



The Grand One Belt-One Road Initiative: Opportunities, challenges and implications

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China's One-Belt One-Road (B&R) initiative is a grand masterpiece of wisdom intended to promote regional economic inter-connectivity through Chinese-led infrastructure investment and development. China's massive infrastructure development and funding under the B&R initiative are taking place in the midst of cultural diversity, sprawling trans-border geographical locations and rich historical perspective. The "One-Belt" refers to the New Silk Belt that is being revitalised through the old extensive silk trading route from China that spanned across Central Asia to Europe during the ancient Tang dynasty.

The "One-Road" refers to the 21st Century Maritime Silk Road that traced through seven voyages led by Admiral Cheng Ho during the Ming Dynasty where spices, tea and porcelains were heavily traded by the Chinese with local merchants across China's past decades of rapid expansion of regional trade and global investment trends. Any attempt to resist such trends or the refusal to participate in them is bound to result in marginalisation or the suffrage from the loss of economic interests and opportunities in the changing global economy.

Multilateral, regional and bilateral free trade agreements (FTAs) are basically top down approaches in rule setting and standardisation amongst various economies involved prior to the collective promotion of investment and trading activities. In contrast, the B&R initiative strategy is driven by a bottom-up approach that involves the pooling of common interests amongst stakeholders to invest or trade in a specific location and in a single project.

FTAs usually involve many rounds of negotiation among relevant economies on a set of common rules and regulations that aims to be adopted. However, achieving consensus and unanimity pertaining to the rules and regulations in question often proves time consuming and requires significantly more effort. China's B&R initiative is being driven by mutual interests on a specific project or a narrower area of investment and trade activities.

The specificity of such interests translates to reach a consensus and undertaking decision-making quickly and effectively. The approach characterising the B & R initiative typical involves the expectation of an Early Harvest List. Amidst the current sentiment of protectionism and anti-globalisation campaign adopted by some quarters, China's B&R initiative would emerge as an important opportunity to press on with greater economic connectivity and job creation with the aim of achieving improved standard of living and a more inclusive society for many.

There are both push and pull factors which have had led to the culmination of B&R initiative by the Chinese. Having achieved robust double-digit growth in gross domestic products (GDP) since the early 1990s, the Chinese economy began to slow down after the 2008 global financial tsunami as the Chinese government initiated economic rebalancing between export-oriented activities and domestic-driven consumption demand.

Domestically, after years of rapid industrialisation and economic slowdown, investment opportunities along the coastal provinces of China have become saturated. This state of oversaturation translated into excess capacity for many state-owned enterprises (SOEs). After decades of successful international trade since her accession to the World Trade Organisation in 2002, China's foreign exchange surpluses peaked at \$4 trillion in 2016 which have led to heavy surplus capitals outflows for investment abroad. Push factors such as excess capacity can thus be absorbed and surplus capitals would be keenly welcome by developing economies which are facing development bottlenecks.

The East Asian economic development model involves resolving three bottlenecks, namely financing, infrastructure and production bottlenecks. Many developing Asian countries are not as effective as the East Asian economies in pursuing an export-oriented strategy. This weakness has translated into difficulties in overcoming the financing bottleneck which has led to an infrastructure bottleneck and in turn caused a production bottleneck where economic activities failed to flourish and consequently, more jobs are unable to be created. These interrelated bottlenecks are pull factors which that makes the B&R initiative appealing.

Furthermore, in past decades, Asian savings have been diverted to fund budget deficits of the western governments by investing through purchases of government bonds and treasury bills. Rationally, such Asian savings should rightly be retained in Asia to fund the much needed infrastructure investment and development which according to Asian Development Bank, could cost close to \$3 trillion!

The Asian Infrastructure Investment Bank (AIIB) thus serves as an important platform to address these three bottlenecks which can potentially help to widen the B&R initiative through investing in infrastructure projects which are sustainable for regional economic integration and green to the environment. Asian governments should welcome the B&R initiative with an open mind by insisting on technology transfer to indigenous workforce in order to generate local employment and be selective in allowing infrastructure projects to be undertaken that would not result in environmental degradation.

As measured by purchasing power parity, India has emerged as the third largest economy in the world after China and the United States of America in 2015. India could potentially be the biggest economy in the world given her population dividend and pro-development leadership under Prime Minister Modi. India should therefore ride on the bandwagon of the B&R initiative and rightly would be amongst those top economies including the United States of America that would benefit most if China's comparative advantage in delivering cheaper and quality infrastructure projects in terms of airport, seaport, railway, highway, speed train, cement, steel, energy and utilities are to be fully exploited!

Singapore is Asia's hub for financial, aviation, maritime, logistics, communications and multinational corporate headquarters. If the B&R initiative is well received and successfully implemented, Singapore, being a vested interest party is understandably playing an active role as an enthusiastic promoter of B&R projects. If the B&R initiative does translate to further regional economic integration, it can serve to foster inclusive growth and promote greater quality of life for the people in the Asian region, thereby knitting closer the region's longer-term core economic interests.

We noted that various abstract ideologies have been shaped and articulated to persuade changes and make improvements for a better world. However, controversies remained aplenty due to subjectivity and divergent of interests across the various parties and states. China's B&R initiative is an innovative effort to render changes through economic connectivity where concrete benefits can be felt and observed. The final outcome of successful implementing the B&R projects will be greater political and social stability. Such stability would bring about multiple folds of benefits for people and economies across the world as economic inclusivity is more likely to accommodate a diversity of ideologies.

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