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The Difference between Financial Support and International Capacity Cooperation under the "Belt and Road Initiative"

Ying LIU[1], Lei ZHENG[2], Junrong LIU[3]

Abstract

In recent years, the anti-globalization trend and populist forces has been undercurrent, especially the United States to implement protectionism and unilateralism policies, seek "US priority" interests, and suppress the development of China's high-tech industries. It is necessary to strengthen the "Belt and Road" capacity cooperation, give it a new mission to help countries along the line to participate in and reconstruct the international industrial chain and value chain, and play its positive role in promoting the high-quality development of China's economy in the fourth industrial revolution. To this end, it is necessary to provide strong financial support for the "Belt and Road" industrial cooperation, innovate financial support models, and establish and improve the "Belt and Road" industrial cooperation financial support system. This paper first introduces the status quo and financial support direction of international capacity cooperation under the Belt and Road Initiative, and the issue of capacity cooperation of the "Belt and Road Initiative" initiative. This paper proposes a differentiated analysis of international capacity cooperation based on industry complementarity, and finally gives recommendations on financial support for international capacity cooperation under the "Belt and Road Initiative". This paper provides a new impetus for the continued sluggish global economic growth, and provides new solutions and China programs for the current global economic and trade development dilemma and the maintenance of the status of the multilateral trading system.

Keywords: anti-globalization, financial support, Belt and Road Initiative, industrial cooperation, differentiated analysis, social risks.

[1] Center for Trans-Himalaya Studies, School of Eeconomics and Management, LeShan Normal University, Leshan, CHINA. E-mail: liu_yingg@126.com

[2] Center for Trans-Himalaya Studies, School of Economics and Management, LeShan Normal University, Leshan, CHINA. E-mail: leizhengmkx@163.com

[3] Center for Trans-Himalaya Studies, School of Economics and Management, LeShan Normal University, Leshan, CHINA. E-mail: john_ljr@163.com (Corresponding author)

Introduction

The international capacity cooperation under the "Belt and Road Initiative" is an important means to optimize China's industrial structure and promote healthy economic development. Carrying out international capacity cooperation is an important strategic measure for China to adapt to the new normal of the economy. It is also an inevitable choice for Chinese enterprises to actively adapt to the changing trend of economic globalization, participate in the international industrial division of labor, and utilize two markets and two resources (Gabusi, 2017). With the introduction of the national "Belt and Road" initiative in 2013, international capacity cooperation has become the key content of government work, an important choice for enterprise development, and a hot topic of social concern. Financial support is a key factor in international capacity cooperation under the "Belt and Road Initiative". Based on the status of international capacity cooperation under the "Belt and Road Initiative", this paper discusses the direction of financial support. This paper proposes the international capacity differentiation of credit support policy, development finance, and commercial finance complement each other integrates (Chen, Xu, & Yi, 2019). The international proposals for capacity cooperation financing channels broadened to promote the construction of an international capacity cooperation financial system.

Overcapacity is the main factor for restricting the healthy development of China's economy and society. It has become the main reference direction for China's supply-side structural reform and an important reference for economic policy formulation (Huang, *et al.*, 2019). At present, there are problems of overcapacity in some industries in China. How to solve this problem has become the key to optimizing the industrial structure, promoting industrial transformation and upgrading, and promoting the healthy development of the economy (Liu, & Shi, 2016). The "Belt and Road" development initiative put forward by General Secretary Xi Jinping provides a powerful platform for foreign cooperation in promoting international capacity cooperation. Under the guidance of the "Belt and Road Initiative", through international capacity cooperation with enterprises in countries along the line with high capacity and strong willingness to cooperate, it is possible to effectively transform the production capacity advantage into an inherent competitive advantage, enhance the international competitiveness of enterprises, and ultimately achieve mutually beneficial cooperation. Mutually beneficial and win-win is boosting a new round of economic growth (Ascensao, *et al.*, 2018). As an important driving force for economic growth, financial support has many advantages in promoting international capacity cooperation. It can provide credit support policies, financial innovation tools, and effective financial services for the construction of international production capacity mechanisms.

With the implementation of the "Belt and Road Initiative", China proposes to strengthen international cooperation to improve China's global capacity cooperation status, promote international capacity cooperation around the "Belt and Road", and combine China's mature practices to promote surplus through "differentiation" strategy. The production capacity cooperates with countries along the route to drive industrial upgrading along the line, thus building a mutually beneficial and win-win regional capacity cooperation of division system (Chhetri, *et al*., 2017). Therefore, the "Belt and Road" has important practical significance for the improvement of China's capacity cooperation division and industrial structure optimization, and the realization of regional capacity cooperation in the construction of high value-added links. In view of this, this paper analyses the construction basis of China's new regional capacity cooperation based on the change of China's capacity division and the value structure of high-end manufacturing industry, and analyses the impact mechanism and effect of the implementation of the "Belt and Road" initiative on the capacity building of new regions in China.

Literature Review

Related research to financial and international capacity cooperation

In 2013, the "Guiding Opinions of the State Council on Resolving the Contradictions of Severe Overcapacity" proposed that resolving the contradiction of serious excess capacity is the focus of the current and future period to promote industrial restructuring. In 2015, the "Guiding Opinions of the State Council on Promoting International Capacity and Equipment Manufacturing Cooperation" proposed to promote international capacity and equipment manufacturing cooperation, and increased financial support. In 2016, the "Guiding Opinions of the State Council on Adjusting Structures for Petrochemical Industry" proposed combining the "Belt and Road" initiative to develop international capacity cooperation and increase financial support. The State Council has issued a number of guidance documents that have all mentioned the views of increasing financial support for international capacity cooperation. Finance plays an important supporting role in strengthening China's international capacity cooperation with countries and regions along the line.

Domestic scholars have more research on financial services and international capacity cooperation. The first is the main path research on financial support to resolve overcapacity problems. Zhang (2017) believe that the comprehensive use of technological innovation, financial innovation and other related strategic measures can not only enhance industrial competitiveness, but also resolve excess capacity. Zhancang (2017) believes that financial support is the key to promoting international capacity cooperation. Wang (2017) believed that capital output would drive the output of production capacity, which will help promote the integration of industry and finance and realize China's advantageous production capacity. Liming, (2017) believes that an important prerequisite for promoting international capacity cooperation is financial support, and financial support methods must have selected in terms of choice. Considering the realization of national interests, we must also pay attention to the improvement of welfare in the partner countries or regions; Yilin (2017) believes that finance is the core of the modern economy and an important hub of resource energy, and should strengthen its support for international capacity cooperation. Bin, Ting, & Lingwei, (2018) believe that the promotion of international capacity cooperation must play the main advantage of financial support. The second is about the financial support to solve the problem of overcapacity research. China should participate in domestic infrastructure construction projects such as emerging industries and high-speed rail in the United States by holding US financial bonds and treasury bonds. Zihan (2017) believe that CDB is the experience of setting up an "Urban Construction Infrastructure Platform Company" in China is worth promoting, and it can build a national infrastructure investment and financing platform along the "Belt and Road". Jian, & Hao (2017) believe that by deepening the reform of the financing system and broadening the financing channels for "going out" enterprises, it can solve the problem of "funding difficulties" for domestic enterprises to participate in international cooperation. Haipeng, & Lingwei (2017) believes that in order to ensure the security of cooperation, China participates in enterprises. The BRICS National Bank, the Asian Investment Bank, and the Silk Road Fund should be preferred as cooperative financial institutions. Yu (2018) believe that in the cooperation along the "Belt and Road" countries, China should carry out more financial innovations instead of developed countries.

International capacity cooperation and financial support under the Belt and Road Initiative

At present, the overcapacity in some industries in China is not required to resolve through international capacity cooperation. First, from the perspective of international capacity cooperation industry, China's steel, nonferrous metals, building materials, railway, electric power, chemical, textile, automotive, engineering machinery, aerospace, and marine engineering industries have the leading advantages of international capacity cooperation. Second, from the perspective of cooperative market demand, some developing countries and regions have strong willingness to cooperate with China in international capacity. The market demand for satellites and other industries is more prominent. Third, from the perspective of international production capacity competition, China has a high level of construction, relatively mature technology, high quality, and low price in rail infrastructure construction, power project construction, petrochemical technology development, light textile manufacturing, and engineering machinery. Fourth, from the perspective of international capacity cooperation regions, it is mainly distributed in key countries along the "Belt and Road". These countries have established an international capacity cooperation mechanism with China, which can achieve multi-faceted complementarity of their national technology and capital, thereby strengthening infrastructure construction and upgrading (Tingting, Chunxue, & Lingwei, 2018). According to the statistics of the Ministry of Commerce, it mainly invests in Singapore, Malaysia, Laos, Indonesia, Pakistan, Vietnam, Russia, United Arab Emirates, and Cambodia.

As an important financial support for international capacity cooperation under the "Belt and Road Initiative", finance can take the international capacity cooperation industry, market demand, international production capacity competitive advantage, and international capacity cooperation area as the entry points. From a macro perspective, the first is to deepen the financial cooperation system and mechanism for international capacity cooperation under the "Belt and Road Initiative", and consolidate the regional financial financing and financial support of the Asian Infrastructure Investment Bank, the BRICS Development Bank, and the Silk Road Fund. The Asian bond market has made it easier and more efficient to exchange and settle bilateral currency exchanges and international settlements in the countries along the "Belt and Road". Second, cooperation market demand, international capacity competition advantage, international capacity cooperation region and other dimensions, strengthen the docking and coordination of financial institutions with relevant international cooperation, the domestic should rely on policy banks and development financial institutions to expand (Zhang, *et al.*, 2018). The financial international cooperation in the cooperation region will play a financing support for international capacity cooperation, allowing commercial financial institutions to innovate financial products for industries with high international production competitiveness and high demand for international cooperation market under the conditions of perfect risk control system. From a micro perspective, financial support mainly provides international credit policies and financing facilities, which participate in international capacity cooperation "going out", and conducts mortgages for foreign assets mortgage, equity, mining rights and other income rights, and participates in international capacity cooperation enterprises. China's large financial institutions can open branches and financial service outlets in countries along the "Belt and Road" to provide financing services.

At present, there is still a shortage of international capacity cooperation under the financial support for the "Belt and Road Initiative". First, China has done a lot of work on financial cooperation in international capacity cooperation under the financial support of the "Belt and Road" initiative. The national financial system along the "Belt and Road" is not as good as China's financial system, and it is much different from the developed financial systems such as Europe and the United States. This level of financial market development directly restricts the financial support base of international capacity cooperation. Second, the financial support for the "Belt and Road" initiative limited by the international capacity cooperation credit policy. The industries participating in international capacity cooperation are generally in overcapacity status in China, and the countries along the "Belt and Road" are superior in capacity. China's financial institutions have limited support for credit policies in industries such as steel and cement, and foreign assets are difficult to obtain (Zhang, Jin, & Shen, 2018). Mortgage loans make it difficult to break the problem of participating in corporate finance. Thirdly, although the countries along the "Belt and Road" have strong willingness to participate in international capacity cooperation, and there is a strong risk of exchange rate fluctuations. At the same time, their financial market development level is relatively low. Chinese enterprises use local financial institutions. Financing is difficult. In addition, the overseas branches of China's financial institutions are developed in Europe and the United States. The overseas branches established in the countries along the "Belt and Road" are relatively insufficient. They are still in the stage of business development in expanding financial instrument innovation and insurance business development.

Issues and obstacles in the "Belt and Road initiative" for capacity cooperation

According to the statistics of the Ministry of Commerce, China's foreign non-financial direct investment reached US$132.12 billion in 2014, of which direct investment flows to countries along the "Belt and Road" level were US$13.66 billion, accounting for only 11.1%. The investment reached at US$18.02 billion, of which direct investment in the countries along the "Belt and Road" was US$14.82 billion, accounting for a slight increase of 12.56%. At present, China's capacity cooperation with countries along the "Belt and Road" is still in its infancy, and there are problems such as small scale, difficult points, and high risks (Ehizuelen, 2017). Therefore, it needs to solve in the future "going out" practice. As of June 30, 2016, China has issued a joint statement with 56 countries and regional cooperation organizations to link the "Belt and Road Initiative" to form a layout covering Asia, Africa and Europe in *Figure 1*.

Figure 1: The "Belt and Road initiative" for capacity cooperation

The system and mechanism for promoting capacity cooperation are not perfect, and the support service system is lagging behind

Developed countries have already formed a relatively complete system of foreign investment promotion, policy support system, and public service system. China has just started, all aspects are incomplete, and some practices are still in the trial and error stage. Since the National Development and Reform Commission issued the "Measures for the Administration of Approval and Filing of Overseas Investment Projects" in May 2014, the Chinese government has gradually relaxed the overseas direct investment management system, except for a few sensitive investment countries and investment projects. In addition to the examination and approval, all other overseas investments have filed, and a number of unreasonable restrictions and charges have been cleared and cancelled. However, apart from reforming the pre-approval process, the post-regulatory mechanisms have not established in time. International capacity cooperation should adopt a cooperation mechanism of government promotion, enterprise-led, market operation, and project management, which still needs to be constructed and improved. In addition, the current policies to promote international capacity cooperation are scattered and fragmented, and the policy support is seriously insufficient. In particular, the overseas investment management system involving state-owned enterprises has been in the state of "putting" and "management", and it is still neither clear nor sound. The international capacity cooperation of support service is seriously lagging behind, and the information service network is not perfect (Gong, 2019). Although the business sector has related information services, the information is relatively lagging behind, and it cannot adapt to the complex and volatile market and industrial environment. The information classification is rough and it is difficult to serve the enterprise's foreign investment decisions. In addition, the statistical monitoring system of the company's international capacity cooperation is not perfect, it is not possible to grasp its investment and business information, which is not conducive to the central government's overall deployment and decision-making on international capacity cooperation, and it is difficult to issue risk warnings in a timely manner.

Foreign institutional environment and technical standards are very different, and Chinese enterprises should be inadequately prepared

Enterprises "going out" must face a different institutional environment. Domestic enterprises are faced with high risks due to insufficient preparation, unfamiliar with foreign business habits, legal environment, and lack of experience in international project operations. At present, the construction of China's "Belt and Road" has obvious characteristics of "government to government", focusing on the government or the ruling party, paying insufficient attention to the interests of national markets and local residents. Some cooperative countries have not adopted internationally accepted contractual clauses, which are more arbitrary and increase the risk of Chinese-funded enterprises implementing contracts. In addition, Chinese companies also need to deal with the problem of non-docking of technical standards for capacity cooperation. Many countries promote European and American industrial technology, mostly adopt European, American, Japanese and Korean standards, and even stipulate that they do not use Chinese standards. Because foreign institutional environment and technical standards are far removed from China, Chinese companies face difficulties in all aspects of international capacity cooperation, including the construction of land, minerals, transportation facilities and other supporting equipment for overseas projects.

The "going out" enterprises have not yet formed a synergy, and the internationalization capability needs to improve.

Chinese enterprises "going out" have not yet formed an effective foreign investment network and mutual demand network, and no synergy has formed. The internationalization of the financial industry is slow and limited, and it is difficult to effectively support Chinese enterprises to "go global". The preference and dependence of Chinese companies on overseas construction for foreign brands is not conducive to the development of international machinery by domestic construction machinery and technology equipment enterprises. In addition, Chinese companies have blind competition in some areas, which has damaged the overall interests. Chinese enterprises "going out" still have the problem of insufficient internationalization ability, which is more prominent in some industries. For example, the auto industry has yet to understand the characteristics and rules of the market in various countries. The self-protection ability of brand image maintenance, intellectual property protection, foreign party default liability, and anti-dumping litigation is insufficient. The construction machinery industry participates in overseas competition, but the key technologies and key points Equipment relies on enterprises in developed countries, and after-sales service has become an obvious constraint factor. Due to international overcapacity, low industrial technology level, poor international business negotiation capability, and narrow market, the investment is mainly concentrated in the upstream mineral resources development and midstream smelting. Multinational capacity cooperation involves various complicated factors such as national laws, exchange rates, accounting systems, etc. Enterprises can only be in the intricate international market if they have a complete team of personnel who are familiar with international market analysis, business rules, laws and regulations, investment and financing management, and project management. The problems encountered by Chinese enterprises in multinational capacity cooperation have largely related to the lack of an internationalized talent team, especially middle and senior management and technical talents.

The sovereign credit of countries along the line is low, and various types of risks will exist for a long time

Most of the countries along the "Belt and Road" belong to developing countries, with low levels of economic development and industrialization. Most countries have poor sovereign credit status. Most countries have sovereign credits at CCC-B level, and some countries have faced sovereign credit ratings since 2012. In connection with this, countries along the "Belt and Road" also have risks in politics, economy, society, environment, and health care.

1. *Political risks*. The "Belt and Road" involves many high-risk areas around the world. The situation in the region is tense, terrorism, extremist forces and cross-border crimes are concentrated in some countries. For example, there are countries with frequent wars such as Syria, Afghanistan, and Iraq, as well as sub-high-risk countries such as Iran and Pakistan. At the same time, many countries along the "Belt and Road" countries also face multiple contradictions such as leadership change, democratic political transformation, and ethnic conflicts. For example, due to the turmoil in Egypt, some Chinese companies in Egypt have stopped production or even divested; for example, both Greece and Mexico have re-examined the Chinese company's port acquisition plan for domestic political reasons or withdrew the Chinese company's high-speed rail winning results. According to the analysis of the Blue Book of China Enterprise Internationalization Report (2014), 25% of the 120 "going out" failure cases occurred between 2005 and 2014 were due to political factors, and 8% of investment projects were in the approval process. As a result of the failure of the host country's

political factions, 17% suffered losses due to political instability and leadership turnover in the host country.

2. *Economic risks*. For most countries along the Belt and Road Initiative, especially for developing countries, insufficient funding is a top priority. For example, Nigeria's annual electricity investment needs are $10 billion, while government investment is less than $1 billion. The rise of trade protectionism in some countries, tariff and non-tariff barriers, localized production policies for parts and components, and the preferential rate of special loans for banks produced by local factories have become common means of preventing foreign investors (Liu, 2018). In 2007, Russia, Belarus, and Kazakhstan established the Customs Union. From February 15, 2013, all products belonging to the Russian (Russia) White (Belarus) Kazakhstan (Kazakhstan) Customs Union certification, mandatory application for CU-TR Certification, the three countries also stopped issuing old GOST certificates, and instead applied for the issuance of CU-TR certificates, CU-TR certificate certification became the embarrassment to enter these national markets.
3. *Social risks*. The diversity of ethnic, cultural, linguistic, and religious beliefs in countries and regions along the "Belt and Road" poses significant challenges to the construction and operation of overseas projects by Chinese companies. This is combined with the "China threat theory" rendered by the Western media. The "Belt and Road" initiative is interpreted as the "Marshall Plan" implemented by the United States. It intentionally creates hostile awareness and greatly increases the transaction cost of China's external capacity cooperation.
4. *Environmental risks*. Although China's excess capacity is high-quality production capacity, it is not the elimination of backward production capacity. The transfer of steel, cement, building materials, chemical and other industries to countries with low industrialization is generally welcomed, but there are still huge environmental risks. Under the circumstances that the legal systems of some countries and regions still need to be improved, the business environment is not mature, the ecological environment is fragile, and the environmental awareness is poor, China's heavy chemical industry's multinational capacity cooperation should be alert to environmental disputes caused by luck.
5. *Health care risks*. Countries along the "Belt and Road" are also areas with frequent epidemics. In the context of the extremely complex global exchanges brought about by globalization, various infectious diseases have occurred from time to time, and many Chinese companies are still blank in project medical, health and health prevention programs, as well as epidemic prevention and occupational health. When an epidemic occurs, it often fails to respond effectively and timely, affecting the normal operation of the enterprise.

Differentiation research on international capacity cooperation

The "Belt and Road Initiative" focuses on key industries. Some scholars use the industrial comprehensive evaluation system to measure the industrialization process of countries along the "Belt and Road" and study the potential of cooperation with China in terms of different countries and industries; thus, although countries may be in different stages of industrialization. Some scholars have studied the complementarity among the countries along the "Belt and Road" and the potential for capacity cooperation. Some scholars have specifically studied the issue of multinational capacity cooperation in individual countries or industries. For example, by analyzing the geographical location of Poland and the level of economic development, it is believed that Poland can become a transit point for Chinese companies to explore the European market. Despite this, the existing research is still relatively rough and thin, and needs to deepen. The author attempts to calculate and analyze the industry complementarity index between China and the countries along the line, and then identify the key countries and key industries of the "Belt and Road" international capacity cooperation during the "13th Five-Year Plan" period to promote the deepening of this research. The formula for calculating the industry complementarity index is as follows. A country and B countries in the single industry complementarity index = A country shows the industry comparative advantage index × B country shows the industry comparative disadvantage index. A, B industry complementarity index = Σ (minutes Industrial weight × sub-industry complementarity index).

Among them, the display comparative advantage index of a certain industry in a country = (the country's exports of the industry or products / the total exports of the industry or products in the world market) / (the country's total exports / total exports of the world market). If the export data is replaced by import data, the display comparative advantage index of a certain industry in a certain country becomes a display comparative disadvantage index of a certain industry in a certain country.

If the industry complementarity index is greater than 1, it indicates that there is potential for capacity cooperation between the two countries. If the index is greater than 2, there is significant space for capacity cooperation. Conversely, if the index is less than 1, it indicates that there is insufficient space for capacity cooperation.

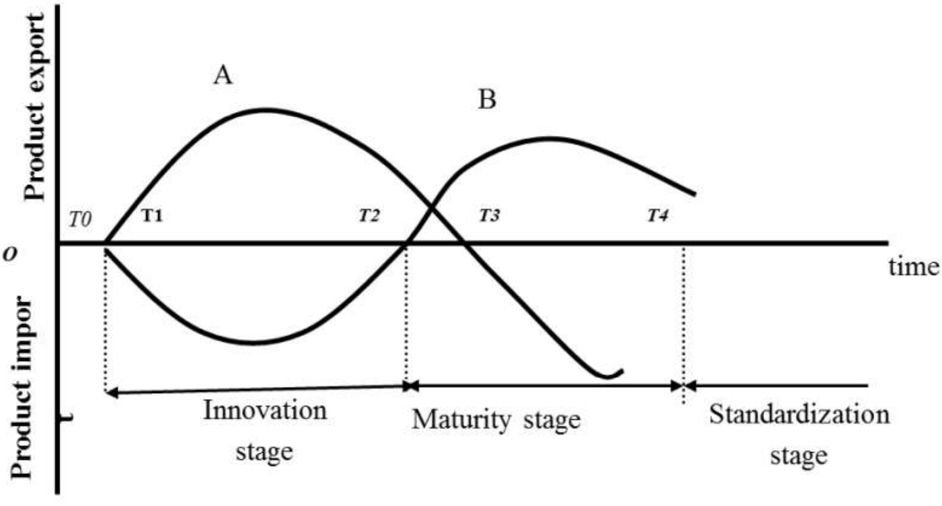

Figure 2: Industry Complementary Index in International Capacity Cooperation

The industry complementarity index can be calculated in two ways, namely, using the export of country A, the import method of country B, and the calculation of the import method of country A and the export mode of country B. The results of the two calculation methods reflect the potential of capacity cooperation between the two countries from different aspects.

According to the International Trade Standards Classification, international trade products are classified into 10 categories. In the SITC classification system, SITC 0-9 are food and live animals, beverages and tobacco, non-edible raw materials (excluding fuel), fossil fuels, lubricants and related raw materials, animal and vegetable oils and fats, chemical products and related products. Products, finished products classified by raw materials, machinery and transportation equipment, miscellaneous products, and unclassified goods. Based on the availability of data, the author estimates the industry complementarity index between China and 46 countries along the “Belt and Road”, calculated on the basis of China’s exports, foreign import side (CXFI) and China’s imports, and foreign export side (CIFX).

Table 1: China's capacity cooperation index with countries along the "Belt and Road"

Industry	Number of partner countries	Capacity cooperation complements the top 10 countries
SITC0+1 Food & Livestock, Beverages, Tobacco	5	Yemen(1.51). Montenegro(1.46). Maldives(1.16). Armenia(1.01). Egypt(1.0). Jordan(0.94). Azerbaijan(0.9). Bosnia(0.88). Brunei. Lebanon
SITC2+4 non-food raw materials, animal and vegetable fats	1	Pakistan(0.45), Nepal(0.42), Egypt(0.34), Bulgaria(0.32), Turkey(0.29), India(0.29), Oman(0.22), Slovenia(0.22), Indonesia(0.19), Georgia(0.17)
SITC3 fossil fuels, lubricants and other raw materials	1	India(0.19), Singapore(0.15), Pakistan(0.15), Belarus(0.14), Maldives(0.14), Ukraine(0.13), Jordan(0.13), Mongolia(0.13), Indonesia(0.12), Lithuania(0.12)
SITC5 chemical products and related products	1	Slovenia(0.85), Serbia(0.78), Pakistan(0.75), Poland(0.73), Turkey(0.73), Ukraine(0.69), Croatia(0.67), Romania(0.67), Lithuania(0.65)
SITC6 sorted by raw materials	44	Cambodia(4.47), Sri Lanka(2.90), Israel(2.59), Nepal(2.48), Bosnia and Herzegovina(2.44), Romania(2.31), Armenia(2.26), Azerbaijan(2.23), Mongolia(2.18), Egypt(2.11)
SITC7 Mechanical Transportation	26	Slovakia(1.96), Russia(1.90), Hungary(1.85), Czech Republic(1.85), Saudi Arabia(1.84), Malaysia(1.81), Singapore(1.76), Kazakhstan(1.74), Philippines(1.73), Kuwait(1.67)
SITC8 Miscellaneous Products	37	Cambodia(3.36), Kuwait(2.9), Montenegro(2.68), Croatia(2.63), Slovakia(2.57), Russia(2.44), Kazakhstan(2.36), Brunei(2.2), Czech(2.08), Poland(2.06)
SITC9 Unclassified goods	0	Afghanistan(0.35), Albania(0.24), Yemen(0.18), Turkey(0.10), Serbia(0.06), Latvia(0.06), India(0.05), Estonia(0.05), Hungary(0.036), Nepal(0.03)

Based on the China's export and foreign import side (CXFI) industry complementarity index (Table 1), China's key industries for capacity cooperation are mainly concentrated on finished products (SITC6), miscellaneous products (SITC8), and machinery and transportation equipment. (SITC7), the number of countries with the above industry complementarity index greater than or equal to 1 is 44, 37, and 26 respectively. Finished goods and miscellaneous products classified by raw materials are labor-intensive products. China's industries along the "Belt and Road" countries have significant complementarity in such products, and the top 10 countries have indices greater than 2. Machinery and transportation equipment are capital- and technology-intensive products. The index of the top 10 countries is in the range of 1.5- 2, and the industry complementarity between China and the countries along the line is obvious. In addition, food and live animals, beverages and tobacco (SITC0+1) are primary products, and only five countries have an industry complementarity index greater than 1, and the capacity cooperation potential of such industries needs to be further developed.

Based on China's import and foreign export side (CIFX) industry complementarity index (Table 2), the key industries for capacity cooperation are concentrated in primary products, including non-edible raw materials (except fuel), animal and vegetable oils and waxes (SITC2, SITC4). For fossil fuels, lubricants and related raw materials (SITC3) and food and live animals, beverages and tobacco (SITC0, SITC1), the number of countries with an industry complementarity index of 1 or higher is 40, 13, and 10 respectively. Strengthening capacity cooperation with countries along the "Belt and Road", especially Kuwait, Saudi Arabia, Russia and other countries in these industries, can effectively alleviate China's energy supply and ensure energy security. In addition, based on the CIFX side calculation, labor-intensive products are also key industries for capacity cooperation, including finished products classified by raw materials (SITC6) and miscellaneous products (SITC8). The number of countries with an industry complementarity index greater than or equal to 1 is 16, respectively. The countries along the "Belt and Road" have abundant labor resources, especially India and Turkey. The cooperation in capacity production of finished products and miscellaneous products classified by raw materials can effectively alleviate the economic pressure brought about by the current increase in labor costs in China and achieve cooperation.

Table 2: China's capacity cooperation index with countries along the "Belt and Road"

Industry	Number of partner countries	Capacity cooperation complements the top 10 countries
SITC0+1 Food & Livestock, Beverages, Tobacco	10	Maldives, Armenia, Georgia, Montenegro, Sri Lanka, Ukraine, Nepal, Jordan, Serbia, Pakistan
SITC2+4 non-food raw materials, animal and vegetable fats	40	Mongolia, Indonesia, Ukraine, Montenegro, Armenia, Latvia, Bosnia and Herzegovina, Georgia, Lebanon, Malaysia
SITC3 fossil fuels, lubricants and other raw materials	13	Kuwait, Azerbaijan, Brunei, Saudi Arabia, Yemen, Kazakhstan, Oman, Russia, Belarus, Indonesia
SITC5 chemical products and related products	8	Jordan, Israel, Slovenia, Egypt, Belarus, Lithuania, Singapore, India, Thailand, Croatia
SITC6 sorted by raw materials	16	Nepal, Pakistan, Israel, Ukraine, Armenia, Turkey, Montenegro, India, Bosnia and Herzegovina, Bulgaria

SITC7 Mechanical Transportation	12	Slovakia, Philippines, Czech Republic, Hungary, Singapore, Thailand, Romania, Poland, Malaysia, Slovenia
SITC8 Miscellaneous Products	7	Cambodia, Sri Lanka, Orgonia, Bosnia and Herzegovina, Pakistan, Jordan, Turkey, Croatia, Lithuania, Romania
SITC9 Unclassified goods	11	Afghanistan, Albania, Kyrgyzstan, Lebanon, Singapore, Latvia, Oman, Yemen, Estonia, Armenia

Based on the above analysis, combined with the scale of import and export, we can see the key countries in China's capacity cooperation (*Table 3*). It is not difficult to see that China and the countries along the "Belt and Road" have broad space for capacity cooperation. The focus of international capacity cooperation during the "13th Five-Year Plan" period focuses on the following aspects: cooperation with raw materials in countries with abundant natural resources. It also develops cooperation with finished products classified by raw materials; cooperates with labor-intensive industries in labor-rich countries; cooperates with oil and gas-rich countries in oil and gas production; and most countries with lower industrialization levels than China Cooperation in the production of primary products, machinery and transportation equipment, and miscellaneous products.

Table 3: "Belt and Road" capacity cooperation key countries

Industry	Countries
SITC0+1 Food & Livestock, Beverages, Tobacco	Vietnam, Ukraine
SITC2+4 non-food raw materials, animal and vegetable fats	Mongolia, Indonesia, Ukraine, Malaysia, Thailand, India, Russia
SITC3 fossil fuels, lubricants and other raw materials	Kuwait, Saudi Arabia, Russia, United Arab Emirates, Qatar,
SITC5 chemical products and related products	Slovenia, Serbia, Pakistan, Poland, Turkey, Ukraine, Croatia, Romania, Lithuania
SITC6 sorted by raw materials	India, Turkey, Indonesia, Vietnam, Pakistan, Romania, Egypt, Saudi Arabia, Czech Republic, Poland, Slovakia, United Arab Emirates, Hungary, Malaysia, Israel, Ukraine
SITC7 Mechanical Transportation	Singapore, Russia, Malaysia, Thailand, India, Poland, Saudi Arabia, Czech Republic, Turkey, Indonesia, Vietnam, United Arab Emirates, Philippines, Kazakhstan, Romania, Israel
SITC8 Miscellaneous Products	Russia, Saudi Arabia, Thailand, Turkey, Malaysia, Vietnam, Pakistan, United Arab Emirates, Cambodia, Singapore

It should be noted that in addition to the above-mentioned “Belt and Road” countries, some countries also have significant potential for capacity cooperation with China. They are either labor-rich countries (such as Bangladesh) or oil and gas. Countries with abundant primary products, rich oil and gas resources (such as Myanmar, Turkmenistan, Iraq, Iran.) have already carried out relevant capacity cooperation with China (such as Tajikistan, Uzbekistan). The core of international capacity cooperation is the cooperation between industry and investment. China cooperates with the host country to build infrastructure and production lines. China provides technical, management, and financial support, and develops local markets with the host country, which is including development with developed countries. From the perspective of foreign economic development, it is a shift from product output to industry and capital output. Promoting international capacity cooperation, the financial support system plays an important role. First, corporate financing capabilities directly determine the competitiveness of the international market. Most of the international capacity cooperation projects are capital-intensive, with large investment and long period. Whether enterprises can obtain financing support directly affects the investment decisions of enterprises. In the initial stage of the project, whether or not to obtain equity financing is an important factor for enterprise investment consideration. In the project promotion stage, direct or indirect financing of enterprises is the blood to ensure the smooth progress of the project. At the end of the project, the withdrawal of project funds is the final income of the enterprise. Second, preferential financing conditions require a financial support system to achieve. The key countries for international capacity cooperation are often emerging market countries such as Asia, Africa, and Latin America. These countries have limited financial resources and are sensitive to interest rates, loan quotas, and repayment periods. Concessional financing conditions are often the focus of negotiations. In order to obtain favorable financing conditions, it is necessary to effectively utilize the two domestic and international markets and resources, and comprehensively play the role of policy, development, and international preferential loans to achieve effective links between different capital forms, financing methods and financial markets. All need an efficient financial service system. Financial services include financing, investment, credit, settlement, securities, insurance, and evaluation. These areas are interrelated and interact, and financial innovation is fostered in the crosscutting role of different financial services. The international capacity cooperation requires a full range of financial services. It also needs to consider the development environment of different countries. The situation is more complicated. It needs more targeted exploration and innovation.

Financial support for the international production capacity cooperation under the "Belt and Road Initiative" initiative

The first is to implement the international differentiation of credit support policy. At present, China's financial regulatory authorities impose strict control over corporate credit for backward production capacity and some overcapacity industries, and compress requirements for backward production capacity loans. These requirements also constrain the financial needs of international capacity cooperation. At the design level of the credit policy supervision system, further optimize and implement the credit supervision, credit policy differentiation, and the credit support for the backward overcapacity industries with poor cooperation is expected to be limited. Enterprises in the production capacity industry should give credit policy support, support credit financial support measures, and focus on solving financial services such as funds in the process of participating in international capacity cooperation. Financial institutions can reasonably match financial resources under the conditions of risk control, and exert the advantages of credit support differentiation because of compliance supervision. Second, policy finance can make comprehensive judgments based on country risks and market risks, and determine key support areas for international capacity cooperation along the "Belt and Road". Relying on the development financial organizations such as the World Bank, the BRICS Bank, the Asian Investment Bank, and the Silk Road Fund, we will use the guiding role of the "Belt and Road Initiative" policy, combined with market-oriented mechanisms and macro-control policies to guide major infrastructure projects for international capacity cooperation. Construction investment to make up for the long-term international capacity cooperation financial credit business that commercial finance cannot or will not undertake, create an international capacity cooperation financing platform, and continue to promote the solution of international capacity cooperation financing. As an organic supplement to policy finance and development finance, commercial finance should focus on combining business risk and exchange rate risk, relying on the allocation of financial resources and the layout of financial institutions in countries along the "Belt and Road". The financial risk assessment and credit evaluation system for international capacity cooperation, and rationally determine financial support projects or cooperative regional industries according to the credit and credit risks, and increase support for infrastructure construction and "going out" of superior production capacity, thereby effectively the financing cost of the enterprise will achieve cooperation and win-win.

The third is to promote financial innovation and broaden international financing channels for capacity cooperation. In addition to the demand for credit funds, Chinese enterprises participate in the international capacity cooperation under the "Belt and Road" initiative. What is more important is the convenience of financing channels. This requires innovation in financial services, financial instruments, and financial system. In terms of financial service innovation, it is necessary to provide convenient and efficient green channels for enterprises participating in international capacity cooperation. In terms of the financial system, the financial system development level of international capacity cooperation countries under the "Belt and Road Initiative" initiative should be carried out, and the financial system arrangement for international capacity cooperation should be considered. It is necessary to consider the cultural habits, political risks, and financial market perfection of the partner countries. The degree must be in line with the strategic needs of China's international capacity cooperation.

The fourth is to strengthen international financial cooperation and promote the construction of an international capacity-cooperative financial system. Most of the countries along the "Belt and Road Initiative" are in the stage of economic development, the financial system is relatively imperfect, and the financial infrastructure is relatively lagging behind China (Heng, *et al*., 2018). China's financial industry can rely on a relatively mature financial system to strengthen financial cooperation, and gradually improve the level of financial services supply with international capacity partner countries, help them improve their financial infrastructure through cooperation and win-win, which build mature offshore finance. The market is relying on this to build an international capacity-cooperative financial system, including cross-border financing guarantees, RMB and the currency exchange convenience of the partner countries, financial system coordination, supervision and exchange and cooperation.

Conclusion

In the "13th Five-Year Plan" and even in the longer period, it is of great significance to promote the "the Belt and Road" capacity cooperation, which is conducive to promoting domestic economic development and industrial transformation, which is conducive to promoting a new round of high-level international competition. The advantages are also conducive to deepening mutually beneficial cooperation with countries along the "Belt and Road". The coordination of financial regulatory authorities along the countries and regions improves the policy coordination of financial services, and gradually establishes an effective regulatory information consultation and coordination mechanism. In order to cope with investment and financing risks, we should actively build a regional financial risk early warning system, form a cooperative exchange mechanism to deal with cross-border risks and crisis management, accurately detect and analyze infrastructure construction projects, identify potential risks in a timely manner, and maintain infrastructure project financing. The rights and interests of all parties will jointly ensure the financial security and economic security of infrastructure projects. International capacity cooperation is fundamentally a spontaneous market behavior of enterprises. However, due to the different political, cultural, social, and economic conditions of different countries, there are many uncertain factors and risks, and the necessary policy guidance will help to play the scale of China's foreign exchange reserves. In the future, policy-based development finance will continue to play an important role in promoting international capacity cooperation. First, the use of foreign exchange reserves to expand sovereign investment funds will not only enhance the long-term operational capabilities of capital, but also enhance the comprehensive competitiveness of related industries. Second, the Asian Investment Bank, CDB, and the Export-Import Bank will lead overseas investment of financial institutions, improve the PPP (Government and Social Capital Cooperation) model, the interest distribution mechanism between policy-based development finance and private capital helps to stimulate the vitality of private capital.

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