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HAN KUN LAW OFFICES

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One Belt One Road

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One Belt One Road

Background

- One Belt One Road (“OBOR”) was first promulgated by President Xi Jinping in September and October of 2013 during his visits to Kazakhstan and Indonesia, respectively. It calls for the countries along and beyond the historical Silk Road to work together to achieve common prosperity and political stability.
- To many ears at first, OBOR sounded too grand and ambitious to be realistic, but it resonates with the region’s history and its current political and economic reality.

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- China's economic success and political stability are partly due to massive investment in the country's infrastructures and industries, which have created long-term employment and improved quality of life across the country.
- By comparison, many other Asian countries, particularly those along the historical Silk Road, have fallen behind in their infrastructures, which is a hindrance to their economic development and political stability. This imbalance will affect China as well.

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- The Chinese always believe that the beauty of a single flower won't last long and that it takes a garden to call it spring. This belief is deeply rooted in China's history and in people's collective memory.
- OBOR is a modern iteration of this historical belief.
- Despite its cool reception at the beginning, OBOR has quickly gained traction, politically and economically, among countries both along and beyond the historical Silk Road.

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- This is evidenced by statements made by the various governments in support of OBOR and by the substantial investments already made to finance and construct OBOR since 2013.
- The enthusiastic support for Asia Infrastructure Investment Bank (AIIB), which has 70 member states to date, is another example of endorsement of OBOR by the international community.
- Started as a Chinese initiative, OBOR is fast becoming a platform for common prosperity.

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- Recently, the Brexit and the American anti-globalization rhetoric have caused so much anxiety around the world about where the future will be. Paradoxically, however, they have energized the rest of the world to embrace new initiatives for globalization. OBOR has thus gained new support and new popularity worldwide.
- In May 2017, China will host in Beijing the first ever international conference on OBOR. Many heads of state are expected to attend. It is also expected that the conference will generate new support from conference participants in terms of favorable legislations, additional resources and establishment of domestic institutions for the development of OBOR.

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Capital Needs

- The warm reception of OBOR is largely due to the realization that connectivity is paramount for economic success in today's global economy and the magnitude of capital needed to rebuild the historical Silk Road is too large for any single country to fulfill.
- According to a report published by Asian Development Bank (ADB) in 2009, Asia alone would require US\$ 8 trillion to build and upgrade its infrastructures between 2010 - 2020.
- The OBOR initiative is only four years old, but the institutional framework, both political and economic, has already been set up for its implementation. It includes institutions both old and new.

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- Politically, it includes The BRICS Organization; The Shanghai Cooperation Organization; The G20.
- Economically, it includes AIIB; BRICS Bank; Silk Road Fund; China-African Fund; China-Latin American Fund.
- As protectionist sentiment gathers momentum in many parts of the world, China and other countries endorsing OBOR are increasingly viewed as new champions of globalization.

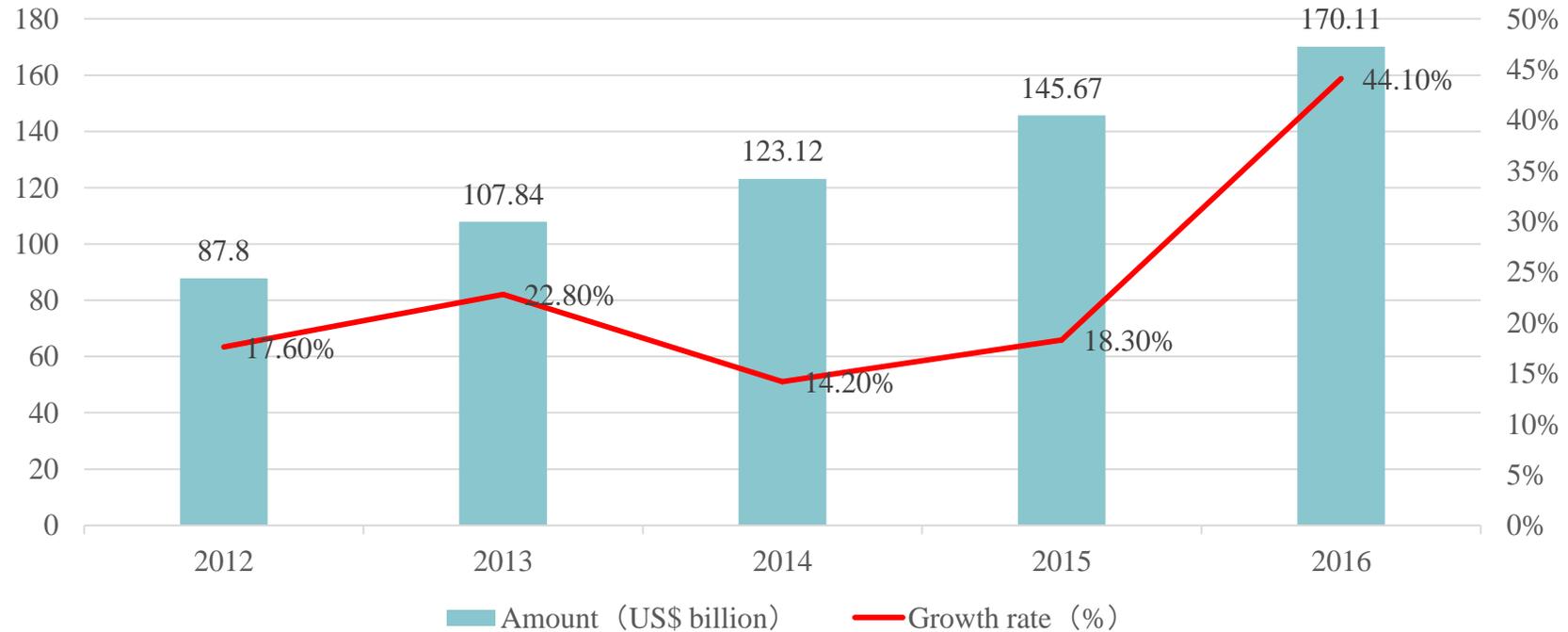
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China's Outbound Investments

- The OBOR initiative coincided with the explosive growth of China's outbound investments. As of 2016, outbound investments by Chinese companies exceeded, for the first time, inbound investments by foreign companies.

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China's Outbound Investment in Recent Years



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- Although recent capital control by the Chinese government may affect OBOR initiative, the fundamentals beneath the drive remain unchanged:
 - China's manufacturing capacity and large foreign currency reserve need to find new outlet;
 - China continues to depend heavily on foreign natural resources (such as oil and gas, minerals);
 - Chinese companies increasingly look to foreign markets for growth and upgrade;
 - Countries along the historical Silk Road can benefit and compliment OBOR initiative.

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Role for Lawyers

- The explosive growth of outbound investments and other economic activities by Chinese companies have also met challenges.
- For one thing, the speed and rate of growth of the outbound investments outstrip the preparedness and talent reserve of many Chinese companies.
- 40 years ago, most Chinese had never even met a foreigner in their entire life. Now, millions are doing business outside of China on any given day.

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- But, the fact that they are abroad does not necessarily mean that they understand the language, custom, history, culture and political system of those countries. The experience of the past 10 years confirms that Chinese companies still have a long way to go before they are fully accepted by their host governments and peoples.
- Another point to bear in mind is that the success of Chinese companies at home does not always translate into success in other countries.

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- For example, the government plays a much more important role in China's economy than in many other countries. As a corollary, Chinese companies are accustomed at home to engage the government for purposes of protecting their rights and advancing their interests.
- As a general rule, Chinese companies are much less experienced and skillful than their foreign counterpart in dealing with law and the legal institutions which tend to play a much bigger role in many foreign countries.
- Not surprisingly, at many Chinese companies legal spend is approved on an ad hoc basis rather than being dealt with in the regular budgetary process.

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- Once abroad, many Chinese companies find (uncomfortably) that government assistance is often not available or inadequate. This forces them to rely on law and legal documentation to protect their rights and interests, something they do not always trust or rely on at home.
- As far as China is concerned, many OBOR participants are based in Beijing. They include EPCs, sponsors and financiers.

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Where to Begin

- Many institutions which help implement OBOR, such as AIIB, Silk Road Fund, China-African Fund and China-Latin American Fund are also based in Beijing.
- Han Kun and its lawyers have been counsel to many of them in various OBOR projects or related activities.
- Han Kun and most other Chinese law firms do not have geographic coverage to serve these clients all by themselves. Cooperation is the only way and right way to get the job done.

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- Questions.



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