Chapter 13

The One-Belt-One-Road Initiative and Financial Innovation

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Abstract

The editorial board of the *International Economic Review* held a seminar, titled “Financial Innovation under One-Belt-One-Road Initiative,” on June 24, 2015, where participants discussed such topics as investment and financing mechanism and financial product innovation under the One-Belt-One-Road Initiative, the multilateral financial regulatory cooperation, and global financial governance. The following four articles are from four scholars who delivered speeches and engaged in dialogues at the seminar focused on the opportunities and challenges China faces as it pushes financial innovation against the backdrop of the One-Belt-One-Road Initiative.

How should China enable the critical regions involved in the One-Belt-One-Road Initiative to develop rapidly? How should its leaders advance domestic structural adjustments in China? How should they effectively improve China’s relationship with the countries along the route of the One-Belt-One-Road Initiative? How should the Chinese government further enhance an atmosphere of mutual trust with the US government to pursue development through cooperation instead of confrontation? The One-Belt-One-Road Initiative should have its own core values as well as platforms and mechanisms for dialogue. In addition, China should attach importance to financial infrastructure construction and promote industrial cooperation.

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Keywords

One-Belt-One-Road Initiative – global value-chain collaboration – financial innovation – financial infrastructure construction

1 Let Financial Innovation Pave the Road for the One-Belt-One-Road Initiative

Ding Yifan, research Fellow of the Development Research Center of the State Council, vice president of China Society of World Economics, focuses on three points of correlations between financial innovation and the implementation of One-Belt-One-Road Initiative.

First, the One-Belt-One-Road Initiative can stimulate economic growth. Nowadays, many people in China doubt the significance of the One-Belt-One-Road Initiative to China’s economy. They believe the investment risks for the initiative are too high, while the benefits cannot be guaranteed. But why should the Chinese government adopt the external development strategy of the belt and road? To understand China’s One-Belt-One-Road Initiative, we can start with the simplest data. From the end of 2001, when China entered the World Trade Organization (WTO), to 2009, one year after the eruption of the financial crisis, China’s economy developed quickly. Its enormous exports formed the foundation for this growth. For almost a decade, China’s exports maintained an annual double-digit increase, but it began to decline after the 2009 crisis.

In the past five years, China has made great adjustments in its economic structure, and it has diversified its exports. Besides exports to the traditional markets in developed countries, it has quickly expanded its exports to emerging economies.

China maintains the greatest growth in exports to emerging countries. When President Xi Jinping visited Indonesia, he retook the Bandung road and mentioned Asian-Africanism, indicating that China attaches importance to the development of economic and trade relations with these developing countries. However, the growth in the trade between China and these regions differs from traditional trade growth. China’s traditional export trade was simple because it involved developed countries that possess hard currency. In other words, China exported goods, and developed countries always paid for them in hard currency. Therefore, China’s foreign-exchange reserves increased dramatically. In contrast, China’s export to developing countries in Asia and Africa is linked to a corresponding investment. Only the largest countries that