

Strategic Analysis Paper

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China's One Belt One Road Policy: Can History Repeat Itself?

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Key Points

- China has proposed a new international strategy, One Belt One Road Policy. The international treaty aims to recreate a modern version of the historical Silk Road route trading route from China to Europe.
- Modifications of the old Silk Road route will include a maritime and continental route that will join countries in Asia, Europe, Middle East and Africa.
- With the increased commentary on the nature of the policy, some experts and state leaders have voiced their reluctance and concerns, that relate to the involvement of unstable governments, territorial issues, sovereignty issues and the laws of individual states.
- There is an optimistic emphasis on the prosperity that the initiative may provide the global economy with Australian leaders hoping the policy will reignite the demand of certain commodities and strengthen affiliations with Asia.

Summary

Since initiating market reforms in 1978, China has shifted from a centrally-planned to a market-based economy and has experienced rapid economic and social development. GDP growth has averaged nearly 10 percent a year, the fastest sustained expansion by a major economy in history. States as diverse as the United Kingdom, United States of America, Pakistan, Kyrgyzstan

and Australia have all benefited from this transformation but now, as this growth consolidates and slows, the nation looks to create policies that will ensure growth and stability for the future. Chinese leaders have unveiled a ‘foreign policy priority’, the **One Belt One Road Scheme**, an international treaty that seeks to supersede all previous trade arrangements. If successful, this policy will further integrate economic ties and increase the cooperation of states across continents. It has the potential, however, to create international economic and political tensions. As many (including Australia) excitedly wait for the implementation of the policy, others remain sceptical and even fear the outcomes China’s initiative will bring. This paper will discuss just some to the issues that this audacious policy, with the potential to revolutionise global trade, raises.

Background

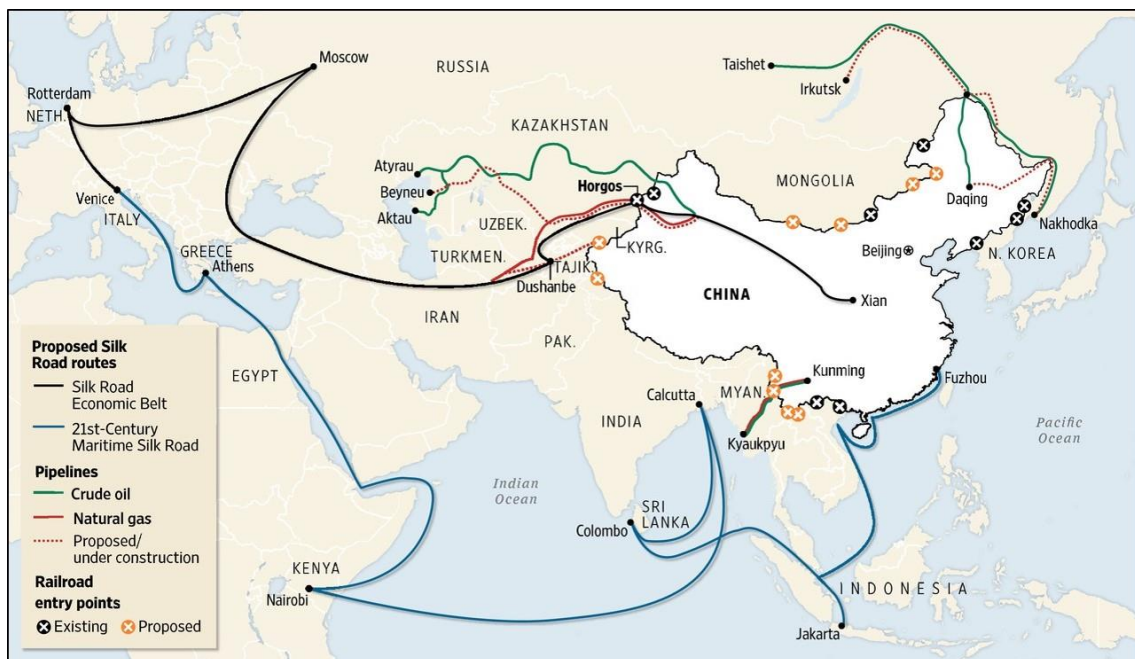


Figure 1. A map of the modern day Silk Road route. Source: The Wall Street Journal.

In the last three decades the world has seen China progress from a relatively poor agricultural country to a nation contending for economic superpower status. Large scale infrastructure projects and the strategy of producing goods for export to developed states has sustained high levels of economic growth for a significant period of time. Unfortunately, what goes up must come down and with China’s economic growth slowing, its leaders are looking for new avenues to stimulate growth and continue to promote their global influence. In 2013 Chinese paramount leader Xi Jinping unveiled the strategic international development strategy and framework known as the **One Belt One Road Policy (OBOR)**. Having reached a stage where it can no longer rely upon domestic infrastructure development to drive its economy, China now aims to increase its cooperation with other states in Eurasia, Africa and Southeast Asia (mainly in Eurasia) creating a global ‘network of infrastructure partnerships’.

China has heavily promoted OBOR, as has other participating States who hope to partake in the prosperity it seemingly promises. It is generating significant debate in international forums, including a fair degree of praise from some quarters. It has even been described as China’s

‘Marshall Plan’. This grand vision cleverly reflects the history of the old Silk Road trade routes to shape a vision for China’s 21st century and beyond. With ‘one eye in the past and one eye in the future’ China aims to bring economic success to more than 60 states, comprising 60% of the world’s population and 46% of the world’s GDP. Whilst many have envisioned the numerous opportunities and its assumed prosperity, the OBOR policy comes with uncertainties and risk, posing the question, should history be repeated or left in the past?

Comment

Historically the Silk Road was a trading conduit that led to the success and prominence of several Chinese dynasties. It consisted of the East China sea Route and the South China Sea route which extended across the Indian Ocean into various countries in Southeast Asia and the Persian Gulf. The route has been described as the world’s first ‘trade super highway’, influencing 1600 years of exchange between Europe and East Asia. Gaining its significance in the Yuan dynasty, the southeast Silk Road allowed China to enhance its communication and created vast opportunities of trade and cultural exchange. It is due to its historical significance that China hopes of reigniting the Silk Road through the OBOR policy. In a bid to support its agenda, institutions such as the Asian Infrastructure Investment Bank (AIIB) have been created to not only help fund OBOR but other initiatives aimed at developing the Asian region.

Like the Trans-Pacific Partnership (TPP), the policy intends to reduce trade barriers between the signed parties in order to achieve a range of goals. The agreement has been described as a tool that will aid in developing rural China through ‘increased connectivity and economic development’ for member states, strengthen relationships between China and its neighbours and increase energy security [through diversification and imported resources](#). Alongside these explicit goals are implicit objectives to ensure sustained economic stability and growth. It may also be a means for China to curb overcapacity by creating new markets for its products and services. Reducing trade barriers will allow China to export excess production to its policy partners and generate profit.

With its optimistic promises of prosperity, many states have declared their support and voiced their willingness to participate. In Australia business and policy interests have been keen to engage positively in the OBOR debate and despite its current infancy, authorities have predicted opportunities the route will present for Australia, especially in developing Northern Australia. As recently as April this year, President Xi Jinping publically declared Australia’s northern development plan as having relevancy to the proposed OBOR. The Department of Foreign Affairs believes that by supporting this agenda Australia will reap benefits that most likely will include a sturdier demand of raw materials, strengthening Australia’s iron ore and raw material exports to China and other state partners. With China being the number one importer of Australian iron ore, many believe that it is imperative Australia support and invest in this scheme.

Australia recently contributed approximately A\$990 million to the AIIB, foreseeing that this would strengthen the infrastructure development of Northern Australia and strengthen the development of other Asian markets which in turn would benefit Australia. There is no question that the OBOR will provide profit for its partners, but at what cost? Media coverage of the new initiative has emphasised a ‘win-win’ ideology while in many instances failing to provide sufficient detail on cautionary matters.

There is, however, no firm guarantee that increased prosperity will arise from this initiative for all participating nations. Expert comment and criticism from various industries and policy groups is starting to inform the debate of potential risks China will face with the policy. Ideally this policy proposal would be the foundation for developing nations, especially in Asia, to identify and create opportunities for economic and social development that are not dependent upon traditional, developed nation sponsorship. Theoretically this may be possible, but practically there are many concerning issues that must be addressed.

Legal and Political Issues

There are a wide range constitutional and institutional structures that present risks for the successful implementation of this scheme. Professor Dennis Galligan, Christopher Hodges and Dr. Ying Yu of Oxford University, pose the question, '[are the constitutional orders of the many nations involved suited to the level of international cooperation required by the initiative](#)'? The majority of the parties China wishes to involve are categorised as developing nations, nations that are inherently more susceptible to unstable political situations and administrative challenges. What may be approved by one regime may be reversed in another. The tumultuous environment of these states means their laws can be uncertain and unpredictable. Additionally, creating a route that permeates the borders of states such as Kazakhstan, Afghanistan and Pakistan is a task that yields great difficulty. These states would not only present legal constraints but uncontrollable risks such as political unrest and even violent conflict. For example, one route is proposed to pass through Kashmir, the Indian region which has been the centre of an, at times, violent territorial and sovereignty disputes with Pakistan since Partition in 1947. Several of the routes China has chosen for the policy, both maritime and continental, will pass through areas that are the subject of territorial and sovereignty disputes.

Ling Yoxin, Deputy Director of the Institute of Maritime Silk Road National Institute provided [his thoughts on the matter](#). When questioned on the territorial issues in the South China Sea, the deputy replied; that although China will inevitably be faced with issues in this region, the OBOR's purpose does not need to focus on matters of sovereignty and territory, the aim is not to solve China's South Sea issues but rather to encourage maritime cooperation. Yoxin encourages wary states to forgo their mistrust whilst China negotiates with ASEAN countries on 'managing and controlling' the disputes of the South China Sea. Another authority, Li Xiang Yang, compared the conflict issues in the South China Sea to the past conflict between France and Germany and further stated that this conflict was dissolved by their integration into the European Union, a comparison that is arguably inappropriate. In his opinion economic integration will mitigate or dissolve non-economic conflict. In time, Chinese leaders may have to generate strategies to deal with the differing laws of the sixty states predicted to participate in this scheme.

Tensions with the United States

One question that has recently come to the forefront is whether this policy is China's form of retaliation from being excluded from the TPP. It is no secret that the United States and China are part of a not so silent competition to claim the title of world economic superpower, it is understandable that some are sceptical of China's intentions. The successful implementation of the scheme would see China accrued increased influence that would conceivably bring them to parity with the United States as a superpower, at least economically. The US has not been shy

to state its discontent with the policy and has urged many of its allies to refrain from supporting the AIIB and signing on to the OBOR. Professor John Mearsheimer in a CCT interview predicted that China's increased presence in the Indian Ocean would induce conflict between China and the US. He was quoted stating that in this instance [China will most likely be met by the US and Indian Navy](#), creating fear amongst many that this policy will increase the tension amongst some major states.



Figure 2. A battle for the title of world economic superpower. Source: www.chinausfocus.com/foreign-policy

China has of course denied these claims but the fact remains that there are still sceptics. It will be difficult for China to remove the suspicion that the OBOR is a geopolitical strategy to 'rebalance' its presence against the US in Asia and increase its influence across the Eurasian land mass. Despite the political tension, however, the United States has the opportunity to utilise this policy as a means of enhancing its affiliations with china in a positive manner.

Hesitation

Understandably there are those who are hesitant and sceptical about China's new initiative and the voracity of heavy promotion generated during the infancy stage. At this time proponents of the policy have failed to list the steps on how this initiative will be achieved. The commentary provided by Chinese specialists has discussed how OBOR is a cooperation policy that will be a 'win-win' for all but they have failed to specify the pragmatic steps that will be taken to manifest this agenda into a reality. It seems that China and those who have invested in the AIIB have been quick to promote and slow to provide participants with comprehensive, detailed information. Private businesses are wary that the complexity of OBOR may result in failure; a possibility of

failure is inherent in international business, however unlike Chinese state owned enterprises, private businesses in other states do not have the government provided security blanket.

In the same manner China has looked to its ancestors for success, others are looking at China's previous behaviour for guidance. The nation has a history of manipulating its domestic economy for domestic advantage over foreign competition, increasing the hesitation of private businesses and developing nations. Some states including India and Japan fear that the policy may result in a 'costly geopolitical project instead of a prosperous commercial one'.

Conclusion

With great power comes great responsibility. As one of the world's largest economies and the number one trading party for 120 countries, China holds almost unprecedented power and responsibility. The OBOR policy has the potential to be a game changer for the global market. It has the opportunity to assist, create opportunities and increase the prosperity of not only developing nations but developed nations including Australia. Australian interests are perhaps best advised to provide support of this endeavour whilst being cautious of any adverse prevailing and emerging issues. Although the OBOR has significant support this does not mean the policy will be universally successful. There are a wide range of issues looming that must be negotiated and resolved in order to produce successful realisation. Many believe that history can repeating itself, but today's global economic environment may be too complex for the OBOR policy to repeat the success of the 14th century Silk Road.

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