

New fund finances modern Silk Road- By Li Xiang(China Daily) (2014-11-07)

New Fund Finances Modern Silk Road

- China has established a fund to finance infrastructure projects along the Modern Silk Roads.
- The fund will be used to support building of infrastructure including transportation, utilities and telecommunications in countries along the Silk Road economic belt and maritime route.
- The initial capitalization is about \$10 billion and will expand to \$50 billion without any maximum cap.
- It will be backed by the People's Bank of China, the Ministry of Finance and the country's development banks.
- More than half of the fund will come from China's foreign reserves.
- A detailed timetable, road map and list of initial projects for the fund will be drafted soon.
- The purpose of the projects: to improve people's livelihoods in the region.
- The relationship of that bank and the Silk Road fund with other global and regional financial institutions is complementary.

The Background of the Fund Establishment

- Asian Infrastructure Investment Bank:
 - In September, Asian Infrastructure Investment Bank was built, designed to finance infrastructure capabilities in the region.
- New Silk Road plan:
 - It was first raised during Xi's visits to Kazakhstan and Indonesia last year.
 - It comprises:
 - ◆ a land-based economic belt starting from Xi'an through Urumqi and stretching to Central Asia, the Middle East and Europe;
 - ◆ a maritime route that goes from Guangdong province via the Strait of Malacca and reaches the Horn of Africa before entering the Red Sea and Mediterranean.

Comments on the New Fund

- A major step forward under a national strategy to revive the trading routes connecting Asia and Europe.
- It is a sign of China's ambition to seek further integration of the global economy and to promote a well-built and connected Eurasian economic circle.
- It is a sign of a shift in China's development strategy from focusing on attracting foreign investment to exporting capital and goods to foreign markets.
- The fund will help accelerate China's economic transition at home while creating a solid financial foundation to improve regional trade and investment.

1. Source: http://usa.chinadaily.com.cn/china/2014-11/07/content_18881156.htm

