ties with the countries of the cooperation area by providing an efficient network of transport infrastructure resulting in the possibility of smooth transport traffic. The Chinese concept in the land dimension took into account the countries of the central and western part of the Asian continent and European countries, while at the maritime level - the area of Southeast Asia, the Middle East and Europe. As a result, OBOR is to cover countries representing 2/3 of the global population and generating over 1/3 of the global GDP. Cooperation agreements under the initiative have been signed by nearly 30 international organizations and 143 countries<sup>3</sup>.

The geographic dimension of the project, apart from the PRC, the Russian Federation and Mongolia, covers the area of Asia, Europe and Africa. More specifically, OBOR includes 11 Southeast Asian countries (among which a key role is played by: Thailand, Malaysia, Indonesia, Singapore, Vietnam), 8 South Asian countries (key countries: India, Pakistan, Bangladesh, Nepal), 16 from West Asia and North Africa (key countries: Saudi Arabia, United Arab Emirates, Iran, Turkey, Israel, Egypt), 11 countries of the Commonwealth of Independent States (key for the project are: Kazakhstan, Kyrgyzstan, Ukraine, Uzbekistan) and 16 entities from Central and Eastern Europe (key countries: Poland, Romania, Czech Republic, Bulgaria, Lithuania, Slovenia)<sup>4</sup>.

It should also be added that the PRC, striving to rapidly internationalize its currency, treats OBOR as an important element of this process. This is because this project in the international dimension will contribute to increasing the influence of this country on the functioning of the global financial sector. It will also facilitate the further modernization of Chinese production capacities by using less developed, infrastructure-linked countries for a more optimal management of value-added chains.

### 3. Project Investment Challenges

The assumption is that the One Belt, One Road route is to ensure connectivity and cooperation within six major economic corridors, which include, the PRC, Mongolia, the Russian Federation, the Indian subcontinent with Pakistan, Central and Western Asia. As a result, the full implementation of the project requires communication in the dimension of the following corridors:

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<sup>3</sup>*Belt and Road projects: Past, present, future*, „China Daily”, 30.04.2019; C. Nedopil, *Countries of the Belt and Road Initiative*; Green Finance & Development Center, FISF Fudan University, Shanghai, [www.greenfdc.org](http://www.greenfdc.org).

<sup>4</sup>See: C. Nedopil, *op. cit.*; *China's new silk route. The long and winding road*, PwC's Growth Markets Centre, February 2016, p. 5.

- 1) New Eurasian land bridge - with rail transport to Europe via Kazakhstan, Russia, Belarus and Poland,
- 2) China-Mongolia-Russia economic corridor - including railway connections and steppe roads,
- 3) China-Central Asia-West Asia economic corridor - connecting with Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Iran and Turkey,
- 4) The economic corridor of the Indochina Peninsula - connecting Vietnam, Thailand, Laos, Cambodia, Burma and Malaysia,
- 5) China-Pakistan Economic Corridor - with particular emphasis on the Chinese Xinjiang-Uighur Autonomous Region. The project is to connect the city of Kashgar (free economic zone) with Gwadar - a Pakistani port city used for commercial and military purposes,
- 6) China-Bangladesh-India-Burma economic corridor<sup>5</sup>.

The implementation of the above provisions, in the face of the financial challenges faced by the Asian continent, is unprecedented in investment plans implemented so far on a global scale. The Asian Development Bank (ADB) alone estimated the continent's needs in 2016-2030 to combat poverty, maintain economic growth and adapt the region to climate change at USD 26 trillion<sup>6</sup>.

Within the Asia-Pacific macroregion, the greatest investment needs are seen in the Pacific (9.1% of GDP), South Asia (8.8% of GDP) and Central Asia (7.8% of GDP), followed by Southeast Asia (5.7% of GDP) and Eastern (5.2% of GDP). The energy sector, which is estimated to account for 56% of Asia's investment needs (USD 17.7 trillion), is considered to be the greatest investment challenge by 2030 in the sectoral dimension<sup>7</sup>. Another 32% of investment challenges worth USD 8 trillion are related to transport infrastructure needs, most of which are related to the maintenance and modernization of existing facilities. Telecommunications infrastructure is another Asian investment challenge, estimated at USD 2.3 trillion by 2030 (nearly 9% of the entire planned amount). The remaining 3% of the amount intended to serve Asia's development needs (USD 800 billion) is to be allocated to the development of sanitary infrastructure and access to clean water<sup>8</sup>.

Taking the above into account, it should be stated that the needs in terms of financing infrastructure on the Asian continent significantly exceed the already launched and planned investments under OBOR. Thus, considering the fact that the project's priorities include the development of sustainable and low-emission infrastructure, OBOR may become an element of other goals of the international

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<sup>5</sup>*For more see: China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape, OECD Business and Finance Outlook, OECD 2018, pp. 11-12.*

<sup>6</sup>*Meeting Asia's Infrastructure Needs, Asian Development Bank, Metro Manila, Philippines 2017, p. xi, xiv.*

<sup>7</sup>*China's Belt and Road Initiative..., op. cit., p. 6.*

<sup>8</sup>*Meeting Asia's Infrastructure Needs..., op. cit., p. xi.*

community, in particular the Sustainable Development Goals, the achievement of which, according to the assumptions, is expected to take place by 2030. It is estimated that in 2017-2027, investment projects implemented for the purpose of creating OBOR will contribute to the introduction of an additional amount of USD 1 trillion from external financing sources on a global basis<sup>9</sup>.

The financial aspect of creating the One Belt One Road initiative will be secured by various sources of financing. Overall, according to the assumptions, 50% of the project is to be financed from national budgets, another 25% from the private sector, 20% of the total value of the OBOR initiative is to come from national development banks, 3-4% from multilateral development banks, and the remaining 1-2% of financial flows between developing countries<sup>10</sup>. The above-mentioned sources of obtaining funds for the needs of OBOR can be divided into four key groups:

- 1) International financial institutions: Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), New Development Bank (NDB),
- 2) State funds: Chinese Investment Corporation (CIC), Silk Road Fund (SRF),
- 3) State-owned banks: Agricultural Bank of China (ABC), Bank of China (BOC), China Construction Bank (CCB), Industrial and Commercial Bank of China (ICBC),
- 4) Policy banks: the China Development Bank (CDB), the Export-Import Bank of China (EXIM Bank) and the Agricultural Development Bank of China, ADBC).

The key entities financing the project will be presented below, as well as, in the context of the identified investment challenges, the investment projects approved by them will be presented, broken down by the country and the region.

### **3.1 Asian Infrastructure Investment Bank**

Asian Infrastructure Investment Bank (AIIB) is the first of the key institutions focused on financial support for projects implemented under OBOR. This multilateral development bank was officially established in 2016 by 57 founding members, consisting of 37 regional members and 20 from outside the region (non-regional, including Poland with 0.86% share in the capital, which translates to 0.93% of votes). The largest shareholder of AIIB is the PRC (30.77% of the capital and 26.57% of votes). Significant shareholders in the group of shareholders from the region also include: India (respectively, 8.65 and 7.6%), Russia (6.75 and 5.98%), South Korea (3.86 and 3.5%), Australia (3.81 and 3.46%), Indonesia (3.47 and 3.17%), Turkey (2.7 and 2.5%) and Saudi Arabia (2.63 and 2.44%), while from outside the region: Germany (4.63 and 4.14%), France (3.49 and 3.18%), the United

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<sup>9</sup>*China's Belt and Road Initiative...*, *op. cit.*, p. 3.

<sup>10</sup>P. Łasak, R. W. H. van der Linden, *The Financial Implications of China's Belt and Road Initiative. A Route to More Sustainable Economic Growth*, Palgrave Macmillan, Cham, Switzerland 2019, p. 96.

Kingdom (3.16 and 2.9%) and Italy (2.66 and 2.47%)<sup>11</sup>. As of December 2021, the number of AIIB member states was already 104<sup>12</sup>.

However, the above-mentioned majority share of the PRC in AIIB gave that country a right of veto over decisions made in the AIIB forum. Thus, the bank can become a tool for the implementation of its own policy by the PRC. It is possible the more that the AIIB, when implementing financial policy, does not emphasize the need for beneficiary states to adapt the rules of privatization, deregulation or introduction of free market rules, as standardized by multilateral banks<sup>13</sup>.

The AIIB officially launched in January 2016. The bank's seed capital was \$ 100 billion, and it is based in Beijing. AIIB's mission is to improve socio-economic performance in Asia. The bank is focused on locating investments in five areas: transport, logistics, energy, rural and urban development. Three priority areas were distinguished at the same time, which included: cross-border connectivity (with the key meaning: road, rail connections, telecommunications, energy pipelines, taking into account Central Asia and the sea routes of South, South-East and Middle East Asia), sustainable infrastructure and mobilizing private capital to develop innovative solutions.

When initially analyzing the data on projects approved and co-financed by the Asian Infrastructure Investment Bank, it can be noticed that the AIIB co-financing of the project ranges from 7% to full financing of the investment. The least AIIB support concerns projects of the highest value and significant participation of other international organizations, including the World Bank and the Asian Development Bank. As a result, the investments least absorbing AIIB's funds include, the Trans-Anatolia pipeline (7% of AIIB's share in the project); Indonesian slum modernization project (12%); natural gas transmission infrastructure improvement project in Bangladesh (13%), hydroelectric power plant in Nepal (14%)<sup>14</sup>. As of December 2021, the ten projects approved by the AIIB will be 100% financed, which is 19% of all investments approved so far.

Taking into account the projects qualified for financing by the AIIB in the Russian Federation, Central and Western Asia, the advantage of projects planned for Turkey is noticeable, as well as the significant share of initiatives fully financed by the Bank. It is also worth noting that the region's largest project of the TANAP pipeline, which is to be an alternative to the gas pipelines built by Russian Gazprom, is controlled by Azerbaijan (to which it is assigned) and by Turkey. The largest

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<sup>11</sup>*Members and Prospective Members of the Bank*, <https://www.aiib.org>.

<sup>12</sup>*For comparison, the number of Asian Development Bank member states is 68, of which 49 are from Asia-Pacific and 19 from outside this area; see: About ADB. Members*, <https://www.adb.org>.

<sup>13</sup>*See: H. Chan, op. cit., pp. 180, 183.*

<sup>14</sup>*All AIIB investment data is sourced from: Approved Projects*, <https://www.aiib.org>.

number of projects in the region is planned for financing by the AIIB within the energy sector - 5 investments for a total amount of over USD 12 billion, of which AIIB provides financing in only 11.5%. It should be added that two projects in the financial sphere are also intended to improve the functioning of the energy sector (in Turkey) - a total of USD 400 billion, 100% financed by the AIIB.

The second key area in the West Asia region and in Russia is transport. Within this sector, 4 projects were approved for the amount of USD 1.27 billion, with AIIB's participation in investment financing reaching as much as 71%.

As of the end of 2021, South Asia has approved the most, 54 projects co-financed by the AIIB in total. As many as 28 initiatives worth USD 8.2 billion were directed to the needs of India - the largest country in this sub-region - where financing by the Bank exceeds 37%. In terms of value, projects for India account for 64% of the value of all South Asian projects approved by the AIIB and 65% of the total funding of the sub-region by the Bank.

The second strategic country in South Asia is Bangladesh with 14 projects worth over USD 2.1 billion, with co-financing from the AIIB reaching 33%. Seven investments worth USD 1.2 billion are planned for Pakistan (with 37% AIIB share). On the other hand, for the needs of Nepal and Sri Lanka, three and two projects will be implemented respectively (respectively: USD 804 billion, 20% from AIIB and USD 397 billion and 70% of the Bank's co-financing).

In South Asia, the most strongly represented sector that has been approved for financing by the AIIB is again energy (14 projects worth over USD 5 billion, with a 31% share of the Bank). Six projects worth USD 4.7 billion are related to transport development (with 38% AIIB share), while four initiatives worth USD 1.3 billion (with 53% co-financing from the AIIB) relate to improving the sub-region's water supply.

The East Asia region is represented by the most numerous projects approved for the needs of the most populous country in Southeast Asia - Indonesia, which under 10 projects is to absorb 24% of the total amount of projects for the entire East Asia, with co-financing from the AIIB amounting to over 45%. The most important sectors include the energy sector (nearly USD 2.7 billion, with 29% co-financing from the AIIB) and the water supply and sewage sector (respectively: USD 1.4 billion and 42%). It should be added that East Asian projects take special account of the global challenges related to climate change, as evidenced by projects submitted by the PRC and the Philippines.

In addition to the domestic projects outlined above, the Asian Infrastructure Investment Bank has expressed its readiness to fully cover the costs of two out of fifteen multilateral investments. As much as 83% of the funds allocated for this purpose, AIIB allocated to the development of the capital market based on a

portfolio of climate bonds. The remaining part of the Bank's funds will be allocated to the development of the energy sector, as well as to increasing food security, transport and telecommunications.

### **3.2 New Development Bank**

The New Development Bank (NDB) was established in 2015 on the basis of the Fortaleza declaration by the five BRICS countries, Brazil, Russia, India, the PRC and South Africa. The concept of establishing the bank was conceived during the fourth group summit in 2012. Therefore, the institution was initially referred to as the BRICS Development Bank. The main goal of the bank is to provide financial support to developing countries in the implementation of infrastructural and sustainable development projects. In principle, NDB is focused on strengthening cooperation between BRICS countries, as well as complementing the efforts of multilateral and regional financial institutions for global development<sup>15</sup>. Thus, the New Development Bank adopted as its main goal (similarly to AIIB) infrastructural support, and not social issues (education, women's rights, health care), which are the overarching goal of multilateral development banks.

The initial capital of the NDB was USD 50 billion, with the ultimate target of the share capital being US \$ 100 billion. This amount was divided equally among the founding countries. Thus, they have the same voting power, with no veto by any of the BRICS countries. The seat of the bank is in Shanghai. The new Development Bank has adopted an ambitious goal of an annual scale of investment financing from the bank in the amount of USD 34 billion<sup>16</sup>.

As of December 2021, the NDB planned to finance a total of 74 projects in four BRICS countries with a value of nearly USD 30 billion. The largest share, constituting 36.4% of all projects, are transport investments, followed by energy projects (25%), for sustainable development (11.3%) and investments related to the development of the water and sewage sector and infrastructure (9 each, 1%). NDB approved the largest number of projects for the development of the Indian and Chinese economies (18 and 16 projects respectively), followed by the Russian Federation (15 projects) and Brazil (14 projects). 11 projects were approved for South Africa<sup>17</sup>.

Projects for Brazil account for 11.6% of the value of all investments approved by the New Development Bank. These projects are diversified, taking into account, in particular, the energy and transport sectors, but the largest share (32.8%) of the total projects approved by the NDB is constituted by the National Climate Fund Project.

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<sup>15</sup>About Us, <https://www.ndb.int/>.

<sup>16</sup>H. Chan, *op. cit.*, p. 185.

<sup>17</sup>Projects, <https://www.ndb.int/>.

For projects to be implemented for the development of the Russian economy, 16.6% was allocated by the NDB for investments in the BRICS countries. These initiatives are diversified in the sectoral dimension, covering both infrastructure, energy and environmental issues. The state is the investor in most of the projects.

In the case of NDB-financed projects for the development of the Indian economy, the state will also implement most of the investments (as much as 88%). Overall, India will absorb 35.4% of the total amount allocated to the BRICS countries by NDB. The country's projects are strongly oriented towards the development of local transport. Only two out of 14 initiatives relate to the non-local dimension, related to the development of renewable energy and clean energy.

The projects approved by the NDB for the development of the PRC economy are the only ones that include payments in Chinese currency, which indicates actions to strengthen the internationalization of the RMB. Chinese projects account for 32.5% of the value of investments financed by the New Development Bank. It is noteworthy that the investor in each initiative is the Chinese government. The largest part of the projects is directed to the needs of the transport sector (with a share of 46.3% of all Chinese initiatives financed from this source) and energy (with a share of 25%). All Chinese initiatives are focused on local development.

It should be added that as of December 2021, 9 projects worth USD 21 billion were aimed at fighting the COVID pandemic as part of emergency loans, of which as much as 67% were directed to the PRC.

The New Development Bank also provides technical support. So far, it has been directed to only two countries: the Russian Federation and India, which also act as investors. Both projects qualified for support are local in nature and support the sectors of key importance for the development of OBOR: energy and transport.

### **3.3 Banks Implementing Government Policy**

The policy banks of the Chinese government consist of three entities established in 1994, the Chinese Development Bank (CDB), the Chinese Export-Import Bank (EXIM Bank) and the Chinese Agricultural Development Bank (ADBC). The main goal of these banks is to develop and supervise the operations of Chinese state-owned banks, as well as individually: supporting the construction and development of large projects, including cross-border investments and the development of global economic cooperation (CDB), servicing external economic relations (EXIM) and rural development (ADBC)<sup>18</sup>.

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<sup>18</sup>Y. Huang, X. Wang, B. Wang, N. Lin, *Financial Reform in China, [in:] How Finance is Shaping the Economies of China, Japan, and Korea*, eds Y. C. Park, H. Patrick, Columbia University Press, New York, Chichester, West Sussex 2013, p. 69.

Banks supporting the Chinese government's policy carry out their financial activities by issuing bonds. For example, the Chinese Development Bank is the country's second issuer of bonds, right after the Chinese Ministry of Finance, and at the same time the largest development bank in the world<sup>19</sup>. In May 2017, PRC President Xi Jinping announced that the CDB was to grant loans equivalent to RMB 250 billion to support the OBOR project<sup>20</sup>. As announced, the bank is to financially support around 900 projects in 60 economies<sup>21</sup>.

The China Export-Import Bank is strongly committed to increasing the involvement of various regions of the PRC in the OBOR initiative, particularly in the western parts of the country. One of the initiatives significantly supported by EXIM Bank is the development of Asia-Europe rail connections as part of the operation of China Railway Express (Chang'an Express). The connection supports Chinese exports of machinery, industrial raw materials, building materials, consumer goods, vehicles and spare parts, as well as imports of goods from Central Asia and Europe<sup>22</sup>.

In the OBOR initiative, the bank also undertakes other activities aimed at reducing currency risk in relation to commercial transactions (e.g. by introducing RMB quotations against the RUB and ZAR) or strengthening agricultural cooperation with the countries of Southeast Asia, Central Asia and the Pacific (deeper processing of agricultural products, increasing the competitiveness of agricultural enterprises through mergers with Chinese entities)<sup>23</sup>.

The Chinese Agricultural Development Bank is a bank that supports the implementation of state policy in the field of agricultural and rural development. The bank is oriented towards ensuring food security in the PRC through, inter alia, granting loans to state-owned enterprises purchasing grain, cotton and cooking oil<sup>24</sup>. With regard to the OBOR initiative, the role of ADBC is to support foreign investments of Chinese economic entities in conjunction with exports<sup>25</sup>.

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<sup>19</sup>C. Han, H. Lee, *op. cit.*, p. 187.

<sup>20</sup>G. Meng, *China's Belt and Road Initiative and RMB Internationalization*, World Scientific, Singapore 2020, p. 274.

<sup>21</sup>See: *China's Belt and Road Initiative ...*, *op. cit.*, p. 36.

<sup>22</sup>It should be added that in June 2016, the first freight train from China to Poland arrived in Warsaw, for the first time bearing the "China Railway Express" logo. It was ceremonially received by the presidents of both countries: Andrzej Duda and Xi Jinping. For more on the PRC-Europe rail connections, see: J. Jakóbcowski, K. Popławski, M. Kaczmarski, *The Silk Railroad. The EU-China Rail Connections: Background, Actors, Interests*, OSW Studies No. 72, Warsaw, February 2018.

<sup>23</sup>For more see: *The Export-Import Bank of China Annual Report*, Beijing 2018, p. 56, 84.

<sup>24</sup>L. H. Ong, *Greasing the Wheels of Development. Rural Credits in China*, [in:] *Politics and Markets in Rural China*, ed. B. Alpermann, Routledge, New York 2012, p. 48 and next.

<sup>25</sup>See: *China's Belt and Road Initiative ...*, *op. cit.*, p. 18.

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### 3.4 Chinese Commercial State-Owned Banks

China's banking system is based primarily on domestic savings, an amount of which, at half of the PRC's GDP, has built the largest banking system in Asia by value<sup>26</sup>. This system belongs to the Rhine model, the general feature of which, unlike the Anglo-Saxon model, is its operation on banks (and not on financial institutions).

China's most important commercial state-owned banks include the China Industrial and Commercial Bank (ICBC), Bank of China (BOC), China Construction Bank (CCB) and the Agricultural Bank of China (ABC). These banks, along with the growing expansion of the country and the intensification of activities for the internationalization of renmbins, also undertake activities in the area of supporting the OBOR initiative. The Chinese Industrial and Commercial Bank co-finances a total of 212 OBOR-related projects for a total of USD 67.4 billion (with the prospect of further involvement of up to USD 159 billion), while the amount of loans provided to the Bank of China for OBOR by the end of 2017 was 100 billion USD. According to the quoted OECD data, the contribution of the Chinese Construction Bank to OBOR-related projects was much smaller (USD 10 billion).

The Agricultural Bank of China, compared to the above-mentioned Chinese state-owned commercial banks, is not seen as the key financial institution for the implementation of the OBOR project, a role that the PRC authorities have assigned to the Chinese Agricultural Development Bank, the above-mentioned government policy bank.

### 3.5 The Silk Road Fund

The Silk Road Fund, with an initial capital of USD 40 billion, was established in 2015 by four entities of PRC origin with total assets of USD 7 trillion. They were: the State Administration of Foreign Exchange (SAFE) with a 65% share, the state-owned property fund of the Chinese Investment Corporation (CIC) and the Chinese Export-Import Bank (EXIM) - 15% each, the Chinese Development Bank (CDB) - the remaining 5% share in the Fund<sup>27</sup>.

The fund is intended to perform functions similar to those of the International Finance Corporation (IFC), which is part of the World Bank Group. It is therefore expected to work for financial support to the private sector, and to provide investment and financial support under the OBOR initiative in the areas of infrastructure, natural resources, financial cooperation and industry. The assumption is that the Silk Road Fund is to take over the leading role of a public investor in relation to private entities, enabling the development of public-private partnership.

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<sup>26</sup>See: H. Chan, *op. cit.*, pp. 188-189.

<sup>27</sup>H. Chan, *op. cit.*, p. 186.

### **3.6 The China-CEE Investment Co-operation Fund**

The China-CEE Investment Cooperation Fund established in 2013 by the Export and Import Bank of China by the China-CEE Investment Cooperation Fund with a capital of 500 billion USD, of which 94% was held by a Chinese bank, the remaining 6% by a Hungarian bank, Hungarian Exim Bank. It should be added that the fund has a reserve credit line from Chinese commercial banks in the amount of USD 10 billion, and its goal is to support infrastructure investments in 16 countries of the Central and Eastern Europe region, with particular emphasis on Poland and investment value). A typical investment financed by the fund is expected to be between USD 10 and 70 million.

In 2017, the second China-CEE Investment Cooperation Fund II was established. It has an amount of USD 989 million and is particularly oriented towards Romania in the development of transport, energy, agriculture and industrial production.

The investments carried out by the Fund include: a wind farm in Poland (2015), support for the activities of a Czech company dealing with solar installations, co-financing of an educational group in Hungary in the field of globalization processes (Budapest Metropolitan University), investment in an industrial production plant in Hungary<sup>28</sup>.

## **4. Conclusion**

From a geopolitical point of view, the New Silk Road is an expression of the PRC's expansion, constituting a Chinese form of globalization, as well as a response to the new protectionism used by the Donald Trump administration. At the same time, from the point of view of the scope of the project, the number of countries involved and the area covered by cooperation, it is an unprecedented concept in the history of the world that connects several dozen countries within two corridors, sea and land.

According to the presented sources of financing for the One Belt, One Trail project, the presented hypothesis should be positively verified. The PRC has the potential to financially support the initiative. In addition, as indicated, many projects co-financed for the needs of OBOR are oriented towards general development support for societies by improving the quality of life (e.g., the national slum modernization project in Indonesia, the small historic town development project in Russia or the project to revitalize the capital of Sri Lanka), improve infrastructure connections, also in a strictly local dimension (e.g., the Batumi bypass project in Georgia or the Bangalore metro project in India), as well as through significant investments in environmental protection (e.g., the Putian offshore wind farm project and the rehabilitation of water resources in Chongzuo in the PRC). From 2020, there are also

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<sup>28</sup>See: *Deals done*, <http://china-ceefund.com>.

projects to combat the negative consequences of the global pandemic caused by COVID-19.

Summing up, it should be added that the implementation of the OBOR project, although extremely costly and time-consuming, is a significant opportunity to increase the level of economic and social development of the parties involved, which in turn will largely determine the efficiency of building individual corridors, as well as their final form one sea route and one common land route.

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