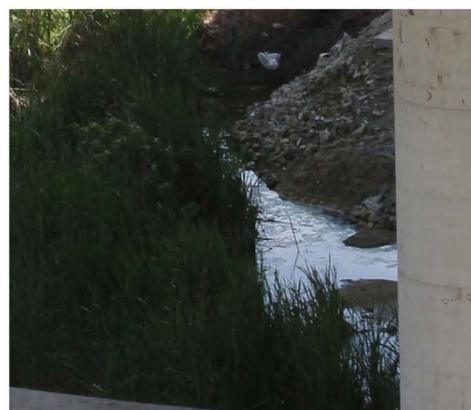




Trade Focus Report



PACIFIC TYCOON

Funding the Growth of the Silk Road

Over the last twelve months, the Trade Focus Reports have featured and analysed the impact of a range of infrastructure projects being developed in China and also around the world. From renewable energy parks, tourist attractions and ports in China to global transport infrastructure, this series of monthly reports has shown how these mega-projects have supported China's economic performance and international trade connectivity.

The very first Trade Focus Report studied the Silk Road infrastructure; a network of road, rail and shipping based trade routes that are being developed to connect the world and improve economic relations. The development of these routes and increased connectivity is dependent on the continuity of funding to further expansion. To that end, the Silk Road infrastructure fund – [worth \\$40 billion](#) – has been launched by the country's central bank. This will provide the money required by these projects and will ensure that trade between China and the rest of the world continues to flourish.

The Silk Road Infrastructure Fund

The Silk Road Fund is designed to finance the China-proposed “Belt and Road” initiatives and began operating in early February 2015. It is funded by China's foreign exchange reserves (worth approximately [\\$4 trillion](#)), China Investment Corporation, the Export-Import Bank of China and China Development Bank. It will focus on projects that have an approximate [15 year term of investment](#). This is a longer term outlook than the majority of funds, which allows for the prioritisation of long term trade-based benefits rather than the accumulation of returns.

The impact of prioritising investment outcomes over returns will be the maximisation of trade-based and economic results. The Silk Road Infrastructure Fund has a vital role to play in providing the necessary finances to build the roads, rail and ports that will allow global trade and the shipping industry to prosper.

Developments of the Silk Road

The developments of this trade infrastructure will improve connections between Europe and Asia using northern, middle and southern channels and will utilise both land and sea routes. These will be known as the Silk Road Economic Belt and the Maritime Silk Road. Cities that are set to benefit across Europe and Asia include Moscow (Russia), Dushanbe in Tajikistan, Jakarta the capital of Indonesia and Colombo in Sri Lanka.

Turkey has joined its neighbours – Azerbaijan, Georgia, Kazakhstan and Kyrgyzstan – in supporting a regional trade scheme that will, according to the World Bank, “help developing countries to overcome growth bottlenecks and help them create the right conditions for economic [development](#)”.



A direct train line between Yiwu, China and Madrid, the capital of Spain has also started to operate. Travelling 13,000 kilometres in just 21 days, the inaugural journey was completed in December 2014. The expansion of rail-based train routes such as this will provide alternatives to sea-based transportation and will maximise the trade reach between China and mainland Europe; two key global markets. The Silk Road Investment Fund hopes to support similar models of trade infrastructure across the globe.

Finally, China is also in negotiations with India, to get the support from its government for the regional development of trade infrastructure. India has [confirmed](#) that it will work with China in areas of synergy and dual benefits whilst awaiting details from Beijing for further developments. The co-operation between these two Asian superpowers will benefit the whole region and allow intra- and inter-continental trade to grow and flourish.

The Impact on the Future of Global Trade

The Silk Road infrastructure developments have the potential to play a vital role in boosting long term trade patterns whilst driving economic growth and rising wages around the world. As shown above, the infrastructure and agreements being put in place are benefitting countries around the world and helping to improve economic relations between regional and global powers. The importance of the Silk Road infrastructure cannot be overstated.

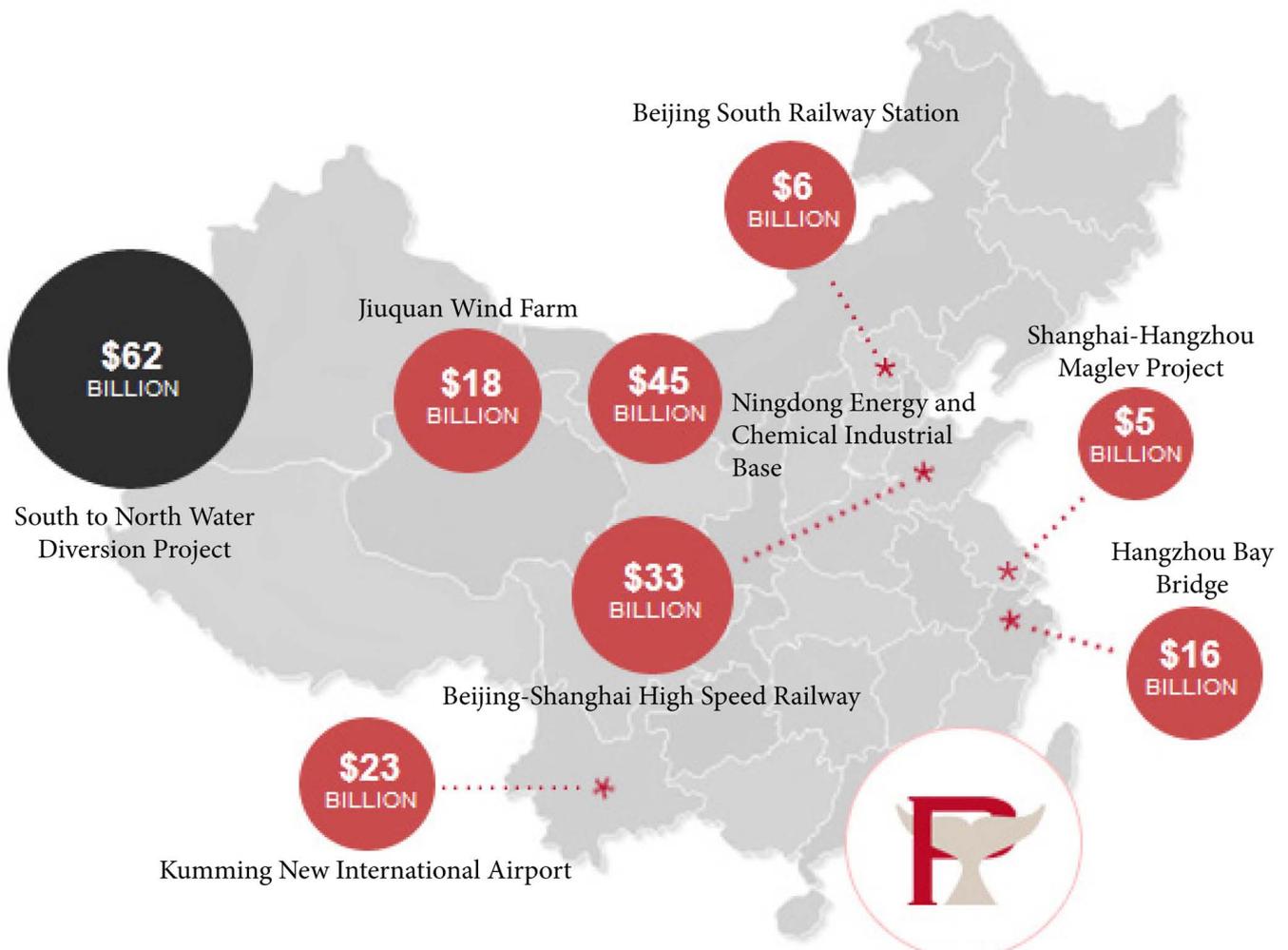
The \$40 billion investment fund that is providing the finances required to support the Silk Road's growth is vitally important. Facilitating the development of road, rail and shipping-based trade channels, the fund will ensure the long term construction of infrastructure that will maximise trade-based results.

For China and the rest of the world, the value of this fund to long term economic prospects will be significantly greater than the \$40 billion that will be initially invested into the Silk Road. Improved efficiency of trade and economic relations will help to ensure that trade flourishes and will increase the requirement for containers across the world. The entire global economy and all major industries are set to benefit from the construction of the Silk Road and the funding that is supporting its development.



Pacific Tycoon's head office is based in Hong Kong, at the heart of the booming East Asian economy. Benefiting from our proximity to the industrial and business-led projects transforming China, we endeavour to monitor and understand each one closely. For further details on the trillion dollar projects shown on this map, visit our website:

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