
China's Silk Road Economic Belt Framework, Pushing the Boundaries of Economic Globalization

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Abstract

The China's Silk Road Economic Belt Framework is a development approach that was first put out by China's President Xi Jinping in September 2013¹. The program's focal point is to connect China with other European and Asian countries. The Silk Road Initiative circumscribes the Europe Asia land bridge and five economic corridors; China-Mongolia-Russia, China-Central Asia-West Asia, China-Indochina Peninsula, China-Pakistan and Bangladesh-China-India-Myanmar. The program showed the need for China to become a main player in the economic activities of the world and the need for China to boost its economic relationship with other world economies. The program largely pays attention to investments in real estate, natural materials such as iron and steel, construction materials and transport systems. Basically, the program demands economic unification through development of infrastructure and widening of cultural and market interdependence².

Keywords:

Silk Road Economic Belt Framework, China, Europe, Asia, Middle East, economic corridor, infrastructure, investments, financial institutions, development, developing countries, related projects, geopolitical implications, geo-economics implications.

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¹ Lim, A. C. H. (2015). China and The Eurasian Economic Union: Prospects For Silk Road Economic Belt-Analysis. Eurasia Review A Journal of Analysis And News.

²Yongxiu, B., &Songji, W. (2014).Deep Background and Geopolitical Strategy of Silk-road Economic Belt [J]. Reform, 3, 64-73.

1. Mechanisms of cooperation

The Silk Road Economic Belt initiative follows the standards of mutual dialogue on different issues. The program is advanced through involvement of all parties. Cohesion between the different parties encourages unification of development policies and plans. Steps are taken to establish a suitable and favorable working system that will enhance effective progression of the Silk Road strategy.

2. Source of Finance

Many establishments were the center stage of financial injections into the program. The importance of the financial institutions is to provide finances for infrastructure development and to create a continuous development channel. Some of the institutions include Asian Infrastructure Development Bank, the Silk Road Fund and The New Development Bank.

i. Silk Road Fund

The president of China Xi Jinping declared in November 2014 the intentions of coming up with a \$40 billion development fund. That will be different from other banks that were established for the Silk Road program. The fund would play a pivotal role in business investment other than being a lender to the various projects being undertaken in the program.

ii. Asian Infrastructure Investment Bank(AIIB)

The Asian Infrastructure Investment Bank is a bank whose main goal is to provide financial assistance to back the development of infrastructure in the Asia-Pacific territory. The bank tackles the expanding need for financial assistance to various projects across Asia while improving regional cohesion. Through lending, the bank brings together countries to tackle the need for improved infrastructure. The bank offers both large and small financing for sensible and maintainable projects in energy and power, telecommunications, transportation and rural and urban development. China is the highest shareholder in the bank.

iii. The New Development Bank(NDB)

The New Development Bank offers a different choice other than the World Bank and the International Monetary Fund. The bank started its operations in China and acts as a source of finance for different projects. According to Chinese Finance minister, the bank will cater for the needs of developing countries and greatly support them in their quest for development. Through partnership with China, borrowing for the purpose of development can be done without any restrictions from its founding members.

3. Proposed Projects

The Silk Road Economic Belt primary area of inclusion is Asia and Europe covering more than 50 countries. However East Africa and Oceania countries are part of the project. A good example of a project under the Silk Road program is the Silk Road Railway that began working in 2013. China has program with many developing countries to assist them in improving their infrastructures.

a)Asia and Europe (Central and East)

Under the Silk Road Economic Belt, there is a projected improvement in infrastructure in Asia Pacific and Central and East Europe. Through the project, Experts estimate a decrease in the infrastructure gap that has been existent. China through the project aims to create a net of infrastructure that includes railways, roads, ports, pipelines and telecommunications. Through this numerous developments in these countries, the infrastructural difference will be closed.

b)East Africa

Under the Silk Road Economic Belt there are various infrastructure projects being undertaken. In May 2014, Chinese premier visited Kenya where he commissioned the railway construction from the city of Mombasa to Nairobi. The railway project will then be expanded to other countries in East and central Africa. Other projects to be done included the development of deep-water ports in the coastal cities of Tanzania, Djibouti and other African countries including Tunisia, Senegal and Mozambique. These ports will act as connections where intercontinental exchange of goods between Asia and Africa will be effected³.

4.Related Projects

The Bangladesh-China-India-Myanmar (BCIM) economic corridor and the China-Pakistan Economic Corridor(CPEC) are categorized and grouped as related projects to the Silk Road Economic initiative. The CPEC is a project that is underway in Pakistan and aims to improve the infrastructure in Pakistan and increase its rate of development by developing economic zones that are special. On the other hand, the BCIM economic corridor provides for development of infrastructure in areas such as transportation, commercial investments and cohesion between people.

5.Geopolitical Implications

In regards to the Belt and Road project, the Chinese government has indicated its willingness to play the central role in development of infrastructure throughout the world. China's goal is to be the main player in the field of development. In both central and South Asia the project may lead to increased challenges in governance and corruption⁴. However, the project can also cause stability due to increase in infrastructural developments. Many citizens of a country measure success of a regime by looking at the changes in infrastructure. Additionally, the project encourages cooperation between countries. Political cooperation results in combined efforts in addressing problems affecting a certain region. Addressing of regional economic challenges, results in mutual economic progression.

Additionally, being part of the Paris Agreement means that China has a major role in implementation of the green policies. China leads in environment conservation and through this project it is well positioned to pass its influence to other nations enhancing the shift to renewable energy⁵. On the other hand, there are fears that procurement of some projects may not adhere with the EU rules on procurement and other rules and regulations. Other people look at this project as a way of China to interfere politically in other countries.

6.Geo-economic Implications

China's active participation in the Middle East and Africa affairs is the most essential part of the Silk Road Economic Belt. According to Xi Jinping, this project offers new type of industrialization to the Middle East countries and other countries too. Through this project, China has become one of the main economies in the world and a valuable steering force of Asia's economy. The World Pension Council (WPC) experts have indicated that this project has resulted to the fast economic growth of China that is centered on infrastructure. Due to the fast growth in China's economy, the economy of Europe, Asia and the world at large is likely to experience a positive shift.

³ Lim, A. C. H. (2015). Africa and China's 21st Century Maritime Silk Road. East Asian Institute, National University of Singapore.

⁴Brugier, C. (2014). China's way: the new Silk Road. European Union Institute for Security Studies, 1.

⁵Li, P., Qian, H., Ken, W., Howard, F., & Wu, J. (2015). Building a new and sustainable "Silk Road economic belt". Environmental Earth Sciences, 74(10), 7267.

At the same time China has been creating new international financial institutions that have proven to be magnets to borrowings from other countries. Examples of such institutions include New Development Bank, the South-South cooperation fund and the China Silk Road Fund. Interestingly, China has set a target of \$2.5 trillion by 2025 in trade with partners of the Belt and Road initiative and to supplement this they have encouraged practices like merging and acquisitions of international companies. Through this project China is termed as the largest surfacing platform for international business partnerships. Moreover, the great infrastructures to be offered by this project aims at providing a system for fast movement of goods and services to and from China and to offer major employment opportunities to Chinese citizens and citizens of other nations.

4. Conclusion

Silk Road Economic Belt Framework will prove to be a game changer to China and the rest of the world both politically and economically. Through the numerous investments in developing infrastructure, China is playing a pivotal role in the architecture of various economies. This program shows the need for other world powers to come up with ways of addressing the global shortcomings. Despite the growing negative concerns about the program by some countries, it is evident that China's method of penetrating the world through development projects is efficient and effective. China is increasingly taking the central position in affairs of the world and with such programs her influence is set to broaden even more.

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