One Belt, One Road, One Grand Design?*

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It is a truism of history that rising powers tend to be the ones valorising "free" trade and more open and integrated national economies, just as waning powers tend to turn inwards. So it is no surprise that over the past half year, as the United States elected a President with an avowedly protectionist agenda (even if relatively little has been acted upon so far), China's President has become the chief advocate of globalisation and more extensive trade and investment links across countries.

This drumbeat reached a crescendo in mid-May 2017, at a summit in Beijing to celebrate the official launch of the major new Chinese initiative, the One Belt One Road project, which President Xi Jinping himself described as "the project of the century".

The plan, which has been talked of since 2013, is grandiose and overwhelmingly ambitious. Harking back to the "Silk Route" that was established two millennia earlier and became the primary trading route linking the Chinese empire with other civilisations of the time, it aims to connect more than 60 countries with around two-thirds of the world's population. This would be done through infrastructure establishing transport and other connectivity links, facilitating trade and investment, and other forms of co-operation, with China as the hub rather than just one end of the trail. The stated Chinese perception is that this will rebalance the global economy and restore faith in globalisation through new demand created by increasing supply, in a somewhat startling assertion of the much-discredited Say's Law at a global level!

The official website declares that "The Belt and Road Initiative aims to promote the connectivity of Asian, European and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the Belt and Road, set up all-dimensional, multitiered and composite connectivity networks, and realize diversified, independent, balanced and sustainable development in these countries. The connectivity projects of the Initiative will help align and coordinate the development strategies of the countries along the Belt and Road, tap market potential in this region, promote investment and consumption, create demands and job opportunities, enhance people-to-people and cultural exchanges, and mutual learning among the peoples of the relevant countries, and enable them to understand, trust and respect each other and live in harmony, peace and prosperity."

All this is obviously a huge and almost all-encompassing set of goals; but for now, in fact, the focus is essentially on infrastructure development. The initiative is confusingly named, since the "Belt" refers to physical roads and overland transport, while the "Road" actually refers to maritime routes. The Belt covers three main sets of connections, seeking to link China to Russia and the Baltic European countries through Central Asia and Russia; going through Central Asia to connect China with the Middle East, the Persian Gulf and the Mediterranean countries; and establishing seamless transport links between China and Southeast Asia, South Asia and the Indian Ocean. The Road is being described as the "21st Century Maritime Silk Road", which would develop the links of Chinese coastal ports to Europe through the South China Sea and Indian Ocean; and to the countries of the South Pacific Ocean through the South China Sea.

Six specific “international co-operation economic corridors” have been identified to start with. These are: New Eurasia Land Bridge; China-Mongolia-Russia, China-Central Asia-West Asia, China-Indochina Peninsula, China-Pakistan, and Bangladesh-China-India-Myanmar. Each of these corridors is hugely ambitious in terms of the new infrastructure required and the physical and political difficulties of the terrain sought to be covered. Each of these also requires developing particular regions in China in ways that would further these links, which would help in reducing the regional inequalities within China. The corridors typically require not just railways and roads, but airports and sea ports, oil and gas pipelines, power transmission routes with co-operation in creating and maintaining regional grids, cross-border optical fibre connectivity, and so on.

For example, the New (or Second) Eurasia Land Bridge Economic Corridor includesan international railway line running from Lianyungang in Jiangsu province on China’s eastern coast through Alashankou in Xinjiang Province of west China all the way to Rotterdam in Holland. The China section of the line comprises the Lanzhou-Lianyungang Railway and the Lanzhou-Xinjiang Railway and stretches through eastern, central and western China. Thereafter, it would pass through Kazakhstan, Russia, Belarus and Poland, going through various coastal ports in Europe before terminating at Rotterdam.

The plan is not only to offer rail-to-rail freight transport along the entire route, but also eventually to move towards the convenience of “one declaration, one inspection, one cargo release” for any cargo transported. Considering that this seamless freight transport is still not be possible even after the trade facilitation agreement of the WTO, this clearly involves very bullish expectations about reducing/eliminating customs and border inspection across the participating countries. And this is only the railroad part of the plan for this particular economic corridor!

If this sounds excessively optimistic, bear in mind that this is only one of the various planned routes, and indeed one of the least problematic in terms of various territories it passes through. Other corridors cover more contested and even insecure terrain. For example, the China-Pakistan Economic Corridor (slated to extend from Kashgar in Xinjiang Province of China to Gwadar port in southern Pakistan) has already become a bone of contention between China and India. It is the chief reason that India stayed away from Beijing’s party on 14-15 May, since it involves a road being built through Pakistan-occupied Kashmir, recognised by India to be part of its own territory illegally occupied by Pakistan(over which several wars have been fought). That concern in turn has affected prospects for the last corridor, even though Bangladesh and Myanmar are apparently enthusiastic about the potential for enhancing internal and cross-border transport infrastructure in this manner.

Even by the large-scale standards of Chinese investment plans (remember the Three Gorges Dam and the river interlinking projects, or the building of entire cities in a few years?) the OBOR initiative is clearly humongous. So how is it going to happen, and over what time frame? And most importantly, how is all of this to be financed?

The financing is largely expected to come, at least to start with, from the various development financing initiatives that China has been involved in leading in the past few years. The Asia Infrastructure Investment Bank has a capital of $100 billion, nearly half of which comes from China. The New Development Bank of the BRICS countries similarly has a capital base of $100 billion. In addition, the Silk Road Fund set up exclusively by China has $40 billion. These together sounds like a lot of money, but it is still peanuts compared to the scale of the investment required for these grand plans, which would amount to several trillion dollars over the coming few years to meet the declared goals. Indeed, it is still smaller than the current levels of investment in other developing countries enabled by the China Development Bank and the China Exim Bank. And since each of these agencies has yet to make its first loan or investment commitment, a lot remains to be seen.

Clearly, therefore, other sources of funding will be required. And these will depend upon commitments and investment guarantees made by the governments of other countries involved as well as the inclinations of private parties, who are notoriously hesitant and fickle with respect to infrastructure investment. President Xi Jinping and Premier Li Keqiang have been active over the past year, visiting more than 20 countries to get them on board and sign economic co-operation agreements with China towards this goal. But even countries that have signed on and more inclined to let China take the lead in this and then follow depending upon how the processes and events play out. And most of the 56 trade and economic co-operation zones set up by Chinese businesses in OBOR countries are still quite small and limited in scope.

On the face of it, this is clearly a smart move from the Chinese government, given its current state of overcapacity in basic and infrastructure industries. It would enable higher capacity utilisation, provide more and larger markets for a range of its output, develop some of its own less prosperous regions, and simultaneously extend its economic and political influence over a wider geographical area. Comparisons to the post-war US Marshall Plan are inevitable, but the basic similarity is only in the recognition of the advantages of such investment in other countries given the mutual dependence of demand generation.

Does this amount to a new Chinese imperialism, as some western observers have already decided and several developing countries fear? No doubt, some of the attributes of imperialism, in terms of the search of capital for controlling new markets and new sources of "economic territory", are very much present in this endeavour, whether or not it achieves the hoped-for scales.

Further, at least on the surface, the OBOR strategy appears to have bought into several features of neoliberal globalisation, including deeper financial integration, protection of various kinds for private investors through "investment facilitation" and very extensive trade liberalisation. The official Chinese government statement that "China will stay committed to the basic policy of opening-up, build a new pattern of all-around opening-up, and integrate itself deeper into the world economic system" confirms that intention. Since China's own development success has been based on a much more heterodox and state-controlled approach, many developing countries would rather emulate its past actions rather than its current talk.

So how all this plays out depends on much more, including how individual countries and people within those countries are able to negotiate and deal with this changing landscape. Global capitalism based on one clear superpower has not turned out to be as stable, peaceful or prosperous as many had expected. A world of competing superpowers may involve more conflict of different kinds, but it can also generate more possibilities for developing countries.

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