The Silk Road was for millennia a trade bridge between East and West. Now China, as it pushes to be a global power again, is investing in a network of road and sea routes between the Pacific Ocean and the heart of Europe as a Silk Road fit for the 21st century.

The obstacles, the costs and the potential benefits are all immense — while the politics are complex and fraught.

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One Belt, One Road: A Chinese View

By Zhang Yunling

China’s desire to create a New Silk Road has triggered concerns about a hidden geopolitical agenda. But what is often overlooked is that the initiative is rooted in a longstanding goal of Beijing to address domestic development inequalities between its thriving eastern coastal regions and its struggling western provinces. Zhang Yunling looks at how China wants the initiative to be understood.

China alone cannot make OBOR a success, since it covers vast areas involving more than 60 countries. For China, it is a grand strategy, but to its partners, it is really a grand initiative. As an initiative, it needs the active participation and close co-operation of all related partners.

IT IS A GRAND STRATEGY

With its long-term interests in mind, China sees OBOR as a grand strategy. In my view, it can be considered China’s “pivot to the West.” Following the reform and opening begun in 1978, the eastern coastal regions became the country’s most dynamic area due to their geographical advantage and ease of access to imports and exports. As a result, resources and labor have moved more and more to the eastern coast. The resulting regional imbalance in China’s development has become a great risk to the sustainability of the economy and social stability.

The government has made many efforts to reduce the gaps between the eastern and western regions. For example, in 2000, the government announced its “grand western development strategy” (WDS), covering 12 provinces, regions and cities. In that strategy, infrastructure (roads and railways) and resource development (electricity and gas projects) are two priorities. In addition to government funding, companies, with government support, are also encouraged to invest in the west. Although WDS has achieved visible progress, the imbalance has not been reduced significantly because of a fundamental lack of competitive advantages in the western region.

Compared to the inward nature of WDS, OBOR emphasizes both inward and outward strategies. By connecting China to countries along OBOR, it will help to develop an economic space that will create a new frontier not just for China’s western region, but for the country as a whole. For China, this new frontier will surely attract investments and labor from the east, with the western region becoming the bridge between China and the countries linked to OBOR.

IT IS NOT A COUNTER-PIVOT

The development of China’s eastern coast was dependent on maritime reach to carry trade. In contrast, OBOR is dependent on vast continental stretches covering many countries from Asia to Europe, as well as complementary sea routes. To develop the maritime routes may seem easy, but they will need supporting facilities ranging from harbors and ports to logistical networks. The land connection between China and the countries along OBOR will require cross-border infrastructure networks including roads, railways and airports. Currently, those networks are not well developed, but OBOR aims at modernizing ports, building harbor zones and creating logistical networks via its “maritime silk road,” and developing infrastructure networks and economic zones via the “silk road economic belt” on land.

It is clear that OBOR will help improve China’s geographical environment — especially in the west — and open new space for economic development. It is also clear that OBOR is not a counter-strategy to the American “pivot to Asia,” rather it is an initiative rooted in China’s own needs.

OBOR will also help to develop new market opportunities, which is of great significance for China’s economic restructuring. After more than three decades of high growth, the Chinese economy is transforming to a “new normal” — from rapid growth to moderate growth. In order to create continuing dynamic growth, it is important to build up momentum for growth both internally and externally based on the new competitive capacity. The new growth frontier for the global economy lies in the developing countries. However, the bottleneck for developing economies is poor...
infrastructure and weak industrial supply chains. Because most of China's northern, southern and western neighbors are developing economies, it is beneficial to China if their economic environment could be improved through participation in OBOR. Due to investments in infrastructure and industrial zones, it is expected that the initiative will nurture new growth potential for vast areas of Euro-Asia by connecting China and the East Asian region to Europe and Africa. China can play a key role in leading the projects under OBOR since it has some special advantages in terms of being able to provide investment capital, equipment, technology and experience in developing infrastructure networks and industrial zones—all of which will, in turn, provide great opportunities for Chinese companies to realize their “going outside strategy.”

China considers OBOR a new step toward further integrating its economy with the global economy through direct investments abroad. As stated in the government blueprint issued in March, “The initiative will enable China to further expand and deepen its opening-up and to strengthen its mutually beneficial co-operation with countries in Asia, Europe and Africa and the rest of the world.”

In reality, OBOR is not an idea that China put forward suddenly. A number of related proposals and actions have been taken over the years, such as the China-Pakistan economic corridor, the various economic agendas under the Shanghai Co-operation Organization (SCO), the Bangladesh-China-India-Myanmar (BCIM) economic corridor, the China-Mongolia-Russia economic corridor and so on. What OBOR does in some respects is pull together these various initiatives into a comprehensive framework that establishes a grand foundation for facilitating international co-operation between China and its OBOR partners. Also, it is clearly focused on long-term interests, rather than immediate gains.

**PARTNERSHIP AND PROGRESS**

China alone cannot make OBOR a success, since it covers vast areas involving more than 60 countries. For China, it is a grand strategy, but to its partners, it is really a grand initiative. As such, it needs the active participation and close co-operation of all related partners. The development of OBOR follows the principle of being “jointly built through consultation to meet the interests of all,” according to the government's March 2015 document.

Most countries in the areas covered by the initiative are developing economies and their per capita GDP levels are still very low, less than half of the world average. No individual country alone can build a well-connected infrastructure network, but a set of collective agendas can help to mobilize and pull together resources through co-operation, either among the partners, or through newly built institutions.

The structure of the world economy is changing, with an increasing share held by developing economies. In a globalized world, there are two key mechanisms: one is liberalization, while the other is co-operation. Market liberalization has been done mainly through multilateral approaches such as the WTO, as well as by sub-national or bilateral free trade agreements. The momentum toward liberalization has not diminished, even though the role of the WTO seems to have weakened while FTAs have become more attractive. The WTO intended to incorporate the idea of co-operation into the Doha Round of trade negotiations, which was dubbed “the development round.” Unfortunately, the Doha Round has stagnated, partly because of differences over the concept of, and approach to, co-operation. The Trans-Pacific Partnership, led by the United States, focuses on high-level liberalization only, with no co-operation agenda.

OBOR can be seen as an important initiative for co-operation through an innovative approach toward sharing responsibility, resources and benefits. The priorities of the OBOR initiative will be focused on:

- Co-ordinating economic development strategies and policies, working out plans and measures and providing policy support for implementation among partners;
- Enhancing connectivity through building infrastructure networks and integrating construction plans and systems of technical standards;
- Improving investment and trade facilitation and removing investment and trade barriers to create a sound business environment;
- Deepening financial co-operation through the building of a currency-stability system, investment and financing system, credit information system, a currency swap and settlement system and developing bond markets;
- Establishing new financial institutions such as the Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank (BNDB), the financing institution of the Shanghai Co-operation Organization (SCO), and the Silk Road Fund;
- Promoting cultural and academic exchanges, personnel exchanges and co-operation, media personnel exchanges and co-operation, media co-operation, youth and women exchanges and volunteer services, all of which will help to win public support.

China, as a large developing country, can play a special role in putting these priorities into practice, either as an initiator, or as a major player to provide key inputs, ranging from capital to technology. As rightly observed, countries in need of financing to establish new ports or related transport infrastructure or to upgrade existing facilities would welcome a willing new sponsor or financier, and increased regional connectivity would boost trade and commerce, allowing participating countries greater access to the huge Chinese market, while at the same time attracting much-needed investments.²

**ENThusiastic Response**

China’s OBOR initiative has received active responses, and progress has been made in many areas. Up to now more than 60 countries have expressed an interest in participating. China and Russia signed an agreement on May 9, 2015 related to OBOR and the Euro-Asia Economic Union. Fifty-seven countries signed up as founding members of the AIIB on June 29, and on July 15, Brazil, India, South Africa and Russia formally announced the establishment of the BRICS New Development Bank. China itself set up the Silk Road Fund at the end of 2014. All of this shows that OBOR has moved from an initiative to action. The proposal to establish the AIIB stirred great debate in many countries including Britain, Germany and France (all of which ultimately joined it); some saw it as China’s strategy to challenge the existing international system dominated by the United States.

Actually, China has no intention and no need to overthrow the existing international system, since it has benefited from participating in it. However, the existing system is far from adequate to play a key role in creating the infra-structure networks and other projects needed to improve developing economies. The world needs new institutions to meet these new demands. For now, critics of the AIIB worry that it will alter international financial standards but this seems groundless since its operations will strictly follow the internationally accepted principles laid out jointly by its equal members. In fact, in a new world, both the reform of existing international institutions and the establishment of new international institutions are unavoidable. The international community should welcome initiatives and actions aimed at generating new momentum in the international economy. As an emerging power, China is taking responsibility for initiatives that will give it opportunities to play a larger role in the world.

² See Lucio Blanco Pitlo III, “China’s one belt, one road to where?” http://thediplomat.com/2015/02/chinas-one-belt-one-road-to-where
role in world affairs, on the one hand, and make more contributions, on the other hand. By delaying the restructuring of the IMF and opposing the establishment of the AIIB, the United States seems not to accept the changing demands of the international community.

LONG ROAD, LONG MARCH
Building consensus for the co-operative development of OBOR is crucial and seems still a long way off. Although China believes the initiative benefits all partners, many, including politicians and media outside the country, still view it as a Chinese project in China’s interest only. Suspicions about China’s intentions are still evident, because China is a rising large power. Thus more consultations and dialogue are needed. Because OBOR covers both bilateral and regional agendas, the consultations are necessary on different levels. One of the key efforts to build trust is to integrate OBOR projects with existing international institutions such as the World Bank, the IMF, the ADB and other development banks. While OBOR has a development focus, it also has significant effects on political relations, regional security and social and cultural relations. It is essential to enhance co-operation in those areas in the process of developing OBOR.

Many worry about the risk of investments in OBOR projects, because most of the related countries are developing economies with poor financial facilities and capacities. The safety and efficiency of the financing arrangements for OBOR projects are indeed crucial. Projects will follow the public-private partnership (PPP) approach, in which private investments play the main role while governments provide basic support. Government agreements provide legal and policy support, and new institutions, such as the AIIB, will lay out safety principles for investments. Of course, there are challenges balancing the safety and efficiency of the investments with the long-term nature of infrastructure projects. However, OBOR is not just focused on infrastructure, but also comprehensive economic development including supply chains that link to global markets. For long-term projects, such as highways and railways, it is also important to make security arrangements.

For the 21st-century Maritime Silk Road, the challenge will be to manage the disputes with some ASEAN members over territorial claims in the South China Sea and strategic distrust with India as the maritime route runs through the South China Sea and Indian Ocean. In addition, the strategic suspicions of the US and Japan are also very strong. In principle, the Maritime Silk Road intends to initiate a new maritime order based on the principles of free and safe maritime navigation, maritime supply chains and logistical networks and maritime resource development based on a spirit of co-operation. China has no intention to seek maritime competition and domination through the initiative.

OBOR is still in its early stages, and we need to prepare for a long march.

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