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Southeast Asia

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AN OVERVIEW OF THE DEBATE

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Trends in Southeast Asia

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FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

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China's One Belt One Road: An Overview of the Debate

By Zhao Hong

EXECUTIVE SUMMARY

- The debate over China's One Belt One Road (OBOR) initiative has been lively and at times heated, both in China and internationally. In many ways, this is a reflection of the vagueness of the concept, and of its exceptionality.
- OBOR does not prioritize trade and investment concessions, which makes it essentially different from traditional regional economic cooperation models such as FTAs, the TPP and the RCEP. Instead, it emphasizes regional infrastructure connectivity.
- After China proposed the initiative, countries within the New Silk Road Economic Belt, especially the five Central Asian countries, responded enthusiastically and positively, while Southeast and South Asian countries, on the other hand, expressed more concerns and reservations about the initiative.
- In response to these countries' concerns, China has tried to adjust its approaches to convince Southeast Asian countries that the OBOR initiative holds potential synergy with ASEAN's development strategies and can play a complementary role in the building of the ASEAN community.
- Beijing has also adjusted its India strategy. From previously "inviting" India to join OBOR, it is now stressing "strategy connectivity" (战略对接) and "policy coordination" between the two countries.
- Nevertheless, OBOR is viewed by some as an expression of China's grand ambitions to lead Asian economic growth, and by others as a grand strategy to build a "China-dominated Asia". While it may be mainly an economic and trade initiative, its broader consequences have a strong political and security dimension.

- Hence, China badly needs to cultivate political trust with neighbouring countries if it wishes to convince them that the initiative is a “public” strategy, and not a “conspiratorial” one.

China's One Belt One Road: An Overview of the Debate

By Zhao Hong¹

INTRODUCTION

In September 2013, President Xi Jinping proposed the building of the New Silk Road Economic Belt during his visit to Kazakhstan, and in the same year in Indonesia, he proposed the building of the 21st Century Maritime Silk Road — now they are collectively called One Belt One Road (OBOR for short). After further discussion and planning, Chinese domestic bodies of various levels gradually reached consensus on this initiative. At the Boao Forum on 28 March 2015, China released the “Vision and Action on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road” (Vision and Actions for short) which was jointly issued by the National Development and Reform Commission (NDRC), Ministry of Foreign Affairs, and Ministry of Commerce with State Council authorization, indicating that the OBOR initiative has officially become one of China’s national strategies.

OBOR has evoked widespread discussion within China as well as a range of interpretations internationally. Some observers view it as a grand strategy for extending China’s economic and geopolitical influence into Eurasia and beyond, while others are concerned that OBOR might reshape global economic governance and lead to the rebirth of a China-dominant Asia.

¹ Zhao Hong is Visiting Senior Fellow at the ISEAS – Yusof Ishak Institute. He would like to thank Mr Daljit Singh and the anonymous reviewer for their very insightful comments and helpful suggestions. The author bears responsibility for all errors and omissions.

Details are still scarce, however, and a concrete top-level design is still lacking. This has led scholars and the mass media to inject more information than can be found in officially published sources. This paper seeks to provide an analysis of the issues from the point of view of scholars in China.

OBOR AS A CONCEPT, A NATIONAL STRATEGY

OBOR as communicated by the Chinese government aims to increase connectivity between the Asian, European and African continents. The intention is to enhance trade flows and spur long-term economic growth and development, benefiting all countries involved.

Be that as it may, OBOR is very much a national strategy for China, and is expected to be a critical driver for the country's long-term ambitions and a key pillar of its "going out" strategy. This overarching strategy is reflected in Vision and Actions, which sets out a vision in which China-led infrastructure construction, reduced tariffs, and simplified customs administration would allow trade to flow seamlessly between China and countries along OBOR by both rail and ship.² It takes in every conceivable goal, from improving supply chains to developing trade in services to increasing food security for participating countries, and with the building of a community of common destiny as its ultimate goal.

A clear sign of the political significance of OBOR is that it was included in the "Decision of CCP (Chinese Communist Party) Central Committee on Some Major Issues Concerning Comprehensively Deepening the Reform" passed by the Third Plenary Session of the 18th CCP Central Committee on 12 November 2013. This espouses the plan to "accelerate the construction of infrastructure connecting China with

² "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road", Issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of PRC, March 2015 (English version).

neighbouring countries and regions, and work hard to build a Silk Road Economic Belt and a Maritime Silk Road, so as to form a new pattern of all-round opening”.³ The fact that Beijing established the Central Leading Group on the Construction of OBOR in early 2015, and has confirmed that the seventh-ranked member of the Politburo Standing Committee, Executive Vice-Premier Zhang Gaoli, will chair the Group, with Wang Huning as his Vice-Chairman and doubling as Director of the Group’s General Office,⁴ further certainly suggests that OBOR has been elevated to national strategy level.

However, Beijing has explicitly refused to call it a strategy. In Vision and Actions, it is described as an “initiative” (倡议), and the three Ministries have emphasized that the words “strategy”, “project”, “programme”, or “agenda” should not be used to describe it. One has to ask what the difference is between an “initiative” and a “strategy”, and why the Chinese government is so unwilling to present OBOR as a strategy.

According to Xie Tao, “initiative” simply means a call for action, usually in the name of a public good. It is a unilateral move that requires willing cooperation from others with a stake in the provision of the public good.⁵ By contrast, a strategy is a deliberate plan of action that aims to achieve specific goals, and these goals are usually exclusive (such as security or free trade), as opposed to public goods, which are considered inclusive. To be successful, a strategy often requires close association among those who share its specific goals, and this is usually institutionalized through explicit rules and procedures.

³ 《中共中央关于全面深化改革若干重大问题的决定》<http://news.xinhuanet.com/politics/2013-11/15/c_118164235.htm> (accessed 4 December 2015).

⁴ While Wang (born 1955) is not an economist by training. He is a member of the Politburo and has been a leading advisor to three general secretaries. [Adopted from “‘One Belt One Road’ Enhances Xi Jinping’s Control Over the Economy”, by Willy Lam, *China Brief*, Vol. 15, Issue 10, 15 May 2015.

⁵ Xie Tao, “Is China’s ‘Belt and Road’ a Strategy?”, *The Diplomat*, 16 December 2015.

OBOR, according to Vision and Actions, is “open to all countries, and international and regional organizations for engagement.” It “upholds the Five Principles of Peaceful Coexistence of the UN Charter: mutual respect, mutual non-aggression, mutual non-interference, equality and mutual benefit, and peaceful coexistence,” and “follows market operation [and] promotes practical cooperation in all fields.” As such, OBOR should probably not be called a strategy.

Moreover, Beijing has repeatedly stated that OBOR is a vision for “harmony, peace and prosperity,” and not a geopolitical and diplomatic offensive, a geopolitical conspiracy, or a scheme to change the existing international order. China’s official position, as reiterated in the speeches of its leaders, has been that it recognizes that it has benefited from the global order and its economic framework. For example, at a Press conference in March 2015, Chinese Foreign Minister Wang Yi said that China has no reason to challenge the international order established on the basis of the fight against fascism, nor has it the intention to overthrow the current world system that it has fully participated in constructing. However, he added that China hopes to reform the current system to make the world more equal, more harmonious and more secure.⁶

In his speech at the China Development Forum on 21 March 2015, China’s vice foreign minister Zhang Yesui said that “China is a participant, constructor and contributor of the current international order and system”; “the OBOR initiative is an economic cooperation proposal, it is not a tool of geopolitics”, and “it is not directed against any specific country or organization, but is a useful complement to the existing international and regional institutions”.⁷ Chinese Minister of Commerce Gao Huchen further stressed that “OBOR will be based on

⁶ 王毅, “中国主张对国际秩序进行改革不是推倒重来, 而是创新完善” [Wang Yi, “China is not to re-build the international order”], Ministry of Foreign Affairs of China, 8 March 2015 <http://www.fmprc.gov.cn/mfa_chn/wjdt_611265/wjbxw_611271/t1243599.shtml> (accessed 30 March 2016).

⁷ 张业遂, “一带一路不是地缘政治的工具” [Zhang Yesui, “One belt one road is not a tool of geopolitics”] <http://www.fmprc.gov.cn/web/wjbxw_673019/t1247440.shtml> (accessed 30 March 2016).

each country's natural endowments, advocating 'one country one policy' [and that] through the construction of OBOR, different and diversified countries are intertwined together, thus promoting mutual development and dependence, and regional stability".⁸

This official position is also reflected in Chinese academic articles. For example, in his article entitled "China's new economic diplomatic strategy under 'One Belt One Road'", Huang Yiping has proposed the concept of "one superpower with multiple poles" (一元多极) to describe China's new economic diplomacy. Under this concept, China accepts U.S. leadership but also encourages more stakeholders to participate in the governance of the global economy. His position is that "China needs to avoid direct conflicts with the United States, avoid exporting the China model, avoid attempting to reconstruct the international economic system".⁹

OBOR: THE BASIC SCHEME

Conceptual Framework

According to Vision and Actions, OBOR aims to connect Asia, Europe and Africa along five routes. The Silk Road Economic Belt focuses on: (1) linking China to Europe through Central Asia and Russia; (2) connecting China with the Persian Gulf and the Mediterranean through the Middle East and Central Asia; and (3) bringing together China and Southeast Asia, South Asia and the Indian Ocean. The 21st Century Maritime Silk Road, meanwhile, focuses on using Chinese coastal ports to: (4) link China with Europe through the South China Sea and Indian Ocean; and (5) connect China with the South Pacific Ocean

⁸ 高虎城, "一带一路规划初探" [Gao Huchen, "'One Belt One Road' planning"], 《上海证券报》 [Shanghai Securities Daily], 13 March 2014.

⁹ 黄益平, "中国经济外交新战略下的'一带一路'" [Huang Yiping, "China's new economic diplomatic strategy under 'One Belt One Road'"], 《国际经济评论》 [International Economic Review], no. 1 (2015).

through the South China Sea¹⁰ (Figure 1). If implemented successfully, it will connect 65 countries that represent 55 per cent of the world's GDP, 70 per cent of global population, and 75 per cent of known energy reserves (See appendix 1).

In reality, OBOR is not a new idea that China has suddenly decided to put forward. A number of related proposals and actions have in fact been taken over the years. According to the Ministry of Commerce, China had invested over US\$13.7 billion in 2014 in countries along OBOR (See appendix 2). Beijing had reached a large number of agreements with these countries on trade facilitation, currency swap and investment. "What the OBOR intends to do is to pull together these various initiatives into a unified and comprehensive framework that establishes a grand foundation for facilitating international co-operation."¹¹ It is also meant to guide and coordinate the economic efforts of both the public (e.g. provincial governments, state-owned enterprises) and the private sector in China. OBOR will further strengthen collaboration and will consist of six international economic co-operation corridors. These have been identified as the New Eurasia Land Bridge, China-Mongolia-Russia, China-Central Asia-West Asia, China-Indochina Peninsula, China-Pakistan, and Bangladesh-China-India-Myanmar (Figure 2).

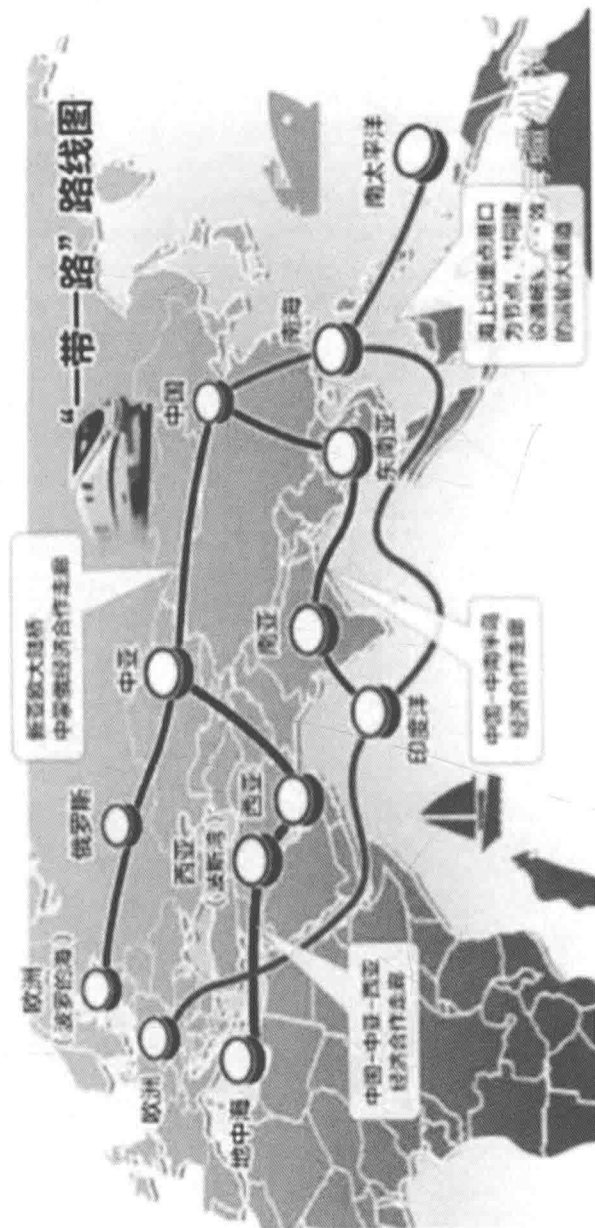
Scheduling

There is still no official timetable for OBOR. Vision and Actions suggests that China will consult with other countries to work out relevant timetables and roadmaps.

¹⁰ "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road", Issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of PRC, March 2015 (English version).

¹¹ Zhang Yunling, "One Belt, One Road: A Chinese View", *Global Asia*, Vol. 10, No. 3 <<https://www.globalasia.org/issue/chinas-new-silk-roads/>> (accessed 3 December 2015).

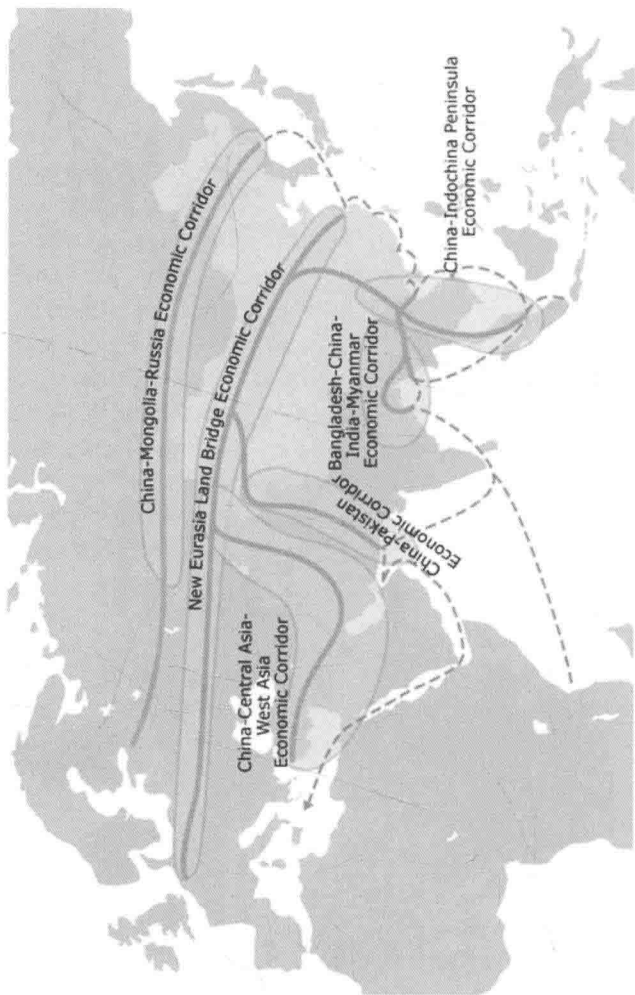
Figure 1: Official Map of OBOR



Note: This official map is based on proposed geo-economic cooperation as described in Vision and Actions. Actual routes may differ and may also extend to encompass other territories as the project develops.

Source: *Guancha Zhe*, 13 April 2015.

Figure 2: Map Showing the Six Economic Corridors Spanning Asia, Europe and Africa



Source: Hong Kong Trade Development Council.

Chinese academia has conducted considerable research on this topic. A recent report from Renmin University says that China is to launch five years of strategic planning in 2016, with implementation expected to begin in 2021. The report estimates, if carried out at full scale, OBOR will be constructed over at least 30 to 40 years.

Likewise, academician Feng Weijian believes that OBOR is a long-term project and should be divided into three phases. The first is the strategic mobilization period (from 2014 to 2016). The second is the strategic planning period (from 2016 to 2021) during which China will take the lead to establish coordination groups such as a policy coordination group, an infrastructure group, an energy and trade group, and a monetary and financial group. The third phase concerns strategy implementation. Internally, China will need to establish permanent institutions such as an official Council and Secretariat to coordinate policies and regulations among different provinces and regions; externally, it has to strengthen cooperation with the World Bank, AIIB, and the ADB to fully implement infrastructure construction, trade integration, human resources and administrative capacity.¹²

Financing

Since OBOR is supposed to work towards “sharing responsibility, resources and benefits”,¹³ some financial innovation will be needed. China will in particular have to provide a set of investment risk assessment criteria that are more suited to developing countries.

Feng Weijian writes: “According to the investment standards in developed markets based on the ‘Washington Consensus’, many projects in emerging markets and developing countries do not meet the

¹² 冯维江, “丝绸之路经济带战略的国际政治经济学分析” [Feng Weijiang, “International political and economic analysis of the silk road economic belt strategy”], 《当代亚太》[*Contemporary Asia-Pacific*], no. 6 (2014).

¹³ Zhang Yunling, “One Belt, One Road: A Chinese View”, *Global Asia*, Vol. 10, No. 3 <<https://www.globalasia.org/issue/chinas-new-silk-roads/>> (accessed 3 December 2015).