

The Belt and Road strategy of China: An Overview

Thomas Chan,
China Business Centre ,
Hong Kong Polytechnic University
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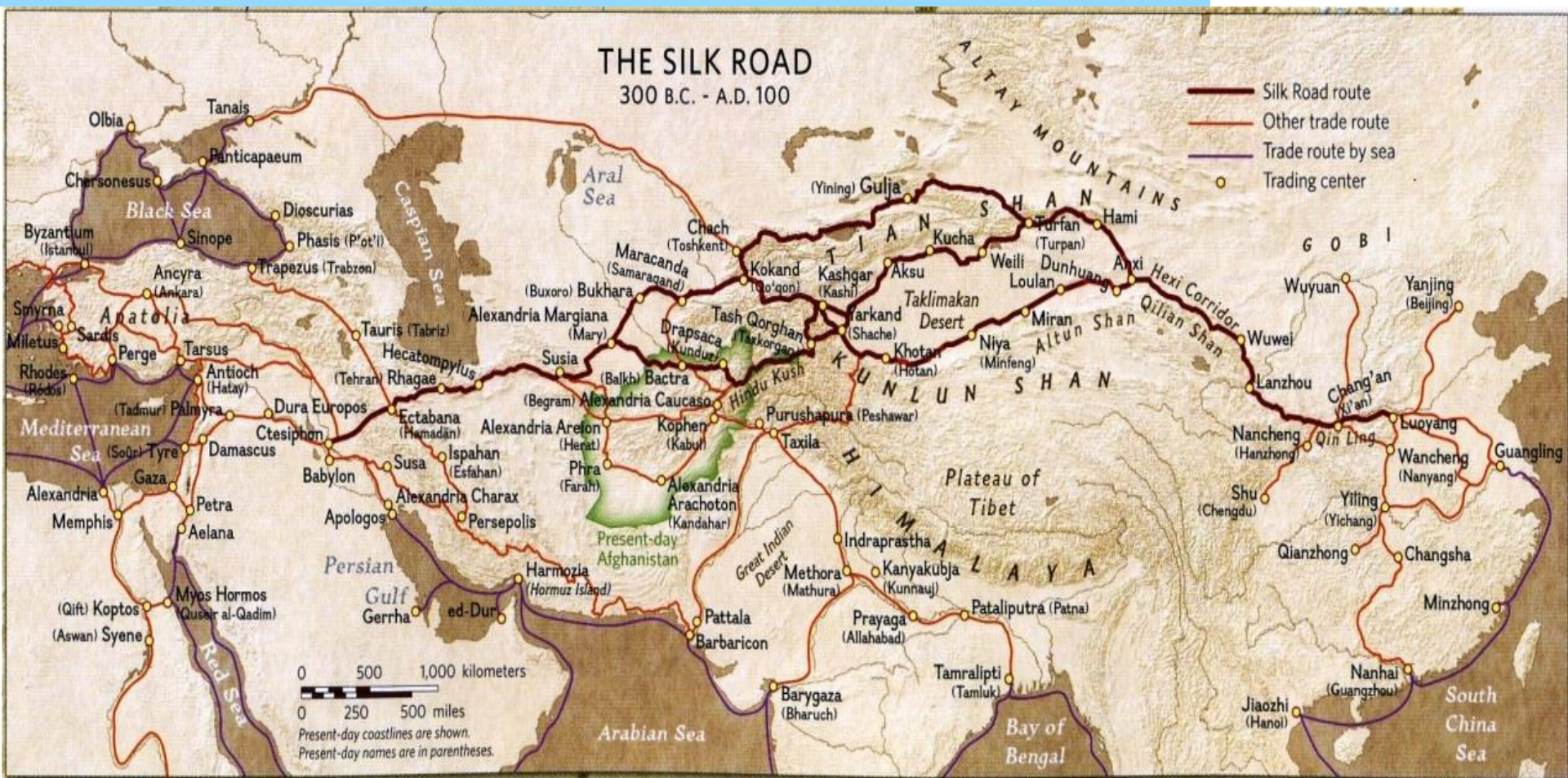
China and the Silk road in history



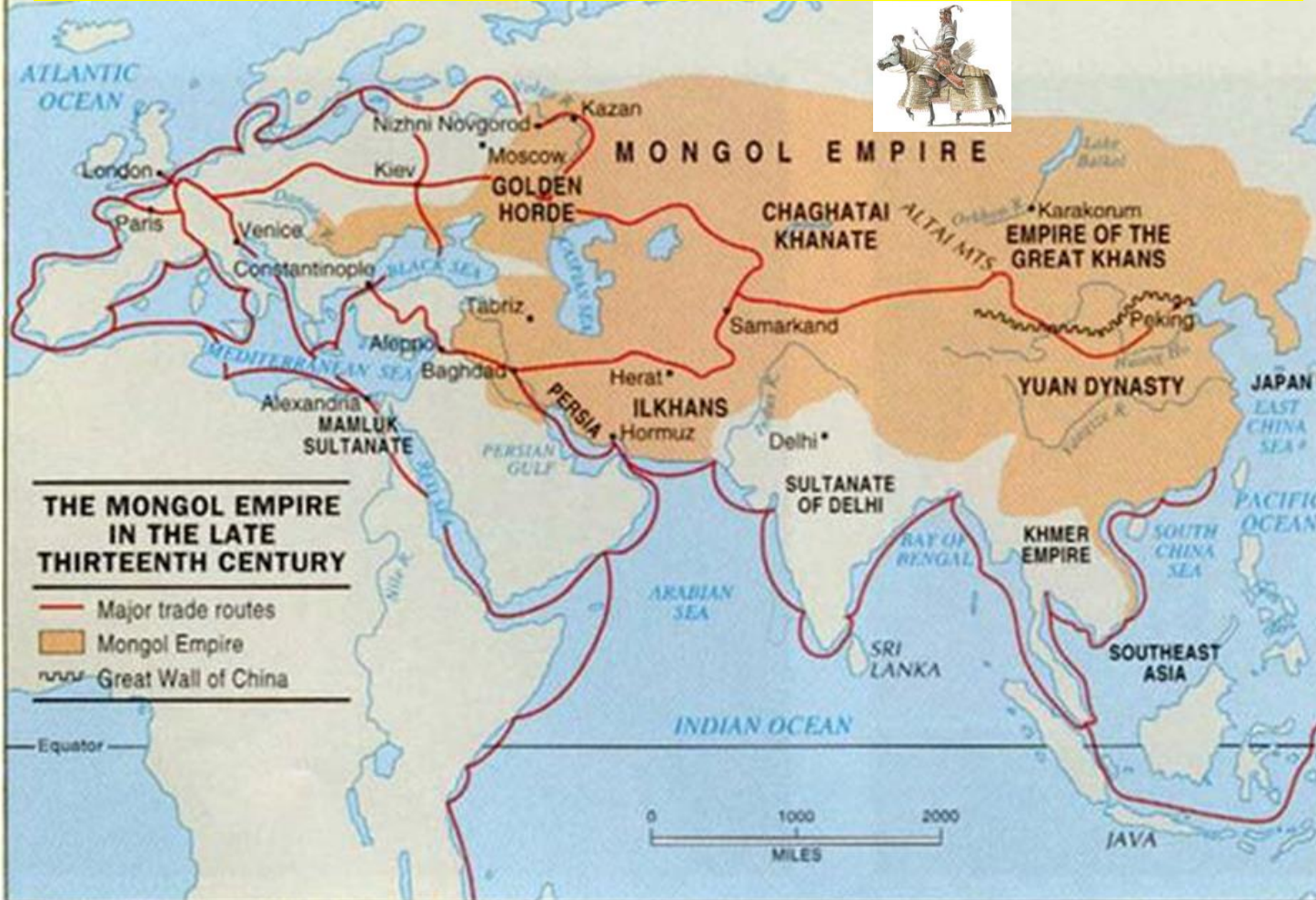
1. The silk road had been in fact the inter-continental trade routes in Eurasia – Africa landmass and later extended to oceans beyond, and as such it could be scaled up and down depending on the conditions for the facilitation of trade and exchanges along the routes;
2. It had many branches and represented a highly three-dimensional network that not only traversed vast linear distances but also scaled tall mountains, and reached to the seas;
3. It had depended on China's ability to offer quality & innovative products for the world market (first silk products, later ceramics, tea, sugar etc.). It had lasted for two thousand years and ended in the early 20th Century when China was in political disintegration and its craft products being imported substituted and replaced by industrial goods in the USA and to a lesser extent Western Europe. Eurasian trade had then been eclipsed by cross Atlantic trade.



The historical silk Road(s) with many branching routes: China has seldom closed its door to the world. The routes could be interfered with by political fragmentation in the regions, but never blocked. The stronger China, the larger surplus products China would produce for trade along the Silk Road with countries to the west.



The **Moguls** established the first contiguous Eurasian empire in history (1200-1300 but with impact for hundreds of years after) ~ represented the pinnacle of Steppe power, but it also attempted to project its power in maritime regions: it actually integrated the overland & maritime silk roads



The Mongols extended their hegemony over a major part of the Eurasian landmass, from the Danube to the Pacific for the better part of two centuries.

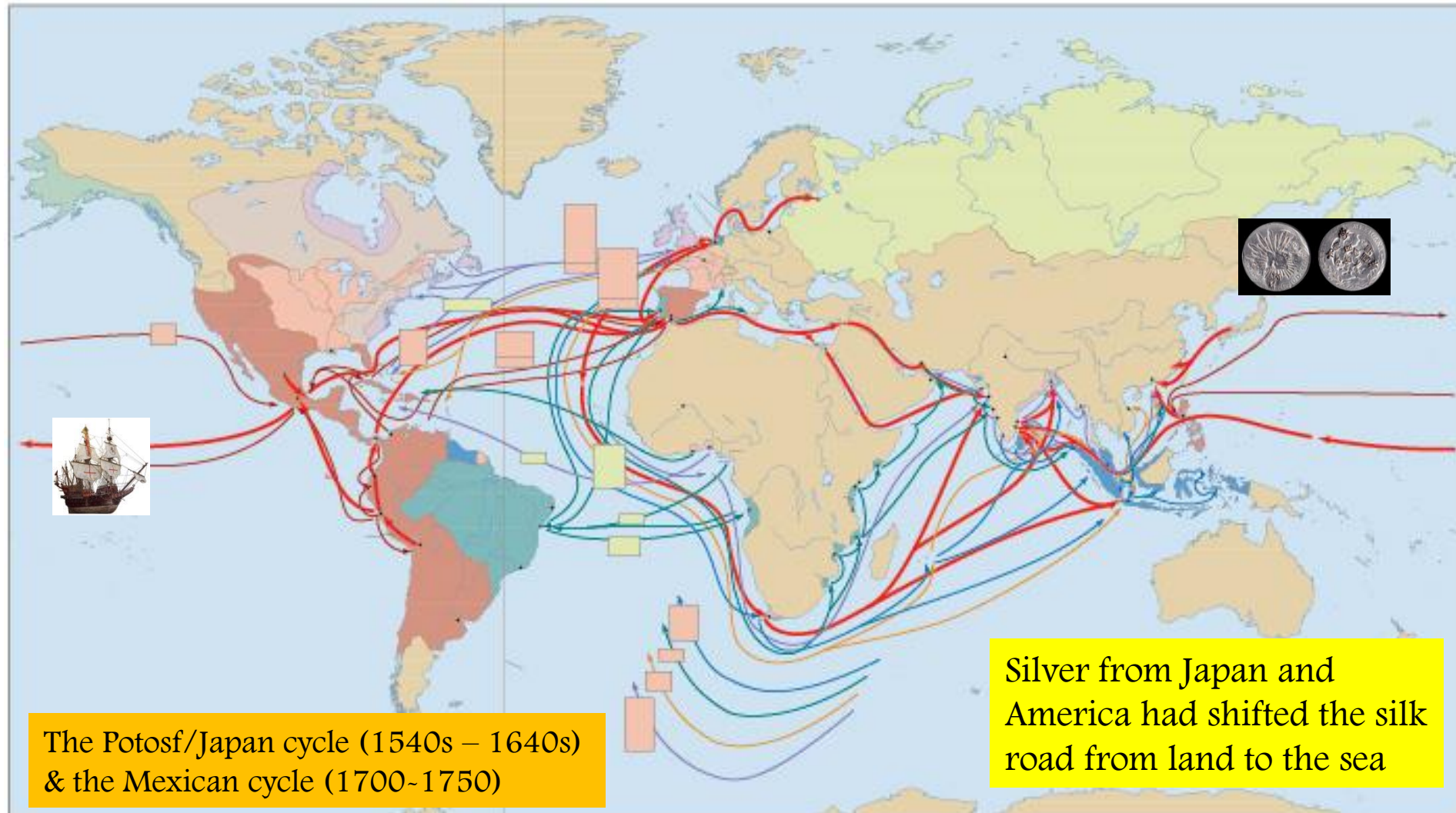


Apart from moving along the Steppe to Europe and India, Mongolian armies attacked Japan, Vietnam, Burma and even Java

Sources:

<https://hist106spring2011.files.wordpress.com/2011/03/picture5.jpg> & <http://1.bp.blogspot.com/-MnuOi6USuIo/VHuJYXXonzI/AAAAAAZJM/PItTjIFAMH/s1600/Campaign%2Bmap.jpg>

Global silver trade – the triangular trade of Macau/Canton/Guangzhou – Manila – Nagasaki to cross the Pacific Ocean to Peru and Mexico: silver in exchange for Chinese silk products & China wares etc. & involved all countries along the routes even in the trans-Atlantic direction.



Rethinking the Silk Road



- The Silk Road and its variants over the past millennium was basically commercial ventures – taking advantage of the great economic production capabilities of quality products of China and the consumption demand from the rest of the world – it required innovative and ever upgrading production capabilities in China and the expansion in consumption demand in the rest of the world – from Roman Empire to the rise of the Muslim empires in the Middle East and West Asia to the rise of the West (Western Europe & North America).
- Long distance commercial ventures needed political protection to offer safety and stability as well as internationally acceptable payment currency for cross-border economic calculation & planning. In particular the use of silver had expanded both production in China and overseas consumption and promoted technology development (product technologies & transport technologies) from the long 16th Century to early 20th Century. **Politics** (international relations) and **finance** (cross border exchange rates) have been the crucial factors to determine the ups and downs of the Silk Road.



- Technology has also been a crucial factor in determining long-distance trade & exchanges – first the harnessing of horses and camels provided the basis for overland silk road expansion, later improvements in navigation technologies allowed sea faring and ocean going to move bulkier goods and larger number of travelers across great distance, and railways and airplanes are yet to revolutionize the silk road connectivity.
- The silk road is about **connectivity** ~ starting from physical connectivity to economic, political, social, cultural connectivity that could & will be culminated in information connectivity and cultural empathy. It is not just about investment and trade. However, given the disruptions of the silk road connectivity by the decline of China and West Asia polities in the 20th Century, the Cold War and the global economic shifts to cross Atlantic regions, it needs to restore physical connectivity in terms of infrastructure investments to build up again the momentum for trade and exchanges for it to resurge.

Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road (28 March 2015)

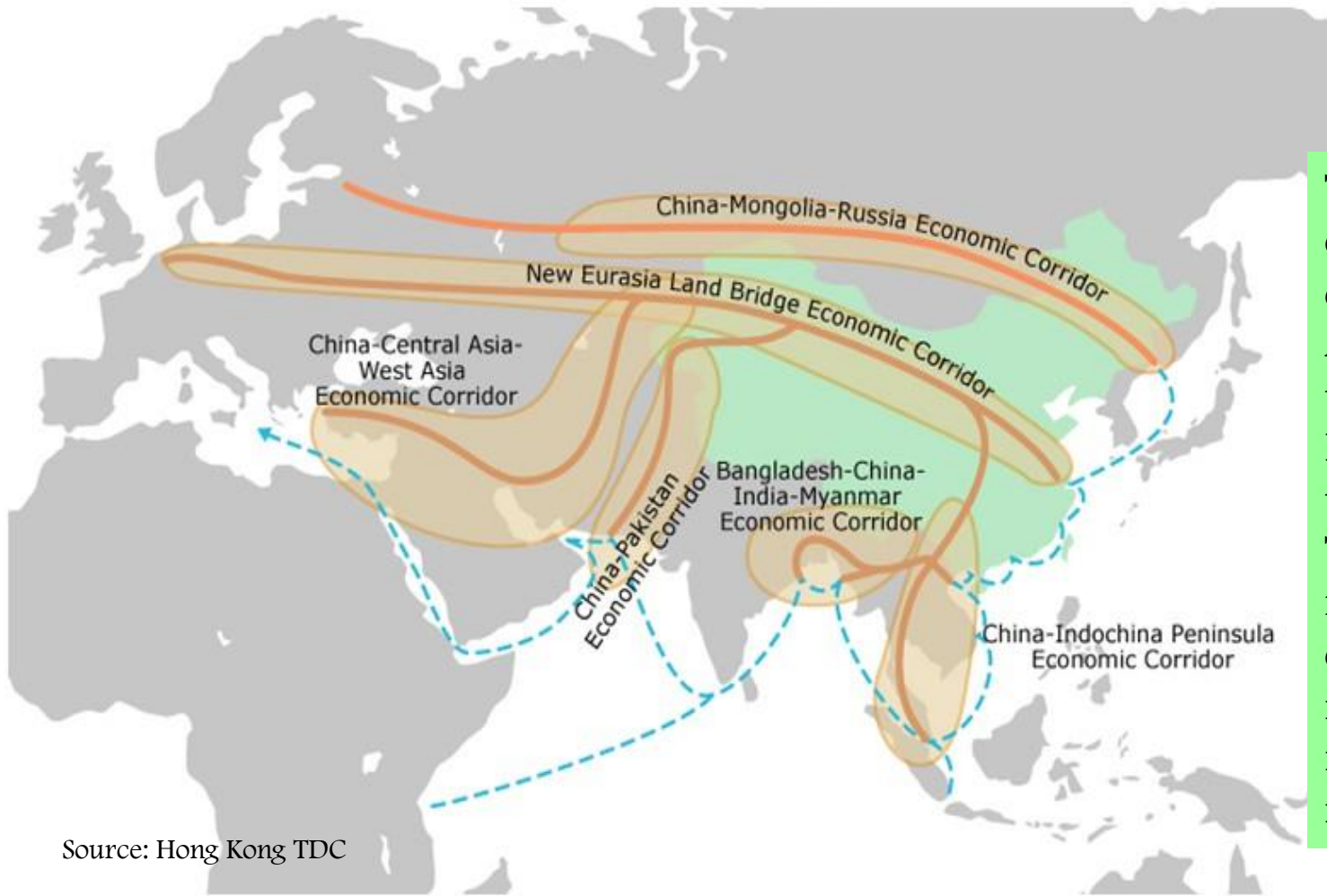


- An open-ended approach. “It covers, but is not limited to, the area of the Ancient Silk Road. It is open to all countries and international and regional organizations for engagement.’ So it will not be confined either to the 65 countries as normally referred to in the Chinese press or the 57 founding members of the Asian Infrastructure Facilities Bank. China will not monopolize the project. Instead it should be ‘jointly built through consultation to meet the interests of all’ .
- A systematic project. It will rely on ‘all-dimensional, multi-tiered and composite connectivity networks’ for ‘diversified, independent, balanced and sustainable development’ in all countries involved. ‘It advocates tolerance among civilizations, respects the paths and modes of development chosen by different countries’ . This follows the line of thinking and action of the United Nation Alliance of Civilizations.
- Four cooperation priorities – policy coordination, facilities connectivity, unimpeded trade, and financial integration. This has made the strategy at the present stage a mostly economic one but allows evolution into other fields.

The territorial coverage of the 'one belt, one road' strategy: Indian Ocean plus the Eurasian landmass



The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa



The map omits the coast of East Africa down to South Africa & the traditional trans-Pacific trade route to Mexico and Peru. The corridors are not isolated and exclusive but in fact interconnected in a network fashion

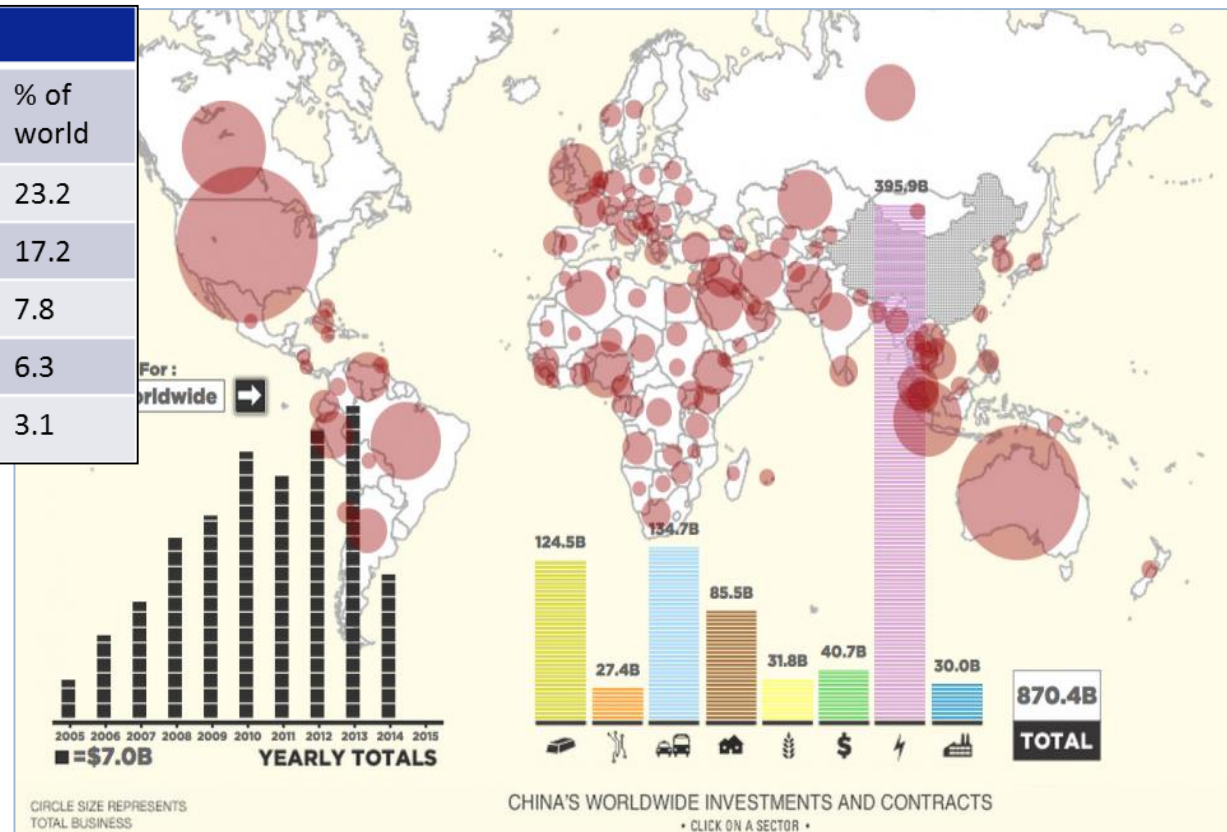
The resurgence of China gives the foundation to the revival of the silk road



By 2013, China has become the largest manufacturing economy as well as the largest exporting, and 2nd largest economy among all nations; it has also started exporting capital, management & technology graduating from the rank of developing country. It has also the largest foreign exchange reserves and trade surplus in the world.

World manufacturing ranking				
Rank	1993	2003	2013	% of world
1	USA	USA	China	23.2
2	Japan	Japan	USA	17.2
3	Germany	China	Japan	7.8
4	China	Germany	Germany	6.3
5	France	Italy	Korea	3.1

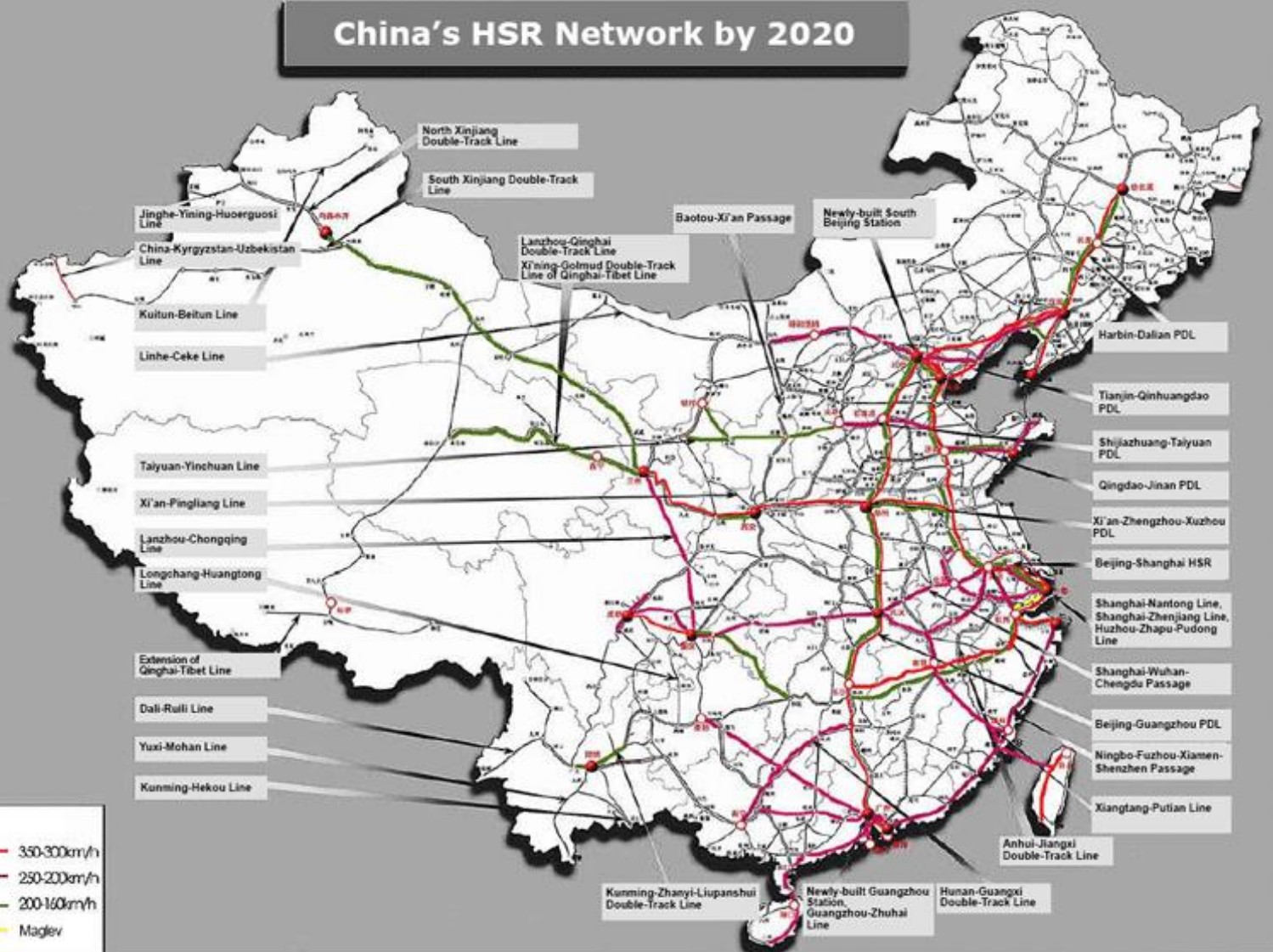
Sources: Heritage Foundation, quoted in <http://business.financialpost.com/business-insider/china-has-crossed-a-major-investment-threshold-that-is-going-to-change-the-entire-world> & <https://www.quora.com/Will-China-still-be-the-worlds-manufacturing-center-in-2030>



China has become an 8-hour transport system centering in Beijing that facilitates all direction outward overland



China's HSR Network by 2020



A FASTER ROUTE FOR TRADE

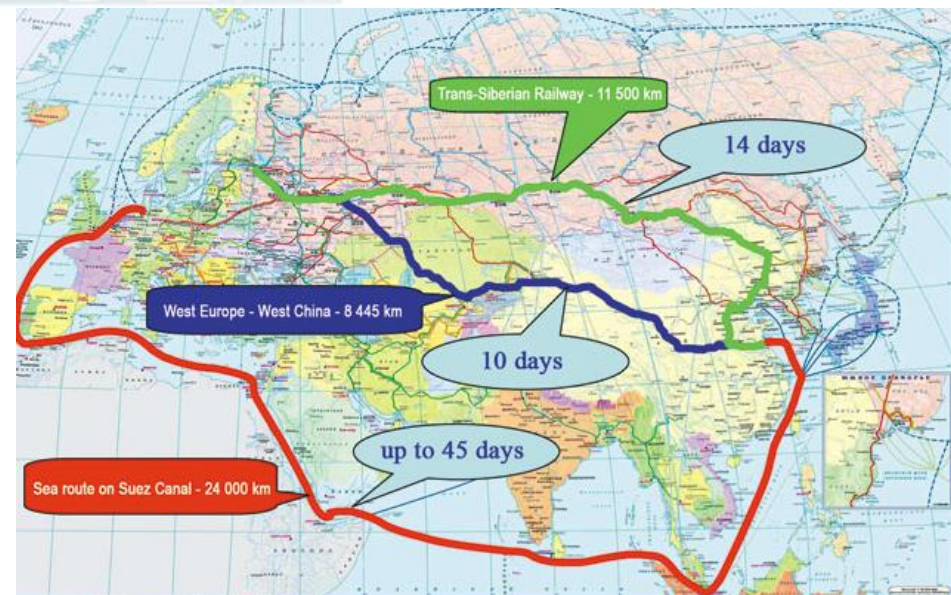


Sources: Ministry of Commerce, General Administration of Customs, YuXinOu Rail Logistics Company

A new found overland route

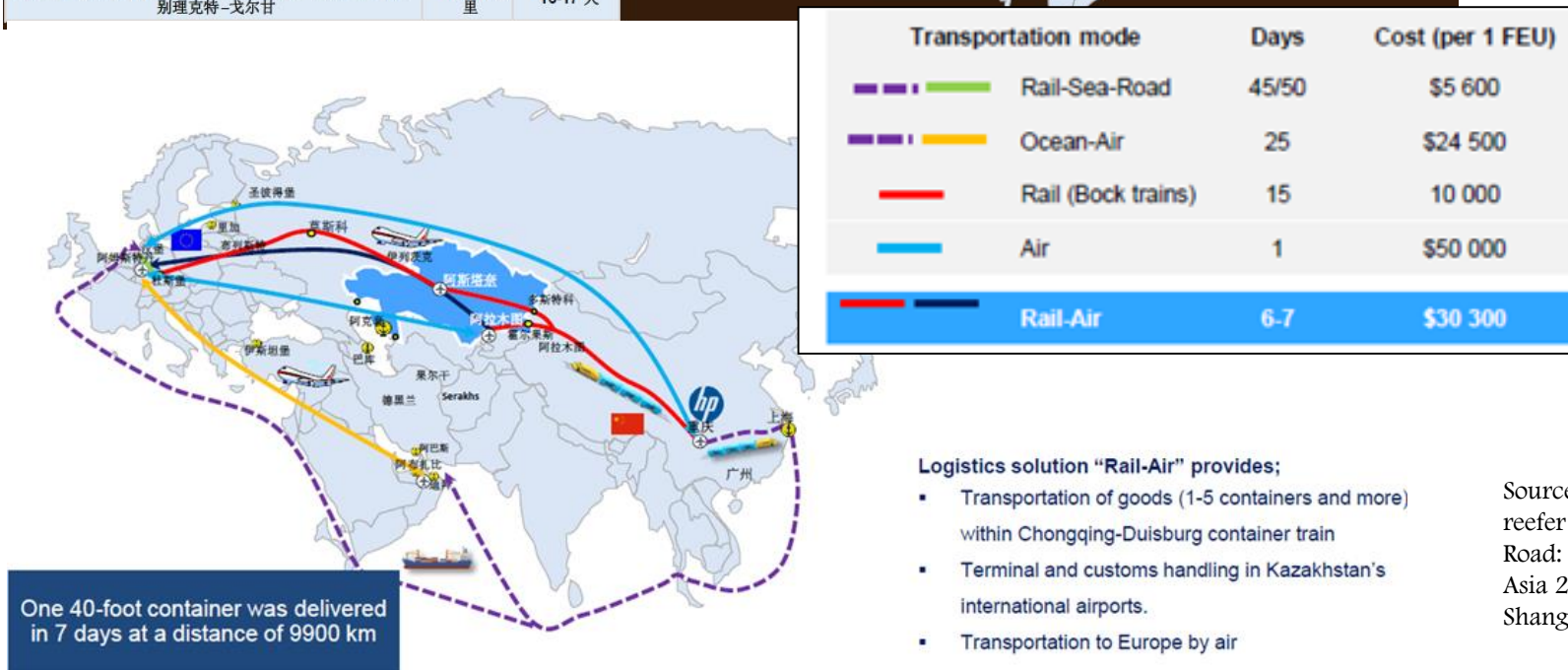
Overland routes save times and could allow goods to reach market regularly at a cost-effective way

Sources: <http://euap.hkbu.edu.hk/main/wp-content/uploads/2015/06/OBOR-railway.jpg> & Maryam Turezhanova, Major Transport Corridor to Connect Kazakhstan, Russia, China by 2015, *The Asian Times* (Astana), 20 February 2013





Different modes of China – Europe transport via Kazakhstan



Logistics solution "Rail-Air" provides;

- Transportation of goods (1-5 containers and more) within Chongqing-Duisburg container train
- Terminal and customs handling in Kazakhstan's international airports.
- Transportation to Europe by air

Source: Henrik Christensen, Rail reefer solutions over New Silk Road: plans or reality? Intermodal Asia 2015 24 - 26 March 2015, Shanghai

The Yiwu-Madrid line

~ 21 days, 6,200 miles with the first train in November 2014



The longest rail link in the world & the first direct link between China and Spain completed its maiden journey of 8,111 miles to Madrid in December 2014

Source:
<http://www.railnews.co.in/china-now-owns-worlds-longest-rail-route/>

Yiwu ~ Bandar Abbas line

with the first train in January/February 2016 of 10,399 km in 18 days – about 578 km journey per day including two breaks of gauge, cutting short by half the distance & 30 days less than by sea

There is the joint effort for the Trans-Caspian international transport route that organizes container service on the **China – Kazakhstan – Azerbaijan – Georgia – Turkey route** using different combination of existing and newly constructed railway and sea port terminals. The early 2016 freight cargo link between the **Ukraine – China container route** and the Baltic Sea, and therefore Northern Europe by Ukraine and Lithuania has also presented a non-Chinese approach to connect with and optimize the transport along the Silk Road



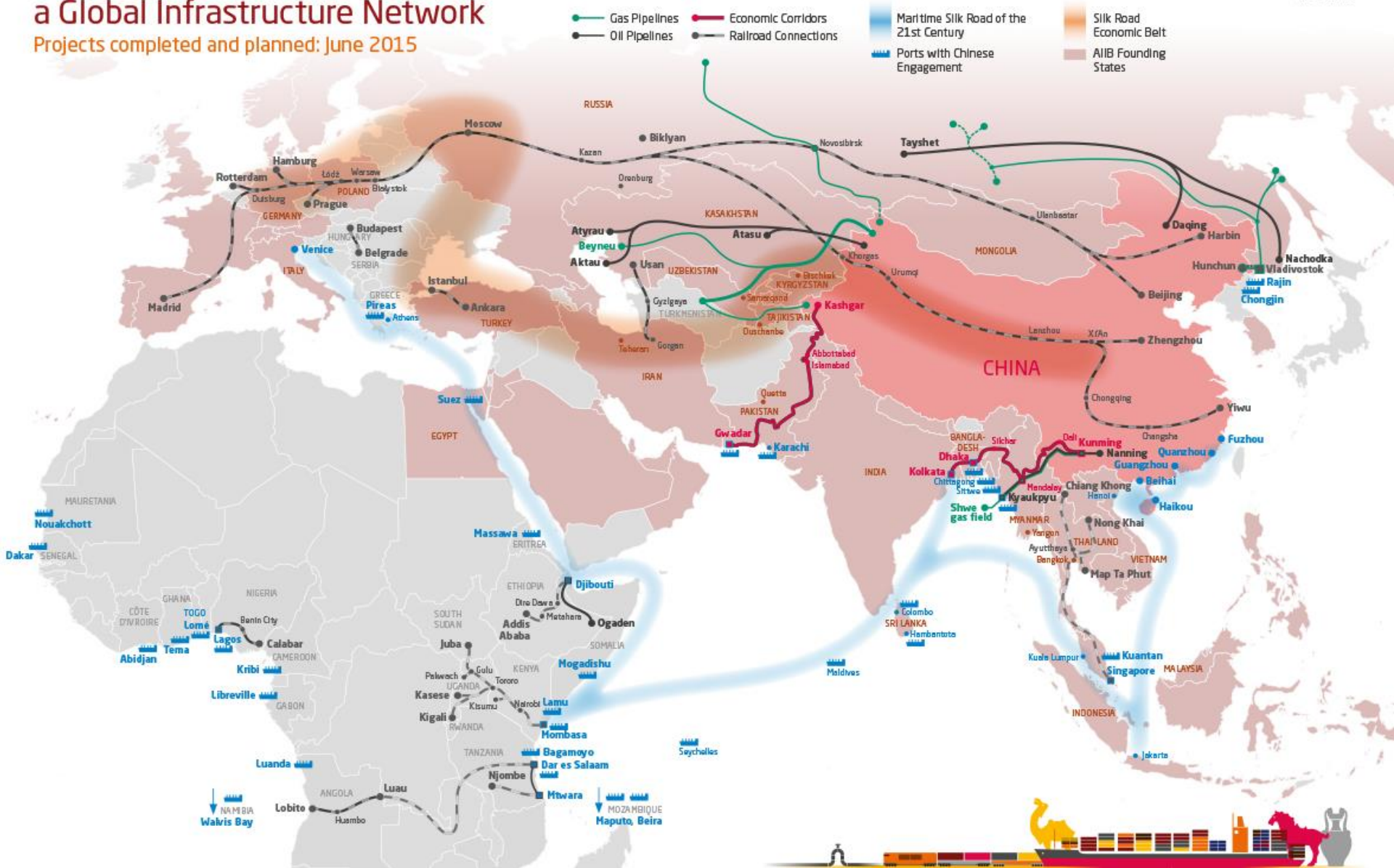
Source: <http://www.businesswire.com/news/home/20160208005531/en/Republic-Georgia-Selects-Anaklia-Development-Consortium-Build>

More projects have been focused on overland routes

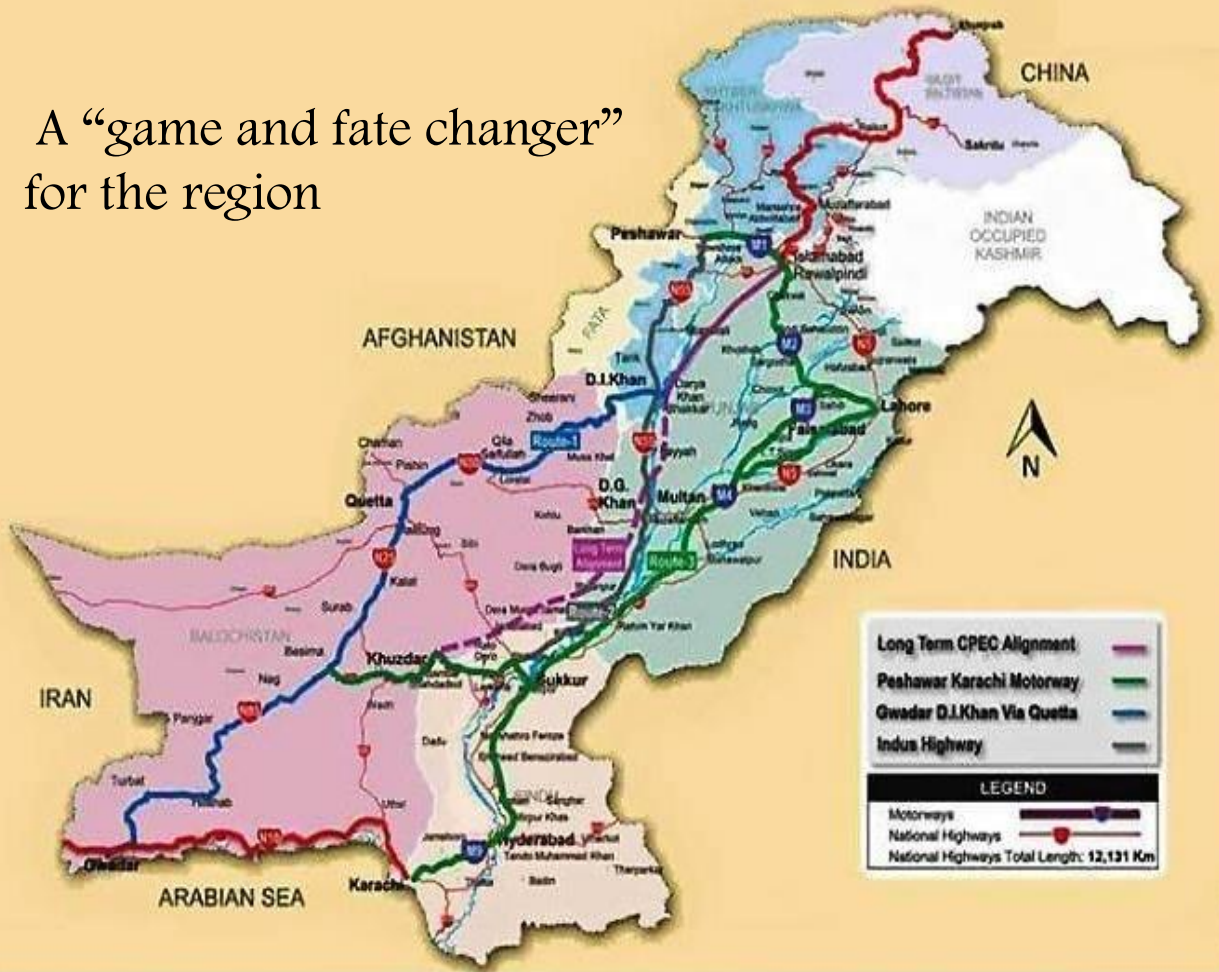


a Global Infrastructure Network

Projects completed and planned: June 2015



A “game and fate changer”
for the region



Source: Saleem Shahid, China-Pakistan corridor: NP criticises centre for not taking Balochistan govt on board, *Dawn*, May 27, 2015

“The Chinese are not just offering to build much-needed infrastructure but also make Pakistan a key partner in its grand economic and strategic ambitions. The project will also open trade routes for Western China and provide China direct access to the resource-rich Middle East region via the Arabian Sea, bypassing longer logistical routes currently through the Strait of Malacca.” from Guardian, (quoted in Lal Khan, The China Pakistan Economic Corridor, Daily Times (Pak), December 06, 2015)



Source: Afshan Subohi, China-Pakistan corridor: Visibility of the game changer, *Dawn*, April 27, 2015

Silk Roads

The first projects





China plans to spend billions on infrastructure in Pakistan that would help open new trade routes.

Spending on projects

SECTOR	EST. COST, IN BILLIONS
Energy	\$33.79
Road	5.90
Rail	3.69
Mass transit in Lahore	1.60
Gwadar Port	0.66
China-Pakistan fiber optics	0.04
TOTAL	45.69*

Proposed road network

ENERGY PROJECTS

-  Coal mining/power plant
-  Hydro
-  Solar
-  Wind

150 miles
150 km

AFGHANISTAN

PAKISTAN

Gwadar

Arabian Sea

Karachi

Hyderabad

U.S. civilian aid program in Pakistan since 2009, in billions

Energy	\$2
Border-area rehabilitation	2
Education/health/other	1
TOTAL	5

Includes adding 1,500MW of electrical power; plans to finance irrigation of 1 million acres of farmland by 2016, building or rehabilitating over 620 miles of roads and highways, building or rehabilitating more than 950 schools.

THE WALL STREET JOURNAL.

*Figures don't add up to total due to rounding.

Sources: Government of Pakistan; USAID

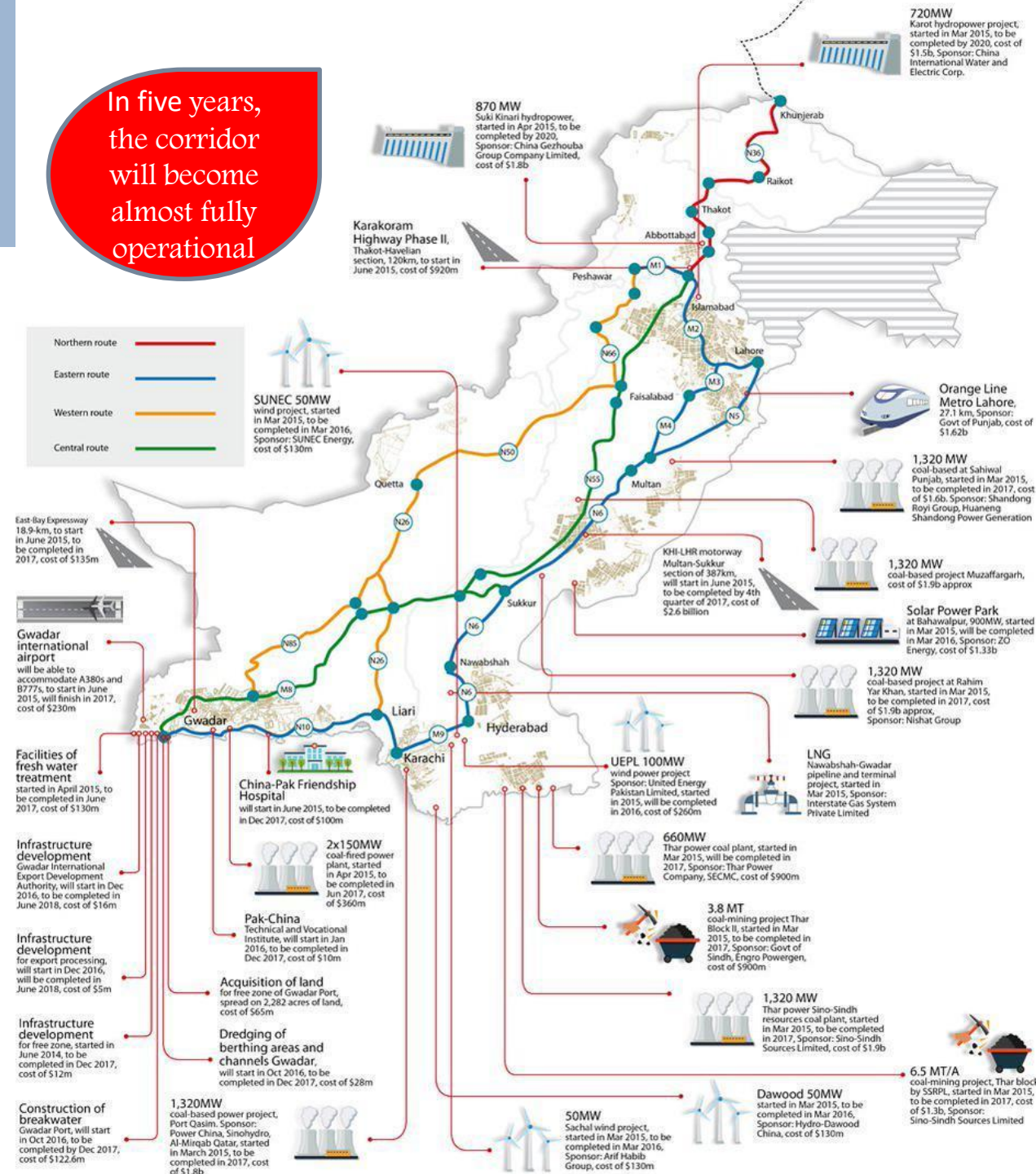


"1+4" cooperation structure with the CPEC at the center plus the Gwadar Port, transport infrastructure, energy and industrial cooperation.

20 April 2015 marked ground-breaking of 5 power projects, including Zonergy \$1.5 billion, 900 mw solar power plant, the largest plant in the world located in Bahawalpur to be completed by the end of 2016; the \$1.65 billion Karot hydropower plant, the first investment project of the Silk Road Fund; & the \$2.085-billion Port Qasim coal-fired power plant, the first started project in the energy sector under the CPEC framework, to start operation by the end of 2017.

Source: <http://www.riazhaq.com/2015/04/post-cold-war-line-up-pakistan-china.html>

In five years,
the corridor
will become
almost fully
operational



The Pakistani government has also proposed 29 industrial parks and 21 mineral economic processing zones in all four provinces.

32,000 security personnel (including over 500 Chinese) will guard over 14,321 Chinese workers engaged in some 210 small and mega projects in Pakistan.

Source: China-Pakistan Economic Corridor projects pick up pace, July 11, 2015, 28 November 2015 updated,
<http://walizahid.com/2015/07/china-pakistan-economic-corridor-projects-pick-up-pace/>