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President Xi Jinping's trade initiative aims to kill three birds – economic, political and diplomatic – with one stone, analysts say

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President Xi Jinping's (习近平) "Belt and Road" trade initiative – always ambitious – has been given a boost by American counterpart Donald Trump's protectionist trade agenda and isolationist diplomacy.

In the space of just a few months, the US leader's populist policy prescription has helped turn something originally envisaged as a scheme to export Chinese overcapacity into a standard-bearer for globalisation.

Professor Shanjun Li, a Cornell University economist, said Trump's protectionism could help the "belt" scheme gain legitimacy as a countervailing force promoting international trade in the region.

"China could develop a role as an economic leader, and fill the void left by US protectionism in the international market," Li said.

That could also increase China's soft power, and mark a turning point in its international influence, he said.

Sinologist Kerry Brown, the director of the Lau China Institute at King's College, London, described the initiative as "China's first real attempt to spell out more proactively what its vision of its regional and global role is", but cautioned concrete achievements had so far been hard to spot. "The idea has certainly gained the interest and engaged with the emotions of those outside China as never before," Brown said. "In that sense, it can be called a success."

The belt and road idea was first raised by Xu Shanda, a former deputy director of the State Administration of Taxation, who proposed in 2009 that China invest in neighbouring countries as a way to promote demand for the country's exports.

Xi gave the plan his blessing in a speech to the Indonesian parliament during a state visit in October 2013, and just over a year later announced the creation of a US\$40 billion development fund to help finance belt and road projects. The whole initiative – officially known as the Silk Road Economic Belt and the 21st Century Maritime Silk Road – comprises a network of ports and naval bases connected by bridges, canals, roads and railway lines – all built and operated with Chinese participation.

China plans not just to revive the overland trade route, but also a maritime one, befitting its ambition to transform itself from a big continental country to a strong maritime power. That route will encompass more than 20 countries, stretching from the Pacific to the Mediterranean, via the Indian Ocean, Persian Gulf and Red Sea.

Analysts said Xi's plan aimed to kill three birds – economic, political and diplomatic – with one stone.

Economically speaking, the plan is seen as promoting free trade, investment and economic globalisation by reducing trade barriers and increasing opportunities for investors.

Policymakers in Beijing want to help Chinese companies explore overseas markets along the ancient trade route, promote development of the country's underdeveloped west, export China's industrial overcapacity and unearth new sources of economic growth amid a slowdown that started in 2010.

Politically, as the world's last major communist-ruled nation, China needs friends and political allies to offset its post-cold-war ideological isolation following the collapse of the Soviet Union and Soviet client states in Central and Eastern Europe in the early 1990s. Beijing also wants to restore its leadership status in the developing world by reviving the non-aligned movement.

Diplomatically, China aims to use its rising economic clout to



expand its regional and global influence so that it rivals that of the United States, the world's sole superpower, thus restoring China's historic position as a global centre of trade, culture and politics.

In concrete terms, the plan aims to create a network of improved infrastructure spanning 65 countries, encompassing 60 per cent of the world's population and about a third of its economic output. Li said Chinese policymakers viewed the initiative as a way of facilitating and speeding up economic growth in the country's less-developed western region, which would benefit the whole country.

Many less-developed countries in the region are also likely to welcome China's offer to help solve their infrastructure woes. Countries covered by the initiative include Mongolia, Laos, Cambodia, Kyrgyzstan, Pakistan, Tajikistan, Bangladesh, Nepal and Myanmar – all of which rank among the bottom 40 countries for infrastructure quality, according to the World Economic Forum. India, the second-most populous nation in the world, is also known for its inadequate infrastructure.

Armed with about US\$3 trillion in foreign exchange reserves, Beijing has dramatically scaled up its loan book to developing economies that have been largely ignored by international investors and Western lenders.

Besides the US\$40 billion Silk Road Fund, China also played a leading role in the launch of the Beijing-based, US\$100 billion Asian Infrastructure Investment Bank (AIIB) in October 2014 and the Shanghai-based, US\$50 billion New Development Bank in July 2015, which was jointly funded by the five big developing

economies – Brazil, Russia, India, China and South Africa – collectively known as the BRICS.

Some economists said China's initiative might help spur other lenders into action, with borrowers speaking approvingly of growing competition in both bilateral and multilateral financing.

But Alicia Garcia-Herrero, chief Asia-Pacific economist at Natixis, who will be speaking at this month's Belt and Road Forum for International Cooperation in Beijing, expressed doubts about the huge amount of investment financing required, especially given the AIIB's relatively small size. The World Bank borrows US\$40 billion to US\$50 billion a year, which it then lends out.

"The key issue about the belt and road is not really whether it

makes sense – it does – but rather whether such a massive project can be financed easily," Garcia-Herrero said, noting that US\$5 trillion was needed in next five years and more after that.

Louis Kuijs, head of Asia economics at consultancy Oxford Economics, said that while the impact on short-term economic growth in other countries was likely to be small, the initiative could have a significant impact on their growth and development in the longer term if the projects were well run. However, Kuijs said, "in countries with relatively weak governance and accountability, the risk of projects going bad is substantial".

By the end of last year, more than 100 countries and international organisations were sup-

porting the initiative, according to the Communist Party mouthpiece *People's Daily*. China has now signed memoranda with more than 40 countries, cooperation agreements with more than 40 countries in the belt and road region and industrial capacity cooperation agreements with more than 30.

Construction of the China-Pakistan Economic Corridor is in full swing, guidelines for the China-Mongolia-Russia Economic Corridor have been signed and the building of the rail links that will comprise the New Eurasian Land Bridge is being steadily promoted.

Some diplomatic observers also view the initiative as a new, China-led mechanism for land-based and maritime security co-

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LOUIS KUIJS, OXFORD ECONOMICS

operation. China, eager to secure the energy supplies needed to fuel its manufacturing-based economy, gets more than half its crude oil from belt and road countries.

It views better land transport connections with Central Asia and the Middle East as a way to secure a stable, long-term supply of energy. Unlike other current and former great powers, such as the US and Britain, which relied heavily on control of maritime sea lanes for global clout, China's geographic position means its supply network will be largely land-based.

Professor John Ciorciari, director of the International Policy Centre at the University of Michigan, said China needed to "avoid undue reliance on trade by sea, where China's major rivals will likely enjoy superior military capabilities for some time".

Some also see the plan as part of Beijing's efforts to combat terrorism and separatism, because boosting the economic development of western China, where most of the country's Muslims live, would help address conditions that can fuel social and political unrest.

Xinjiang (新疆) province borders eight belt and road countries: Mongolia, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan and India.

But Ciorciari cautioned there would be winners and losers from trade and investment, and the increased movement of goods and services would also create many more links between people, including some opposed to the government in Beijing.

He said the main value of the initiative to China was that it was laying the foundation – quite literally – for expanded Chinese economic and political influence across the Eurasian landmass.

BELT AND ROAD BASICS

China's "Belt and Road Initiative" is expected to shape the global economic market and geopolitical landscape for years to come. Ahead of a summit devoted to the plan, set for May 14-15 in Beijing, we take a look at its significance.

WHAT IS IT?

Previously known as "One Belt, One Road", the initiative is being spearheaded by the Chinese government to improve trade and economic integration across Asia, Europe and Africa. The strategy uses free-trade agreements and infrastructure projects – including roads, ports and railways – to create a modern Silk Road spanning some 65 countries, which have a combined gross domestic product (GDP) of US\$21 trillion. It includes both an economic land "belt" through Eurasia, and a maritime "road" to connect coastal Chinese cities to Africa and the Mediterranean.

HOW DID IT GET STARTED?

President Xi Jinping (习近平) endorsed the scheme in late 2013, with a stated goal of



A display is erected outside the belt and road summit venue in Beijing. Photo: AP

increasing global economic cooperation. In addition to stimulating China's own economy, the plan is aimed at bolstering its economic relationships and influence, while providing more political capital at home and abroad. Many observers have said the initiative could help establish China as a regional power – despite Xi's insistence the country will not interfere in other

nations' affairs or seek hegemony – on a scale that supersedes the Marshall Plan that the United States launched to help rebuild Europe after the second world war.

HOW IS IT FUNDED?

China established the US\$40 billion Silk Road Fund in early 2014 to fund the scheme's infrastructure projects, including the creation of six economic corridors by building roads, railways, pipelines and highways. Additional financing will come from the Asian Infrastructure Investment Bank, the China-backed global lender launched in October 2014 and the New Development Bank, a Shanghai-based bank for the BRICS (Brazil, Russia, India, China, South Africa) countries.

WHAT'S HAPPENING AT THE SUMMIT?

State leaders will meet in Beijing to discuss the initiative over two days. Top leaders from at least 28 countries have confirmed their attendance at the summit.

Sarah Zheng