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China's "One Belt, One Road" Initiative: New Round of Opening Up?

By Li Mingjiang

Synopsis

China's "One Belt, One Road" Initiative has become a priority in Beijing's foreign policy. Other countries, especially China's neighbours, should not hesitate to capitalise on the opportunities it provides. But can China fulfil its ambition?

Commentary

CHINA'S PRESIDENT Xi Jinping put forth the Silk Road Economic Belt and the 21st Century Maritime Silk Road proposals, also known as the "One Belt, One Road" Initiative, during his visits to Kazakhstan and Indonesia in September and October 2013 respectively. Since then, the "One Belt, One Road" grand project, also known as the "Belt and Road" (BRI), has become a priority in China's foreign policy drive.

Although the BRI idea is much-discussed at almost every major international affairs forum or conference in China, the outside world does not seem to be too excited over it or has overlooked the significance of this important emerging Chinese strategy.

China's seriousness with "Belt and Road" Initiative

A few facts would demonstrate how seriously China regards the initiative. The BRI proposal was included in the Resolution of the Third Plenum of the 18th Central Committee of the Chinese Communist Party, a historical document on the new leadership's push for a new round of comprehensive reforms in China.

The 8th meeting of the Central Leadership Group on Financial and Economic Affairs, chaired by President Xi, specifically deliberated on the BRI in November 2014. At the annual central conference on economic affairs in December 2014, the BRI was highlighted as one of the priorities for China in 2015.

China has taken follow-up actions as well. It has launched the Asian Infrastructure Investment Bank (AIIB) and set up a US\$40 billion Silk Road Fund. The BRI proposal was showcased to many foreign leaders during the Beijing APEC meetings. From all accounts, the BRI has become China's national strategy. Very likely, the initiative will be regarded by Xi as a major component of his foreign policy legacy at the end of his tenure.

The National Development and Reform Commission (NDRC), with support from relevant agencies, is developing an implementation guideline and a vision document for the BRI. Chinese statements suggest that the initiative will include five areas of connectivity: policy, infrastructure and facilities, trade, currency, and people. More specifically, the implementation of the initiative would involve trade and investment facilitation measures; infrastructure development (railways, highways, airports, ports, telecommunications, energy pipelines, and logistics hubs); industrial and sub-regional economic cooperation (primarily overseas industrial parks and economic corridors); financial cooperation; and the promotion of people-to-people relations.

Why the “Belt and Road” Initiative

Many Chinese sources mention that the plan would eventually involve as many as 65 countries ranging from Asia to Europe. At the same time statements and remarks made by senior Chinese officials also indicate that the focus will be China’s neighbourhood.

The BRI appears to be an unprecedented proposal in the history of contemporary Chinese foreign relations. Although China has tried to downplay the strategic dimensions of the initiative, in private conversations many Chinese scholars would suggest that the plan is indeed partly a response to the strategic realignments that have been taking place in China’s neighbourhood in the past few years, particularly the US strategic rebalance to Asia. It is a reflection of the “Look West” proposal made by some foreign policy elites in China a few years ago.

However the initiative is more than simply a response to US strategic rebalance or the changing strategic environment in the region. It can be argued that the initiative is a reflection of the emerging consensus in the Chinese foreign policy community that Beijing now needs to significantly shift from the “low-profile” international strategy to actively strive for more accomplishments.

Chinese foreign policy elites have already started searching for some sort of a grand strategy to further raise China’s profile as a major power towards the end of the 2000s. While the security tensions and disputes from 2009 to 2012 interrupted the Chinese search for a vision, they also incentivised the Chinese decision-makers to develop big policy initiatives to deal with the perceived growing negativity in China’s neighbourhood.

A new round of opening up?

Chinese officials claim that the BRI is also part of the new round of China’s opening up. There is certainly a lot of truth in this claim. Firstly, China is facing challenges of overproduction and overcapacity, particularly in the steel and construction materials sectors. This can be addressed by the BRI which will open up foreign markets to many Chinese companies. Secondly, as labour costs rise, China will move its labour-intensive and low value-added manufacturing facilities overseas.

In these two respects, the BRI will accelerate the pace of China’s domestic economic restructuring. Thirdly, for China’s interior and western provinces that have lagged far behind in the past decades of the opening up drive, the BRI is likely to stimulate economic growth. Fourthly, China has become a net capital exporter so more Chinese investors will be looking for investment opportunities overseas.

Clearly, Beijing is seriously committed to the BRI. But partly because China has not provided sufficient information, the responses from neighbouring countries have been ambivalent. Ultimately, they will balance the economic benefits of the “Belt and Road” Initiative with their strategic and national security concerns. No matter what, while regional countries pay attention to the initiative, they should urge China to be more transparent and provide more information on its implementation.

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