

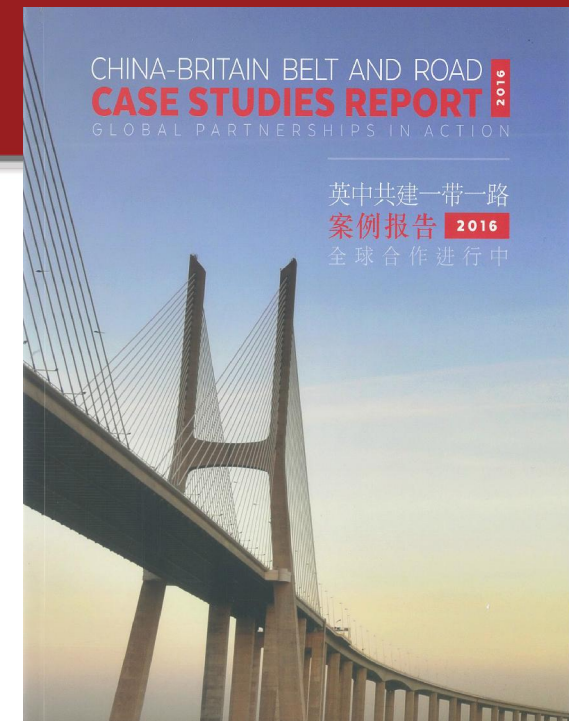
Belt & Road Initiative: Implications for UK-China Business



China-Britain
Business Council
英中贸易协会

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Confucius Institute for
Business London

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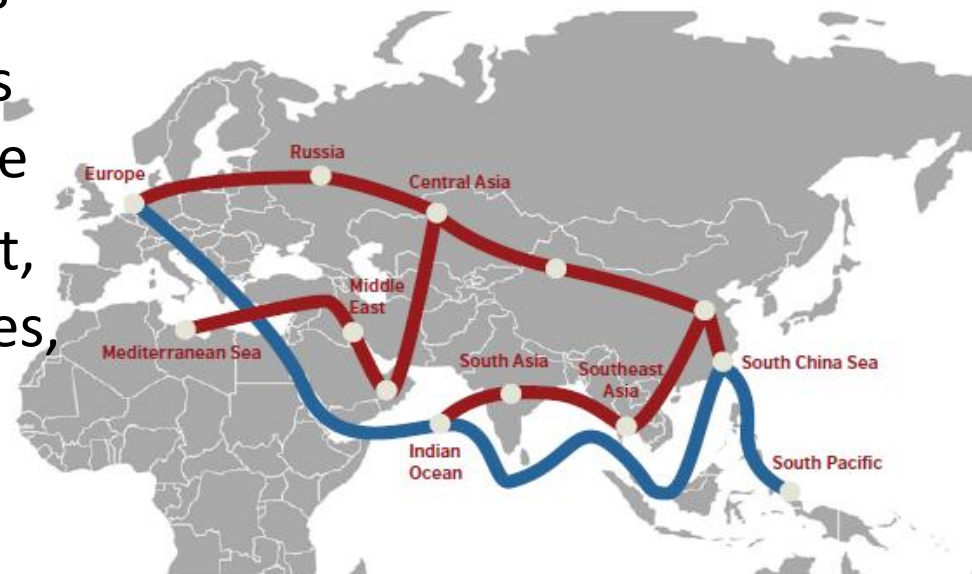


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Setting the scene

- Reinforcing and expanding existing trade routes & developing new ones
- Six corridors in over 60 countries covering 66% of the world population and 33% of the world's GDP
- Working with countries across routes to build & expand ports
- Investing in & building logistics hubs & transport infrastructure
- Connectivity through transport, supply-chains, energy resources, joint-investment and international trade
- Key financial centres: London and Hong Kong



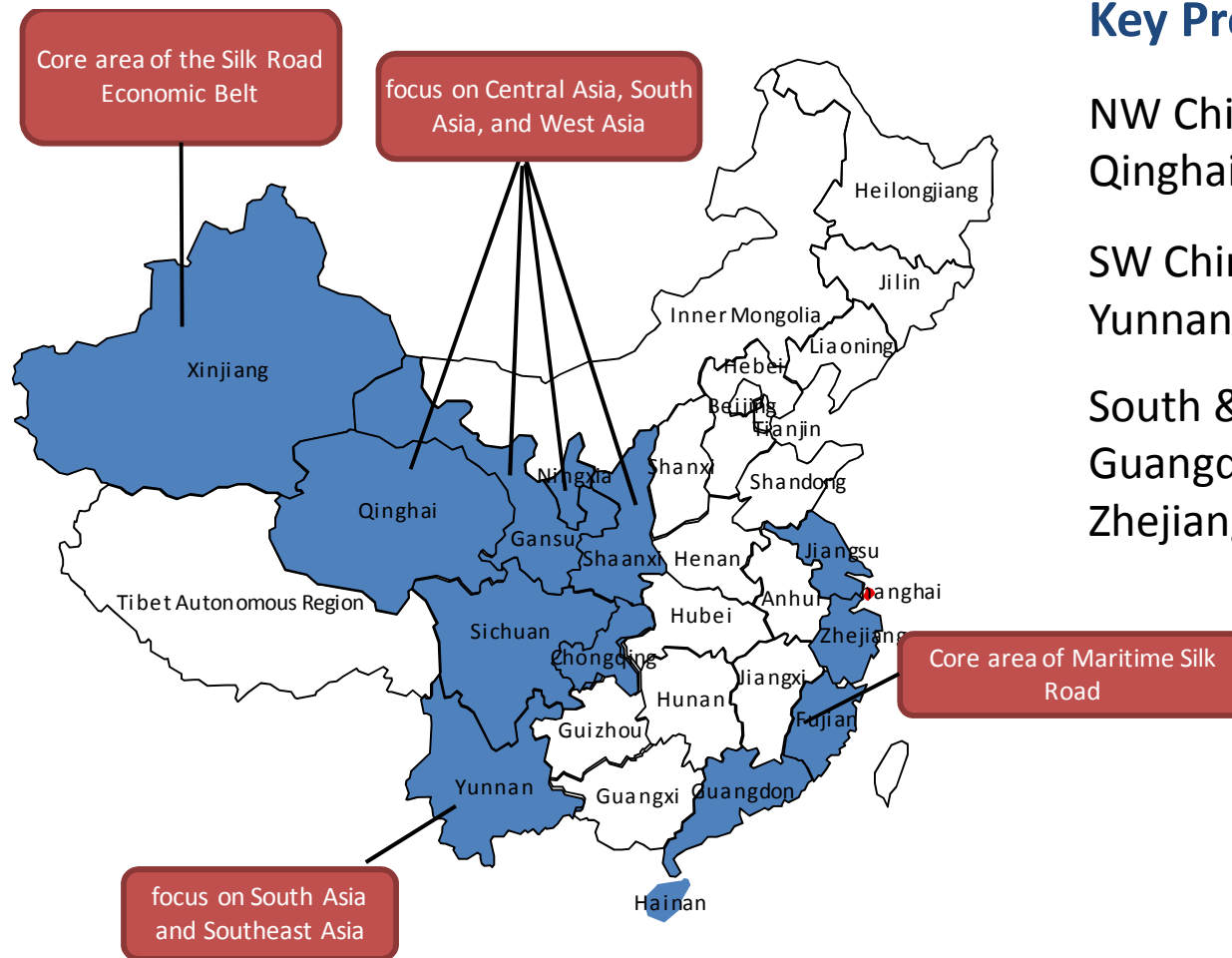
The blue route is the "21st Century Maritime Silk Road", and the red routes are the "Silk Road Economic Belt".

About CBBC

- 63 years' history
- 26 offices
- 1000 members
- Access. Network. Information.
- Day-to-day support
- CBBC's wider network
- Connectivity in Hong Kong



Identifying the Opportunity: in China



Key Provinces

NW China: Gansu, Ningxia, Qinghai, Shaanxi, Xinjiang

SW China: Chongqing, Sichuan, Yunnan

South & SE China: Fujian, Guangdong, Hainan, Jiangsu, Zhejiang

Identifying the Opportunity by Key Sectors



Infrastructure



**Finance & Professional
services**



Agriculture & Environment



**Advance Manufacturing &
Transport**



Energy & Resources



E-Commerce & Logistics



Healthcare & Life Sciences



Tourism



Creative & Culture

New Funding Sources

Asian Infrastructure Investment Bank

- Multilateral development bank (based in Beijing)
- UK a founding member of AIIB
- 57 other member countries. Signed bank's founding articles in June 2015
- Initial capital £65bn (China providing £20bn)

Silk Road Fund

- Around £30bn - mostly Chinese capital
- Financing projects in infrastructure, resources and manufacturing. Must include Chinese co-investor but open to international cooperation
- First project: Karot Hydro-Power Station (c. £1bn) on China-Pakistan economic corridor



What the UK has to offer



Infrastructure



**Finance & Professional
services**



Agriculture & Environment



**Advance Manufacturing &
Transport**



Energy & Resources



E-Commerce & Logistics



Healthcare & Life Sciences



Tourism

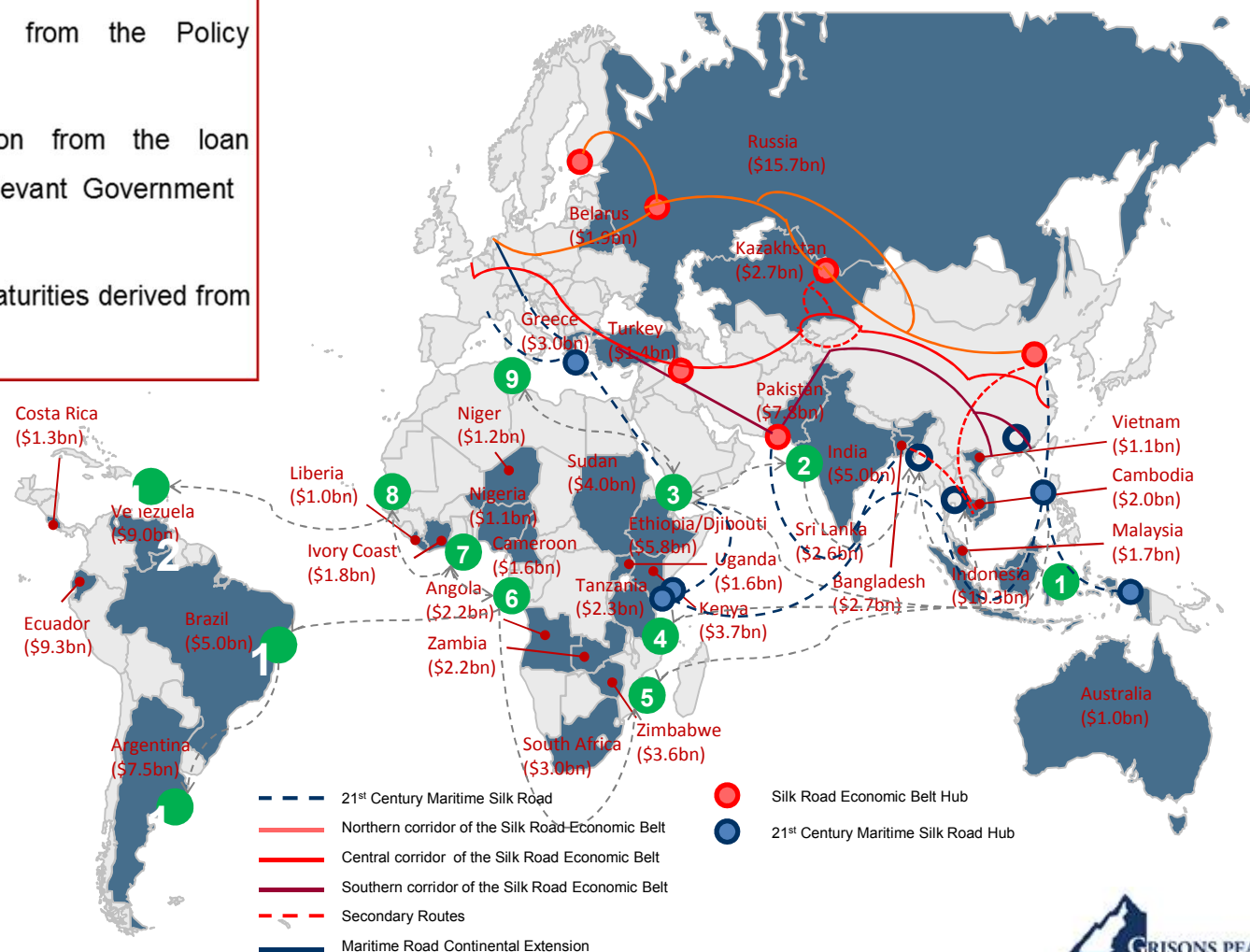


Creative & Culture

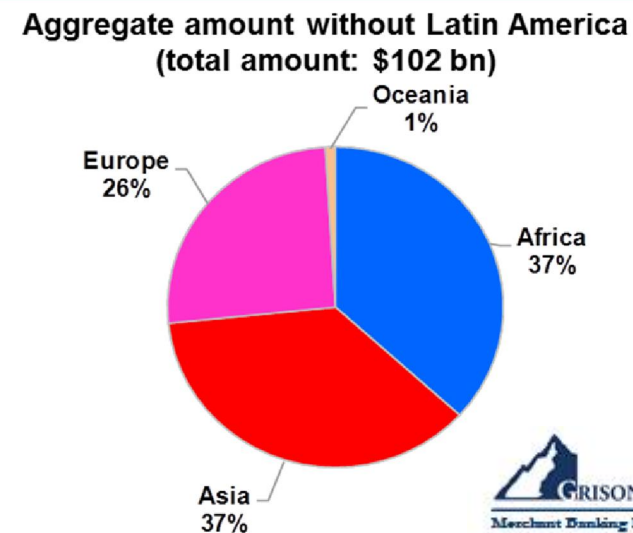
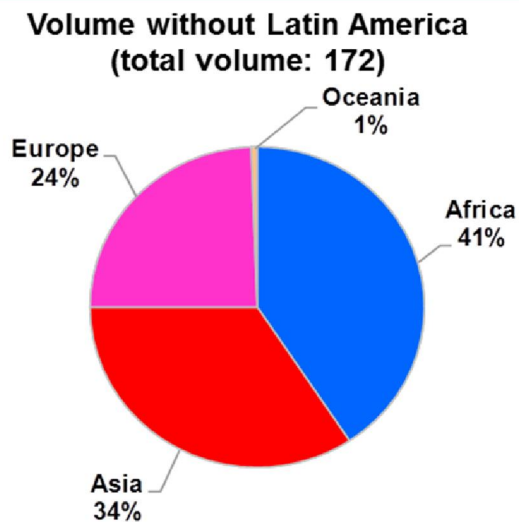
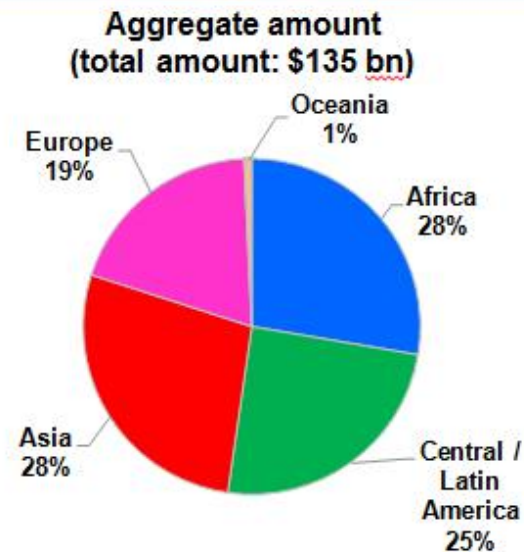
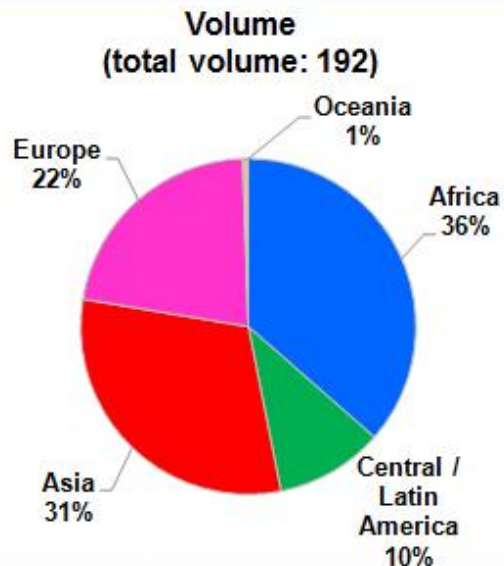
Countries with 2013–2015 aggregate amounts over \$1 billion

Methodology

- Written public verification from the Policy Bank/Chinese Government
- Separate written verification from the loan recipient, generally from relevant Government Cabinet Office
- Loan terms, interest rates, maturities derived from similar sources

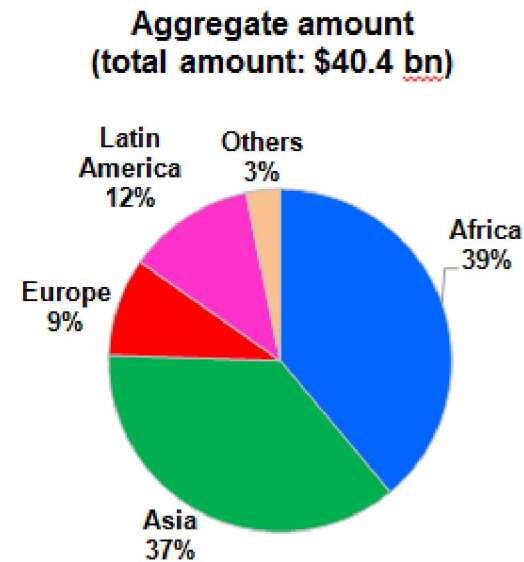
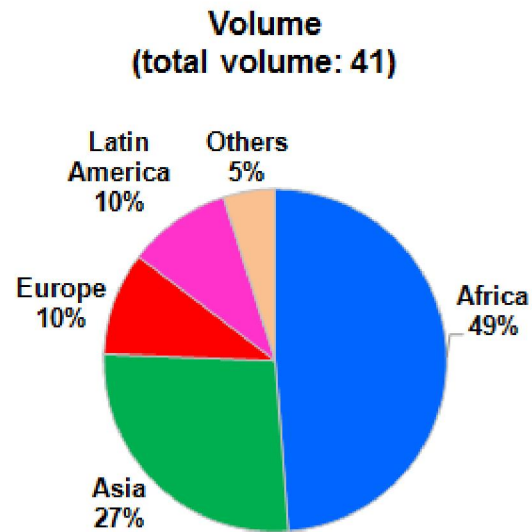


Policy Loans by Continent (2013 – 2015)



Individual Project Analysis

- Overall analysis in various financial press, undertaken a more granular approach to individual projects and related policy bank loans
- Each project file includes information on the loans, description of each project / phases of each project, updates until year end 2015 and quarterly updates during 2016, again using public sources, but with referenced footnotes
- To date, files on 35 projects involving 41 loans (21%) representing USD 40.4 billion (30%)



- Our goal is to build a database with multiple commercial uses as well as to serve as a longitudinal study of how OBOR/BRI was built over time

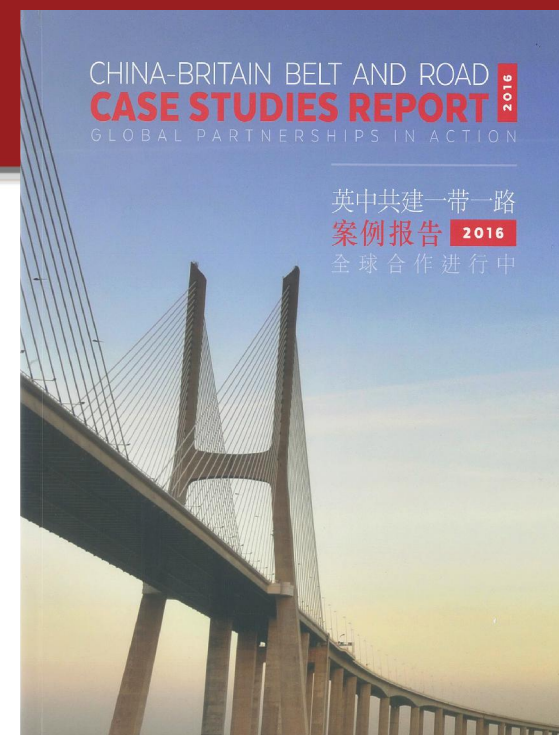
China-Britain Belt & Road Case Studies Report



China-Britain
Business Council
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清华大学
Tsinghua University



Case Studies: Financial Services

London Metal Exchange

- LME signed co-operation agreement for BRI involving the LME's current and prospective Chinese and UK members

Aims:

- Develop LME global commodity platform on BRI routes
- Achieve price convergence of Chinese commodities trade with global pricing
- Diversify commodity financing options for BRI projects
- Assist RMB internationalisation



Case Studies: Financial Services

HSBC

- HSBC offered export credit finance to support Chinese project to construct £170m power station in Bangladesh, helping Bangladesh government address power shortages

HSBC success due to:

1. Developing and maintaining long term relationship and investing in PRC businesses
2. Engaging a trusted local partner
3. Understanding of local practices and regulations



Case Studies: Energy & Infrastructure

Atkins

- Atkins work with Chinese partners and investors providing engineering consultancy services to companies on BRI infrastructure projects
- Atkins attributes its success to:
 1. Understand Chinese partner's vision and its business approach and challenges
 2. Draw upon Atkins global technical excellence completing skills
 3. Work in close collaboration. Maintain pragmatic, open and productive relationships

ATKINS



Energy and Infrastructure

BP

- BP has been successful in the construction and operation of the Rumaila oil field in Iraq, working with China National Petroleum (CNPC), Iraqi state-owned companies to create a joint venture
- Already 2.4 bn barrels of oil have been recovered and 17 bn barrels available for further recovery
- Expertise in the advanced technologies to maximise oil production, reservoir management, and supply chain contracting



Legal & Professional Services

Pinsent Masons

- Brought together an internal team of infrastructure experts from Beijing, Hong Kong, Singapore and Dubai
- Helped help secure deal of \$1.95 billion, project included development 2 coal mine in Pakistan
- Represented two companies, the mining company and the power company
- Project soon begin development



Legal & Professional Services

Linklaters

- Linklaters already advised Chinese companies on outbound projects in 70 countries
- Advised a consortium of local Pakistan and Chinese banks for a Pakistan coal mine project
- Also advised on a first BRI related bond issue
- Also assisting a number of Chinese companies in their investment deals in Eastern Europe

Linklaters



Conclusions

- BRI is a potential global 'game-changer'
- Long-term impact over 10-20 years
- Exciting collaboration opportunities inside & outside China
- Long-term impact on supply chains
- UK is a key partner for Chinese companies



Next steps

- Leveraging CBBC network and members
- Identifying the right partners
- CBBC Infrastructure & BRI group/alliance
- Engagement with government to government work
- Engage with and join our network
- Make best use of Confucius Institute for Business London services

Thank You

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