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General Overview

A Brief Introduction to the Belt and Road Initiative

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INVESTING IN YOUR FUTURE



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Estimated reading time:

18-20 minutes

Estimated learning time:

45-60 minutes

Class I: General Overview

Summary

This class gives a general overview about the Belt and Road Initiative. It introduces the main goals of the project and explains how the People's Republic of China aims to achieve those goals.

Topics of the class include:

- Defining the main goals of the Initiative
- Showing the main institutions behind the Belt and Road Initiative
- describing the planned land routes and planned sea route of the project
- Said routes can be easily identified using the maps

The so called **Silk Road Economic Belt** was announced by **Xi Jinping** in **September 2013** in Kazakhstan -it is an interesting fact why Kazakhstan was chosen as the point where the announcement was made and we will get to there once we get to the Central Asia part of this course. In **October 2013** the concept of the **Maritime Silkroad** expanded the Economic Belt plan into the One Belt One Road Initiative. The Maritime Silk Road was announced in Indonesia.



1. picture: Xi Jinping
Photo by: Adnilton Farias
https://commons.wikimedia.org/wiki/File:Xi_Jinping_2019.jpg

Basically what it was and is, is the People's republic of China's newest "5 year plan" for both economy and foreign policy. Obviously, it is going to take way longer than 5 years to actually reach all goals previously set but the "spirituality" is the same.

The official name of the Initiative changed in mid 2016 to Belt and Road Initiative, but it is still widely known as 一带一路

The **main objective** of China is to take a larger role in global affairs with a China-centered trading network, in order **to ensure the economic growth of the country** and to make it sustainable in the long run.

Another important factor is that it favors free trade with the efficient allocation of resources. It was/is a very good opportunity for China because the US has turned down the **Transatlantic Trade and Investment Partnership (TTIP)** with the European Union and also withdrawn from the **Trans-Pacific Partnership (TPP)**. Ever since the US is gradually turning towards isolationism and protectionism all the while China is opening up more and more.

But still there are questions regarding the Initiative. Can it be considered successful so far? Is this cooperation really beneficial for the associated – most third world – countries? In the upcoming 10 lessons we will be trying to cover both sides of this question.

First and foremost we need to look at the Initiative and define its objectives.

The main goals are:

- **policy coordination:** this means that the associated countries create joint development plans with China and with each other and basically focus on cross-national cooperations.
- **facilities connectivity:** this aspect focuses on the advancement of transportation routes throughout numerous countries, both land and sea; also facilitates the building of ports, railways, highways, airports; furthermore it increases the area where modern communication devices and the internet is available – obviously this is the most important thing for developing countries; and last but not least the most important element is the making of new pipelines between the oil producing countries and the People’s Republic of China
- **unimpeded trade:** reduce investment and trade barriers among the participants, lower trade (customs) and investment costs, additional taxes; promote the usefulness of wide economic integration
- **financial integration:** That does not mean the introduction of a common currency – especially since it would go against Beijing’s plan to make the Yuan an internationally accepted currency. What it means is cooperation in monetary policy, acceptance of local currencies throughout certain regions (South-East Asia, Central Asia and so on), generally deepen multilateral financial cooperation. Furthermore the aim is also to set up financial institutions or manage financial risks through regional arrangements.
- and **people-to-people connectivity:** exchanges and dialogues between different cultures, strengthening friendly interactions between countries and regions and so on.

The pragmatical implementations consist of the joint development of the program through continuous consultation with all interested parties. Existing bi- and multilateral

cooperations will be utilized to promote the integration of the development plans of the countries along the route.

Institutions behind the Initiative

Beside the People Republic of China's government, a number of institutions are also taking a very important role in the implementation of the Initiative. These are:

Silk Road Fund: The US\$40 billion (at least at the start) Silk Road Fund has been established to finance the Belt and Road Initiative. Its main purpose is to invest in infrastructure and resources, as well as in industrial and financial co-operation. The Fund was set up in December 2014 with its founding shareholders including China's State Administration of Foreign Exchange, the China Investment Corp, the Export-Import Bank of China and the China Development Bank. **The Fund** will comply with market rules and the international order of finance, and **welcome participation from domestic and overseas investors**, such as the China-Africa Development Fund and the Asian Infrastructure Investment Bank. The first capital installation of the Fund amounts to US\$10 billion. **On 14 May 2017**, President **Xi Jinping** delivered a keynote speech at the opening ceremony of the "Belt and Road Forum for International Co-operation", and **announced that China would contribute an additional 100 billion yuan to the Silk Road Fund.**

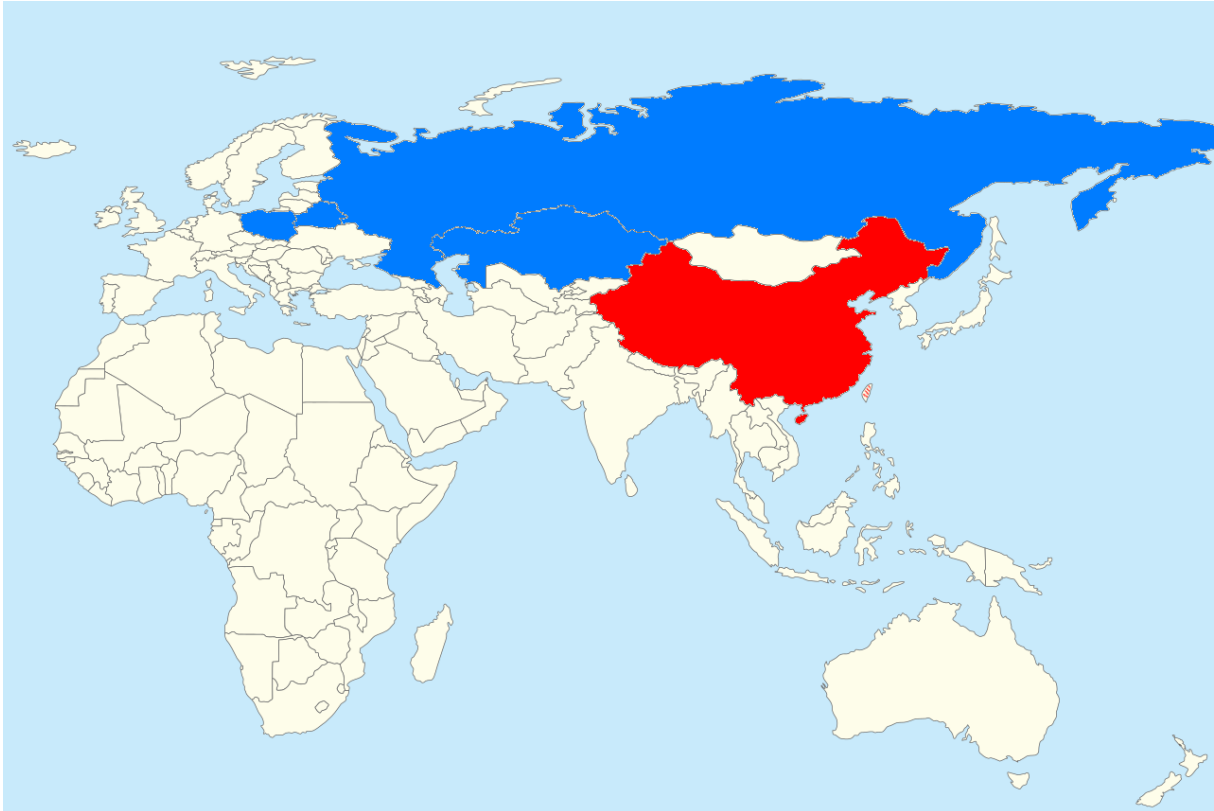
The Asian Infrastructure Investment Bank (AIIB), a new multilateral development bank (MDB), has been set up with a view to complementing and co-operating with the existing MDBs in order to address infrastructure needs in Asia. AIIB will focus on the development of infrastructure and other productive sectors in Asia, including energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development and logistics.

It started operating in 2016 January. As of 2020 June it has 82 member countries and 20 prospective members.

Six main paths:

New Eurasian Land Bridge, running from Western China to Western Russia

From Jiangsu Province to Xinjiang and then Kazakhstan, Russia, Belarus, Poland and finishes at Rotterdam, Netherlands. Capitalizing on this concept China has started a new international freight railway linking Chongqing to Duisburg, Germany. another linking Chengdu to Lodz, Poland. It makes the moving of cargo so much easier and also shortens inspection times, because authorities are checking manifests much more rarely.

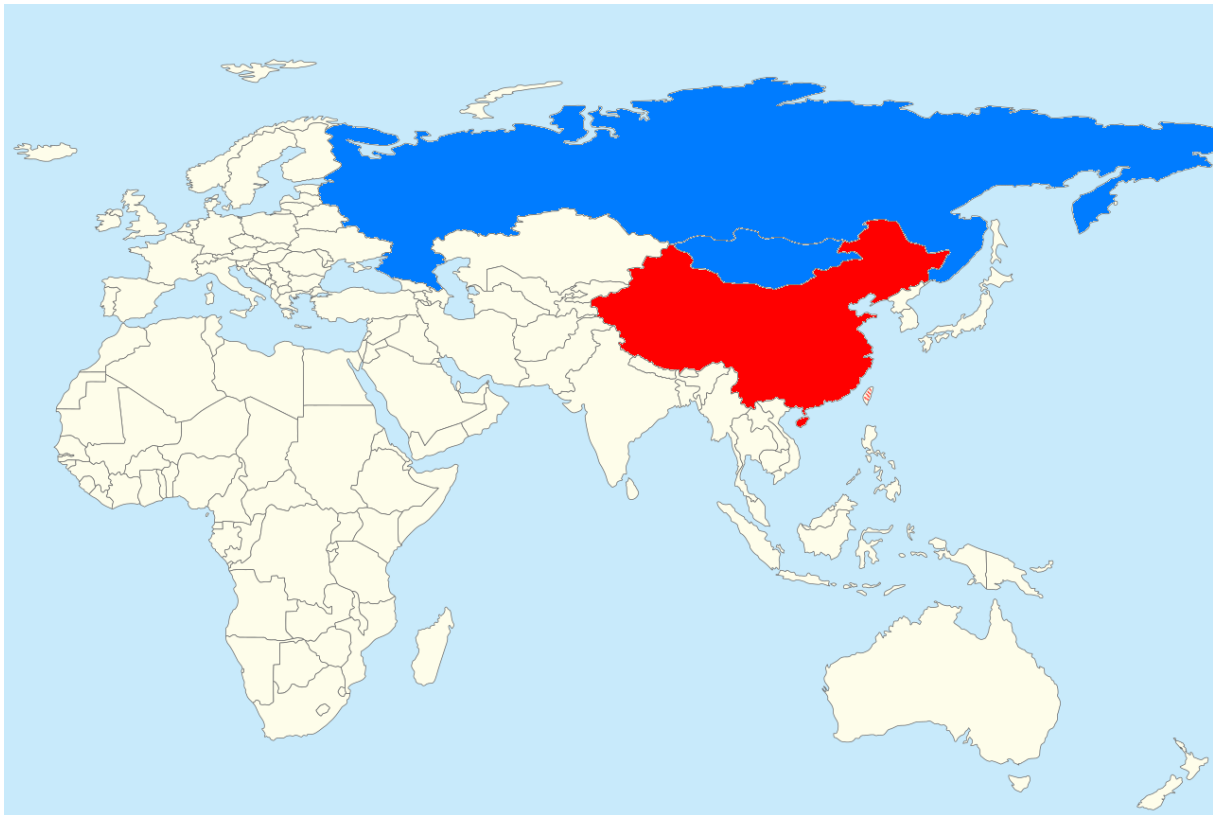


2. picture: The New Eurasian Landbridge (source for the World Map: https://en.wikipedia.org/wiki/File:Afro-Eurasia_location_map_with_borders.svg; the route and coloring is done by the author of this paper

China–Mongolia–Russia Corridor, running from Northern China to Eastern Russia

Russia and China has a long history and a changing relationship. Nonetheless trade has been established between these two countries a long time ago. Mongolia also got involved as a sort of an intermediary between the other two sides. In September 2014 agreement was reached between the parties on forging a tripartite cooperation based on bilateral ties. That is China-Mongolia, Mongolia-Russia, and China-Russia. During the same meeting the basics of an actual trilateral cooperation were also defined. Furthermore both Russia and Mongolia pledged themselves to the New Silkroad concept. They have agreed to

strengthen the highway and railway connectivities between their countries which will obviously help to invigorate trade between their states. And in the long term this will help China establish the China-Russia-Mongolia Economic corridor.

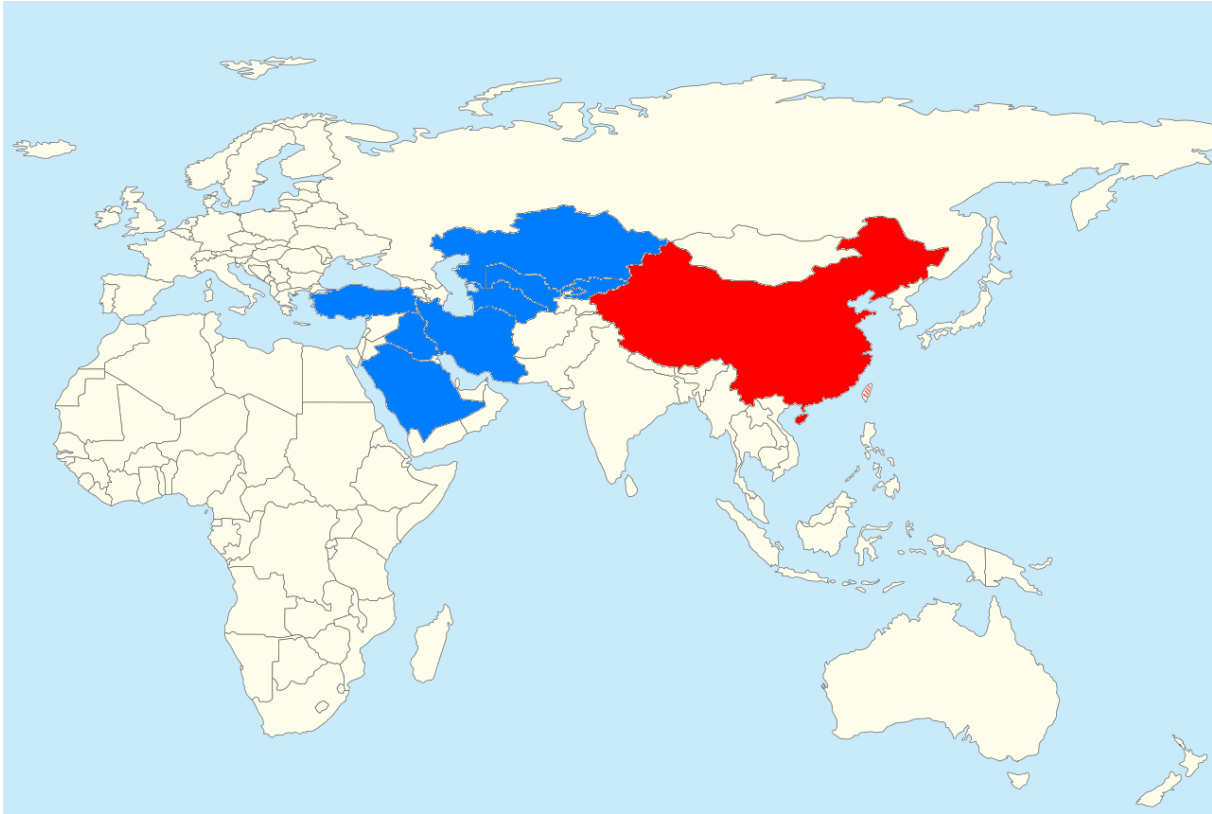


3. picture: The China-Mongolia-Russia Economic Corridor (source for the World Map: https://en.wikipedia.org/wiki/File:Afro-Eurasia_location_map_with_borders.svg; the route and coloring is done by the author of this paper)

China-Central Asia-West Asia Economic Corridor, running from Western China to Turkey

Starts from Xinjiang and exits China in Alashankou, goes through Central Asia and then West Asia, then the Middle-East, finally reaching the Mediterranean. This corridor mainly covers 5 countries in Central Asia, the “Stans”, also the Northern parts of Iran and finally Turkey. In June 2015 the five Central Asian Stans have affirmed their willingness to help build the Silk Road Economic Belt jointly, all of them together. Before that those countries had bilateral agreements with China but their relationship with each other was not clear even from a trade aspect. With this mutual cooperation all of these Central Asian countries could deepen and expand cooperation on multiple basis: not just trade, but investments in general, also transportation and communication. Each of these countries have their

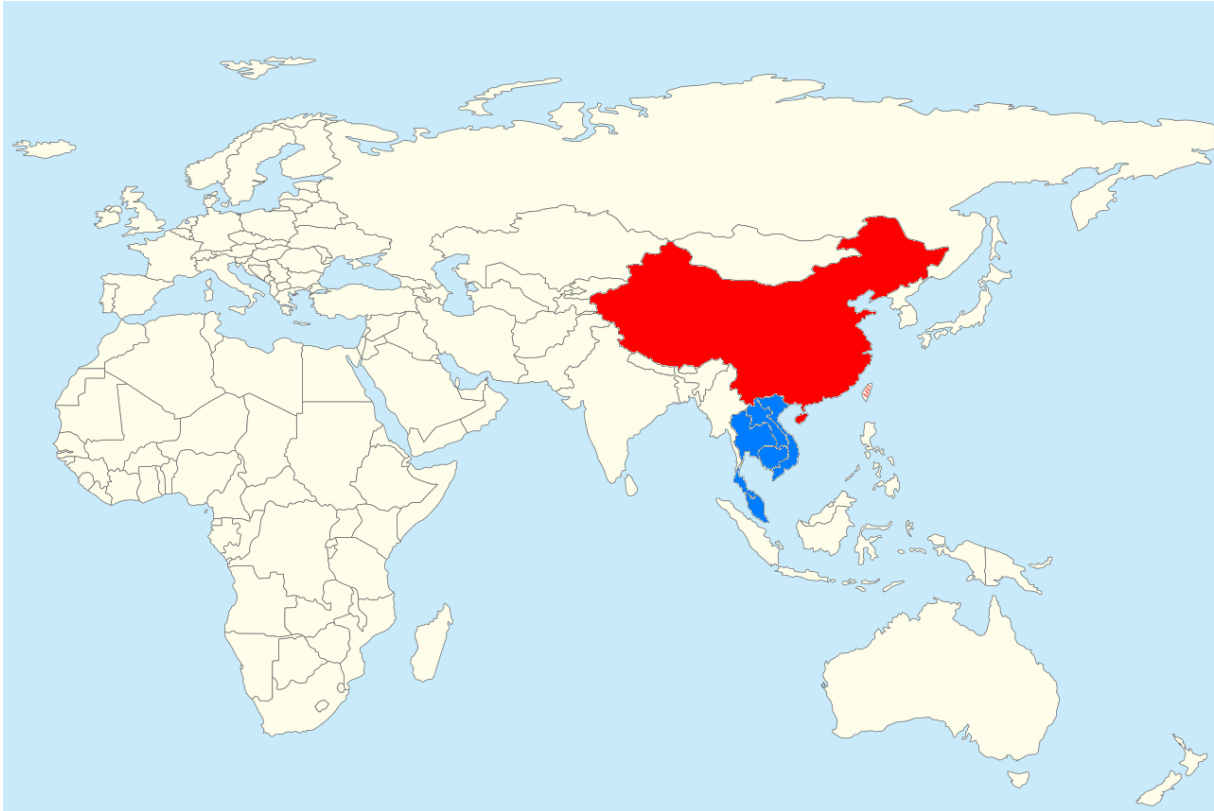
own plan for modernization and economic growth which overlaps nicely with China's aim for the new Silk Road.



4. picture: *The China-Central Asia – West Asia Economic Corridor* (source for the World Map: https://en.wikipedia.org/wiki/File:Afro-Eurasia_location_map_with_borders.svg; the route and coloring is done by the author of this paper)

China-Indochina Peninsula Corridor, running from Southern China to Singapore

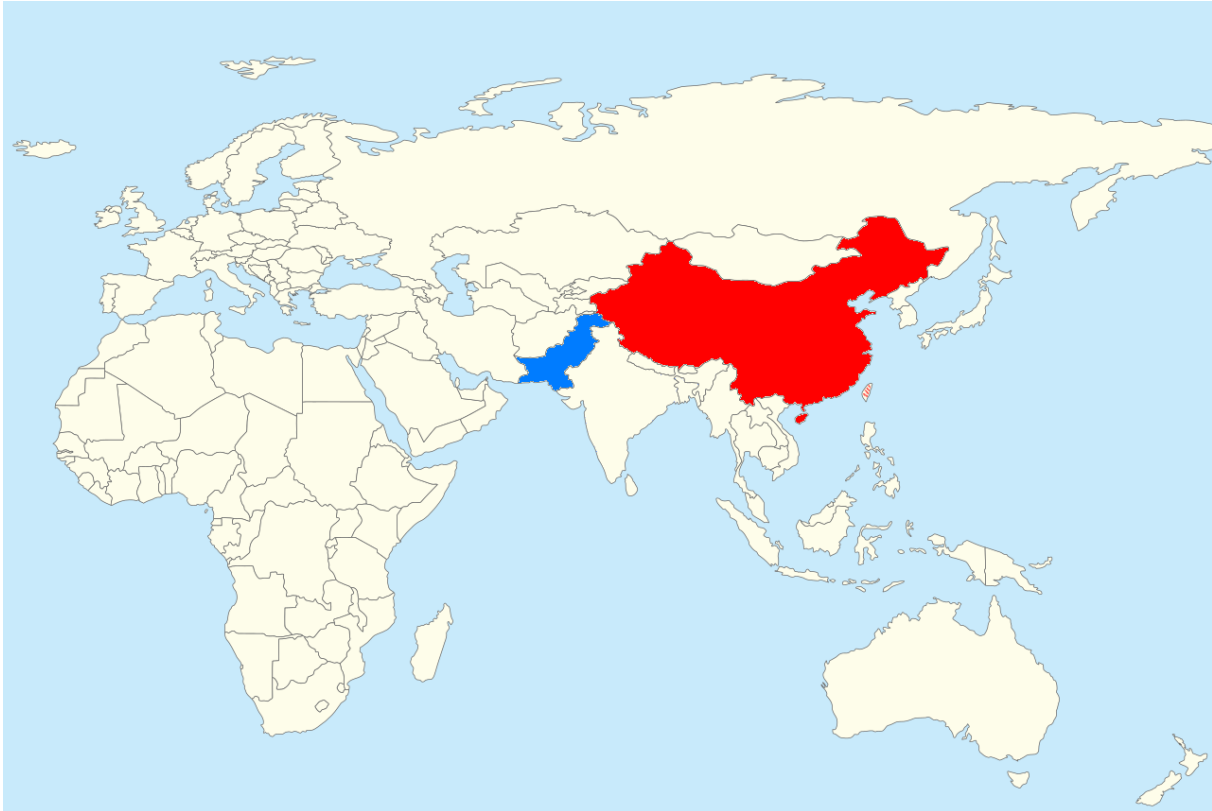
Regarding the area of Indochina a proposal was made by China in December 2014. The suggestion included a plan to build and use jointly an extensive transportation network, to invest in large industrial projects, to provide an appropriate environment for investments and last but not least to ensure the continuous and sustainable economic and social development of the countries on the Indochina Peninsula. The investments so far focus on the countries along the Mekong River: there are many highways being built as of now, and some of them have already been finished. Also there is an international rail line from Nanning to Hanoi, and there are numerous airports being upgraded in order to be able to receive more planes and adding more international air routes heading to Southeast Asian cities.



5. picture: *The China-Indochina Peninsula Economic Corridor* (source for the World Map: https://en.wikipedia.org/wiki/File:Afro-Eurasia_location_map_with_borders.svg; the route and coloring is done by the author of this paper)

China-Pakistan Corridor, running from South-Western China to Pakistan

The concept was first raised by Premier Li Keqiang during his visit to Pakistan in May 2013. At the beginning the objective was to build an economic corridor running from Xinjiang to Pakistan's Gwadar Port in the South. There are long-term plans for building railways, highways, oil and gas pipeline between the south of Pakistan and Xinjiang. As of 2015 there is also a plan for building and maintaining a new airport for international air routes and also to ensure high speed communication and internet by stretching optic fiber networks from Pakistan to China. Furthermore, the parties have stated their aim to repair and upgrade and at many places completely rebuild the Karakoram Highway.



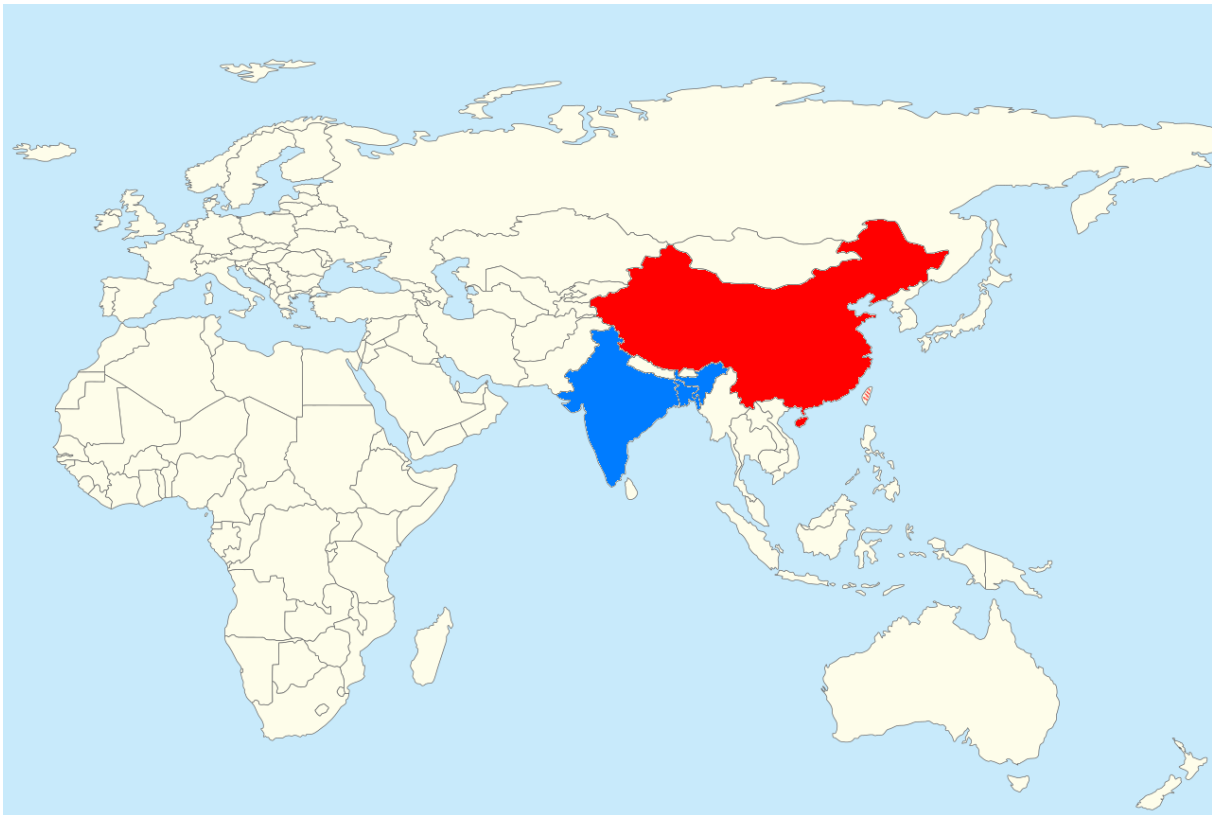
6. Picture: The China-Pakistan Economic Corridor (source for the World Map: https://en.wikipedia.org/wiki/File:Afro-Eurasia_location_map_with_borders.svg; the route and coloring is done by the author of this paper)

China-Myanmar-Bangladesh-India Corridor, running from Southern China to Myanmar

So far it is more like an agreement to advance connectivity between countries and to make the basis for further cooperation regarding infrastructural upgrades, investments and commercial relations. But it has more political problems than the rest of the Economic Corridors. There are security issues about border questions and also there is the difficulty of the Indian-Pakistani relation. Beijing and New Delhi can and should find more areas of cooperation on non-traditional security issues, such as food security, water, energy, strategic metals, common concern over environmental protection and climate change and reforming the post-war international economic order. But so far this is the least developed part of the New Silk Road concept.

However India was always dismissive of the project from the get go. As time has passed and Beijing tried to pressure New Delhi to participate, the Indian government became more and more reluctant to join, eventually becoming hostile towards China. After the second Belt and Road Initiative Forum in 2019 this Economic Corridor has dropped out

from the Belt and Road Project. Even previously it was only considered as a semi-official part of the Initiative or more like as a project that was related to it. We will be talking about the reasons for this when we get to the China – Pakistan Economic Corridor.

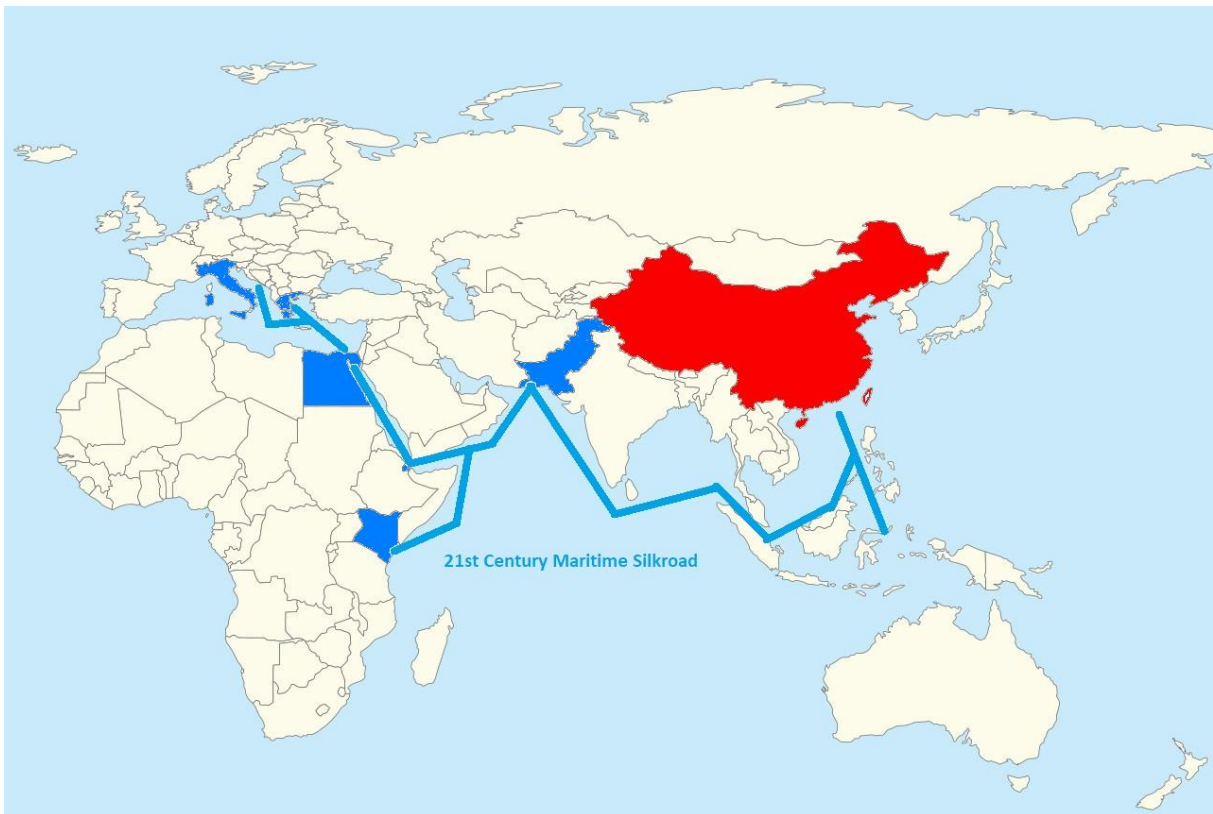


7. picture: The planned China-Bangladesh India Economic Corridor (source for the World Map: https://en.wikipedia.org/wiki/File:Afro-Eurasia_location_map_with_borders.svg; the route and coloring is done by the author of this paper)

21st Century Maritime Silk Road, running from the Chinese Coast through Singapore to the Mediterranean

The 21st Century Maritime Silkroad can be considered (the CPEC is the other) the most well-used and has made the most progress since the announcement. It goes from the South China Sea to Northern Indonesia and to Singapore and then through the Straits of Malaca towards the Indian Ocean. It utilizes the Pakistani port of Gwadar then goes to the Red Sea (and to some extent to Kenya). After crossing the Suez Canal the route ends in Greece and in Italy – with option to make new ports in Spain).

There will be a whole class about the Maritime Silk Road. The reason for this, is that the New Silk Road has some historic roots to it, but the Maritime Silk Road concept can be considered completely new and full of unprecedented challenges.



8. picture: 21st Century Maritime Silkroad (source for the World Map: https://en.wikipedia.org/wiki/File:Afro-Eurasia_location_map_with_borders.svg; the route and coloring is done by the author of this paper)

Questions for Self-Checking

1. What is the main objective of the Belt and Road Initiative?
2. Through what goals does China wants to achieve this objective?
3. What are the main routes for the Initiatives?