China’s ‘One Belt, One Road’ Initiative: A Grand Vision or a Play for Power?

By Wang Yiwei

China’s Belt and Road Initiative is a grand vision that has the potential to deepen connections both within Asia and between Asia and the rest of the world in ways that will promote shared prosperity. It is by design a vision that is embracing and open.

By Greg Sheridan

The initiative has a lot to recommend it, not least because it could lead to more than US$1 trillion in much needed infrastructure spending. But make no mistake about it: it also has financial and geo-strategic motives to enhance China’s influence in the region and the world.
A Grand Vision — and a Cloak for Other Motives

By Greg Sheridan

China’s “One Belt, One Road” initiative — now renamed the Belt and Road Initiative (BRI) — has on the surface, and perhaps somewhat beyond that, a great deal to recommend it. Beijing believes that the initiative could mobilize US$1 trillion or more to build a vast array of infrastructure, much of it in developing countries. Ports, high-speed railways, trans-national gas pipelines — the sky is the limit. Infrastructure is a key ingredient of development, and nations slated for BRI funds, from Sri Lanka to Pakistan to Africa to the South Pacific, all have huge infrastructure needs.

The initiative offers a lot to China as well. It provides it with a chance to make better use of its US$3 trillion in foreign exchange reserves. And it gives Chinese capital a way to earn more than the anemic returns it gets in China itself.

It also broadens the Chinese economic model beyond domestic infrastructure, manufacturing, housing and exports, on which it has been reliant for so long. As China transitions to a more consumer-led economy, active foreign investment is the second half of a new economic paradigm that offers China a great deal.

And yet, there are reasons to be cautious, if not downright concerned, about how the initiative is likely to unfold and what its true financial and geo-strategic consequences might be.

A CAUTIOUS GREETING

Both the enthusiasm for the investment, and the caution about its motivation and consequences, are evident in the widely varying regional responses. The government of my own nation, Australia, has declined to make any formal agreement regarding the BRI. Canberra’s view is that it generally welcomes Chinese investment but that each investment proposal will be evaluated on its merits. Several high-profile proposed Chinese investments in Australia have been rejected by Canberra’s Foreign Investment Review Board on national security grounds. The Australian government has also conspicuously declined to align its A$5 billion (US$3.8 billion) Northern Infrastructure Facility with China’s BRI. On the other hand, our neighbor “across the ditch,” New Zealand, has been happy to sign a memorandum of understanding with Beijing.

So what lies behind the hesitations and concerns harbored by Australia and many other regional nations?

First, there is the fairly obvious geo-strategic purpose of the BRI. Beijing has behaved with assertiveness and even aggression in the region over the last five years. This is especially, but not exclusively, evident in the South China Sea, where China has occupied disputed atolls and islands, built artificial islands and established military-grade facilities on them. It conspicuously chose not only to ignore the ruling of the Permanent Court of Arbitration on the claim brought — and won — by the Philippines, but declared in advance that it would not abide by any such ruling under any circumstances. This action by Beijing is widely seen as a threat to the rules-based order in Asia.

In addition, Beijing has used its economic power to purchase political power. It has effectively split the Association of Southeast Asian Nations (ASEAN) into two blocs and prevented the grouping from achieving any consensus position on the South China Sea disputes. It has, in spasmodic trade actions against South Korea, and earlier Japan, shown a disturbing willingness to overturn normal rules of trade in order to exert political pressure against a government that takes policy positions with which it disagrees.

In recent months, it has greatly intensified its coercive efforts to reduce the effective international space that Taiwan occupies because Taiwanese voters, in perfectly democratic elections, have chosen a government that is marginally less willing to go along with Beijing’s edicts than its predecessor.

Within Australia, retiring Secretary of Defense Dennis Richardson used a rare public speech to point to Beijing’s excessive espionage and influence activities in Australia, including cyber espionage, but going well beyond that. The Australian Broadcasting Corporation recently exposed what it described as attempts by donors working closely with the Chinese government to buy influence within Australian politics through financial donations.

A second reason for hesitation is that the record of Chinese behavior in both investment and aid is troubling. African nations have found that Chinese investment often means importing a Chinese workforce and the accumulation of long-term and at times burdensome national debt, with very little technology transfer. In the South Pacific, Western aid donors have long complained that Chinese aid lacks transparency and does not meet best practices. It has also resulted in small and fragile economies taking on perhaps unsustainable debt. This reinforces a more general concern about transparency in big undertakings run by Beijing. Canberra was reluctant to sign on to China’s Asia Infrastructure Investment Bank (AIIB) until the internal governance rules were improved.

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There is also a disquietingly unilateral, if not downright imperial, tone to the BRI project. It is not part of any multilateral trade and investment arrangement and is not marketed as developing into some general rules-based process. Instead, it is all to be decided by Beijing. There is a strong sense that this is an agenda designed to serve Beijing’s strategic interests.

Similarly, it is not clear who will have control over the infrastructure that Beijing finances and whether ports and the like will be open to all comers on a commercial basis or dedicated to serving Chinese interests first and foremost.

The danger that poorer countries could lose a good deal of sovereign power is real. The initiative looks as though it is designed to develop long-term dependent economic relationships between poorer countries and China. This would allow Beijing to exert ever increasing strategic leverage over these nations.

Generally, nations across the Indo-Pacific welcome China’s rise. But the direction of Chinese politics, internally and externally, is disturbing. Under President Xi Jinping, Beijing has ruthlessly centralized power and decision making. Dissidents and pro-democracy and pro-human rights campaigners have been brutally suppressed. Some analysts are even worried that Xi’s heavy personal control threatens in some measure the institutionalism that Chinese authorities have striven to establish within their governing structures since the benign one-man reign of Deng Xiaoping.

Internationally, Chinese economic growth is important to the global economy — and even more important to the regional economy. But perhaps not since the British East India Company has a nation’s sprawling corporate interests been so well positioned to enhance its geo-strategic power.