

# Beijing's "One Belt and One Road" Strategy: Visions, Practices and Impacts

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## **Abstract**

China's "One Belt and One Road" (OBOR) initiative is an economic offensive which marks Beijing's departure from a low-profile legacy onto the world stage to realize Xi Jinping's Grand Strategy for realizing China's rejuvenation. Strategic tension between the PRC and the USA alliance has been accelerating since 2011, while the United States has persistently carried out a rebalancing strategy to restore her leadership in the Asia-Pacific region. Nevertheless, China's aim to create another center of global leadership with the OBOR initiative has intensified the great power competition to a new scale, covering geographic, economic and financial sectors.

While China tries to construct some sort of Beijing-centric economic interdependence zone apart from the global chain of production relying largely on USA leadership, China's OBOR project has polarized the world rather than forged a stabilized society for the anticipated new world order. However, while the OBOR is in one way a solution to reverse China's economic slowdown; nevertheless, it will also create a deep hole which will exhaust China's economic dynamism,

and exert a great impact on global economic stability.

**Keywords:** One Belt and One Road, Rebalancing, AIIB, BRICS, China's Foreign Policy

## I. Introduction

Waves of the People's Republic of China (PRC)'s diplomatic offensives struck the world since 2013 when Xi Jinping came to power in China. The "One Belt and One Road" (OBOR) initiative is one of the active strategies which has marked Beijing's departure from the low-profile approach that Deng Xioping, a legendary leader who had initiated the PRC's openness policy, promulgated in 1989.

Theoretically, the global power redistribution triggered by the rise of China may instigate a hegemonic war. The reshaped distribution of territory, the pattern of economic relations and the hierarchy of prestige could provoke a hegemonic war in which the emerging great power defeats the status quo hegemonic power.<sup>1</sup> China's call for the establishment of a new model of major-country relationships might be a smart way to postpone the hegemonic war before she accumulates superior strength and power relative to her competitors. However, the OBOR initiative opens a new front of economic, financial and institutional confrontation in Sino-American power competition.

Notwithstanding, the OBOR initiative proposed by Xi Jinping in 2013 is not a mere Chinese Communist diplomatic slogan, but rather a practical strategy which might change the current phase of global power redistribution. When Chinese president Xi Jinping

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1. Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), pp. 209-210.

visited Kazakhstan in September 2013, he proposed establishing a "Silk Road Economic Belt" that would open a strategic regional thoroughfare from the Pacific Ocean to the Baltic Sea, and gradually move toward setting up a transportation network that connects Eastern, Western and Southern Asia.<sup>2</sup> Furthermore, in October 2013, Xi announced in the Indonesian parliament that China will strengthen maritime cooperation with ASEAN countries and vigorously develop maritime partnerships in a joint effort to build the Maritime Silk Road of the 21<sup>st</sup> century.<sup>3</sup> Since 2013, China's government has put great effort into realizing the construction of the "Silk Road Economic Belt" with the Central Asian states and the "Maritime Silk Road" to rebuild prosperity in coastal states along the ancient maritime route from China's coast ports to Europe through South East Asia and the Indian Ocean. These initiatives call for a Sino-centered integration of the region into a comprehensive economic community through infrastructure building, cultural dialogues and trade.

## II. Vision to Realize China's Grand Strategy

Attaining a global leading position without engaging in a hegemonic war with the status quo powers is the basic goal of PRC's grand strategy in the first half of the 21<sup>st</sup> century. Differing from the diplomatic slogan of building a "harmonious world" with the great powers, the OBOR initiative is a practical tactic to realize Xi Jinping's grand strategy to rejuvenate China upon which the Chinese Communist Party's ruling

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2. "Xi Suggests China, C. Asia Build Silk Road Economic Belt," *Xinhua*, September 7, 2013, <[http://news.xinhuanet.com/english/china/2013-09/07/c\\_132700695.htm](http://news.xinhuanet.com/english/china/2013-09/07/c_132700695.htm)>.

3. "Speech by Chinese President Xi Jinping to Indonesian Parliament," *PRC Ministry of Foreign Affairs*, October 3, 2013, <[http://www.fmprc.gov.cn/mfa\\_chn/ziliao\\_611306/zt\\_611380/ywzt\\_611452/2013\\_nzt/xjpzxfwydnxy\\_661950/zxxx\\_661952/t1084354.shtml](http://www.fmprc.gov.cn/mfa_chn/ziliao_611306/zt_611380/ywzt_611452/2013_nzt/xjpzxfwydnxy_661950/zxxx_661952/t1084354.shtml)>.

legitimacy depends.

China's national goal to attain the leading position of a global great power has never changed. However, well-planned guidance is needed to realize such a grand strategy before China can successfully overcome the strategic difficulties which largely stem from the security distrust that her neighbors share for the sake of protecting their own interests in the process of global power redistribution.

First, Beijing is devoted to constructing a more integrated community in terms of political interactions, economic inclusion, social identity and cultural amenity with her neighboring states. In the conference on the diplomatic work with neighboring countries which took place from 24 to 25 October, 2013 in Beijing, Chinese president Xi urged that China needs to work hard to strive to create a sound surrounding environment for China's development, and enable neighboring countries to benefit more from China's development for the purpose of enabling common development.<sup>4</sup> Xi Jinping emphasized that China needs to keep neighboring countries more friendly and closer to China, with more recognition and support, thereby increasing China's affinity, magnetism and influence. He also, argued that China requires cooperation with her neighbors to create a closer network of common interests and to bring converging interests to higher levels. Xi addressed that only through better integration, can neighboring countries benefit from China's development and China benefit from theirs.<sup>5</sup>

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4. "Xi Jinping: Let the Sense of Community of Common Destiny Take Deep Root in Neighbouring Countries," *PRC Ministry of Foreign Affairs*, October 25, 2013, <[http://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/wjbz\\_663308/activities\\_663312/t1093870.shtml](http://www.fmprc.gov.cn/mfa_eng/wjb_663304/wjbz_663308/activities_663312/t1093870.shtml)>.

5. "Xi Jinping: Let the Sense of Community of Common Destiny Take Deep Root

An active approach is another characteristic of China's new OBOR tactic to realize China's rejuvenation. Convinced that the PRC's strategic environment has changed dramatically, Xi urged that China needed to be more active in devising diplomatic strategies and undertaking diplomatic work.<sup>6</sup> Since 2013, numerous measures were undertaken to strengthen China's leadership worldwide in terms of regional integration, financial cooperation and bilateral cooperation. At the 2014 APEC summit meeting, the PRC recommended establishing the FTAAP; it was adopted and the "Beijing Roadmap for APEC's Contribution to the Realization of the FTAAP" was realized.<sup>7</sup> The construction of the Asian Infrastructure Investment Bank (AIIB) in 2015 and the launch of the BRIC's New Development Bank on July 21, 2015 had already marked China's active offensive to restore the global financial order.

Furthermore, a comprehensive coordination of internal resources is the third characteristic of Xi's grand strategy behind China's dream. In 2013, Xi instructed that the PRC should make overall plans, including economic, trade, scientific and technological, financial and other resources to make good use of her comparative advantages to pinpoint strategic integration points, deepen mutually beneficial cooperation with neighboring countries, and actively participate in regional economic cooperation.<sup>8</sup> China set up a high level "One Belt

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in Neighbouring Countries."

6. "Xi Jinping: Let the Sense of Community of Common Destiny Take Deep Root in Neighbouring Countries."

7. APEC, "The 22<sup>nd</sup> APEC Economic Leaders' Declaration - Beijing Agenda for an Integrated, Innovative and Interconnected Asia-Pacific," *APEC*, November 11, 2014, <[http://m.apec.org/Meeting-Papers/Leaders-Declarations/2014/2014\\_aelm.aspx](http://m.apec.org/Meeting-Papers/Leaders-Declarations/2014/2014_aelm.aspx)>.

8. APEC, "The 22<sup>nd</sup> APEC Economic Leaders' Declaration - Beijing Agenda for an Integrated, Innovative and Interconnected Asia-Pacific."

and One Road Construction Working Leader Group”(一帶一路建設工作領導小組) to coordinate the huge task of realizing the OBOR initiative.<sup>9</sup> Local provincial governments, the National Development and Reform Commission, the Ministry of Foreign Affairs, the Ministry of Commerce, and the Ministry of Finance are the major authorities charged with realizing the OBOR initiative.<sup>10</sup>

Forging a Sino-centered dependency network is the fourth characteristic of China's new diplomatic offensive. Xi argued that with the proposal for building the Silk Road economic belt and Maritime Silk Road of the 21<sup>st</sup> century, the PRC should speed up the implementation of its free trade zone strategy to expand the cooperation space in trade and investment; continuously deepen regional financial cooperation in active preparation for the establishment of the Asian Infrastructure Investment Bank, and improve the regional financial safety net.<sup>11</sup> Gradually, the mission of the OBOR was extended to the task of reforming the international system and global governance,<sup>12</sup> especially after 50 founding states signed the AIIB Articles of Agreement on June 29, 2015 in Beijing.

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9. 〈張高麗 努力實現“一帶一路”建設良好開局〉, *Xinhua*, February 1, 2015, <[http://news.xinhuanet.com/politics/2015-02/01/c\\_1114209284.htm](http://news.xinhuanet.com/politics/2015-02/01/c_1114209284.htm)>.

10. National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup>-Century Maritime Silk Road," *National Development and Reform Commission of the People's Republic of China*, March 28, 2015, <[http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html)>.

11. "Xi Jinping: Let the Sense of Community of Common Destiny Take Deep Root in Neighbouring Countries."

12. "The Central Conference on Work Relating to Foreign Affairs Was Held in Beijing," *PRC Ministry of Foreign Affairs*, November 29, 2014, <[http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1215680.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1215680.shtml)>.

Fifthly, a centralized dictatorship surfaced in the OBOR initiative. Unlike the old way of consulting with the local authorities, enterprises and think tanks before a national development plan was formulated, this time Beijing controlled the vision, plan, coordination and orientation of the OBOR initiative. China's local authorities were asked to participate in the grand project under Beijing's guidance and coordination. Beijing appreciated its powerful image of centralized domination while the OBOR initiative was pushed from the top down, and from the core of Beijing to China's peripheral provinces.

Finally, the OBOR initiative is much more than a diplomatic and political slogan; it is also a remedy to transform China's inherent economic problems largely based on China's export-oriented structure and her coastal-inland development imbalance.<sup>13</sup> It is assumed that China's interior provinces, such as Xinjiang and Yunnan, could attract investments and become a new production center along China's border with Central Asia and South East Asia. For the sake of creating a sound base for China's substantial development, the OBOR initiative is vital for China to stay powerful and influential in international society.

### **III. Measures to Build China's Sphere of Economic Interests**

Creating a sphere of China's economic interests is the vision underlying the OBOR. Beijing authorities announced on 28 March, 2015 an ambitious Action Plan for the realization of the OBOR project, setting out a vision in which Chinese-led policy coordination, infrastructure construction plan connectivity, reduction of trade and

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<sup>13</sup> Mengzi Fu, Lou Chunhao & Zeng Qiang, "Building the Maritime Silk Road of the 21<sup>st</sup> Century," *Contemporary International Relations*, Vol. 25, No. 3, May/June 2015, p. 8.

investment barriers, and people to people friendships would construct a leading sphere of Chinese economic power composed of Asia, Africa and Europe. Geographically, the Silk Road Economic Belt focuses on bringing together China, Central Asia, Russia and Europe (the Baltic); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia, and connecting China with Southeast Asia, South Asia and the Indian Ocean. The 21<sup>st</sup>-Century Maritime Silk Road is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean by one route, and from China's coast through the South China Sea to the South Pacific by the other route.<sup>14</sup> On land, the Eurasian Land Bridge, China-Mongolia-Russia, China-Central Asia-West Asia and China-Indochina Peninsula economic corridors are the main focus for implementing the rebirth of the Silk Road in the 21<sup>st</sup> century. At sea, the establishment of smooth, secure and efficient transport routes connecting major sea ports along the OBOR states is emphasized.<sup>15</sup> Politically, China looks forward to the need for relevant states to improve the region's infrastructure, put in place a secure and efficient network of land, sea and air passages, lift their connectivity to a higher level, and further enhance trade and investment, in order to establish a network of free trade areas that meet high standards, maintain closer economic ties and deepen political trust.<sup>16</sup>

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14. National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup>-Century Maritime Silk Road."

15. National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup>-Century Maritime Silk Road."

16. National Development and Reform Commission, Ministry of Foreign Affairs,

Actively, Xi Jinping visited the concerned states worldwide to promote his ambitious project, just like the western powers used to do to sell their goods with the help of political influence over the foreign states. Xi's diplomatic visits to Russia, Eastern European states, and central Asia states marked his success in promoting the "Silk Road Economic Belt" project. On July 9, 2015, President Xi Jinping held the second meeting of heads of state of China, Russia and Mongolia in Ufa, Russia, with President Vladimir Putin of Russia and President Tsakhiagiin Elbegdorj of Mongolia. At the occasion of China-Russia-Mongolia trilateral cooperation dialogues, the three states approved the "Mid-term Roadmap for Development of Trilateral Cooperation" and relevant departments of the three countries, and signed the "Memorandum of Understanding on Formulating Guidelines for Constructing a China-Russia-Mongolia Economic Corridor", the "Framework Agreement on Cooperation in Creating Favorable Conditions to Facilitate Trade Development among China, Russia and Mongolia", and the "Framework Agreement on Cooperation in Development of Ports of Entry among China, Russia and Mongolia".<sup>17</sup> At the 15<sup>th</sup> Meeting of the Council of the Heads of State of the Member States of the Shanghai Cooperation Organization, Xi Jinping highlighted that the Silk Road Economic Belt initiative and the development plans of member states will complement each other; and he vowed that China would work with relevant countries to form a synergy between this initiative and the Eurasian Economic Union so

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and Ministry of Commerce of the People's Republic of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup>-Century Maritime Silk Road."

17. "Xi Jinping Attends Second Meeting of Heads of State of China, Russia and Mongolia," *PRC Ministry of Foreign Affairs*, July 10, 2015, <[http://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/xjpcxjzgjldrdqchwhshhzzcygyslshdswchy/t1280848.shtml](http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpcxjzgjldrdqchwhshhzzcygyslshdswchy/t1280848.shtml)>.

as to advance the balanced development of Eurasia.<sup>18</sup> In May 2015, Xi toured Kazakhstan, Russia and Belarus, which gave him an opportunity to persuade his counterparts to join the “Silk Road Economic Belt” initiative. Early in September 2014, Xi Jinping had already visited Turkmenistan, Kazakhstan, Uzbekistan and Kyrgyzstan, major players in the Silk Road Economic Belt initiative in Central Asia.

Russian endorsement of the “Silk Road Economic Belt” initiative was crucial and Xi’s frequent meetings with President Putin eventually won gratitude from Moscow. While attending the celebrations marking the 70<sup>th</sup> anniversary of the Russian victory in the Second World War, Xi and Putin agreed to sign a joint statement on cooperation concerning the construction of the joint Eurasian Economic Union (EAEC) and the Silk Road project. Both leaders pledged to integrate China’s Silk Road Economic Belt initiative with Russia’s Eurasian Economic Union (EAEU) framework. According to the document, China supports Russia in promoting regional integration within the EAEU framework and agrees to launch talks with the EAEU on an economic and trade cooperation deal. Eight measures were listed for both states to boost regional cooperation:

\* to expand investment and trade cooperation, optimize trade structure and cultivate new growth points for the economy and employment.

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18. “Strengthening Shanghai Cooperation Organization Through Unity, Mutual Support and Joint Response to Challenges: Statement by H.E. Xi Jinping President of the People’s Republic of China At the 15<sup>th</sup> Meeting of the Council of the Heads of State of The Shanghai Cooperation Organization Member States,” *PRC Ministry of Foreign Affairs*, July 10, 2015, <[http://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/xjpcxjzgjldrdqchwhshhzzcygyslshdswchy/t1283794.shtml](http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpcxjzgjldrdqchwhshhzzcygyslshdswchy/t1283794.shtml)>.

\* to facilitate mutual investment, launch major investment cooperation projects and jointly build industrial parks and cross-border economic cooperation zones.

\* to enhance the interconnection in logistics and transportation, and work together on infrastructure construction projects.

\* to set up trade-facilitating mechanisms in ripe areas, formulate common policies in fields of common interest, and study the long-term objective of establishing a free trade zone between China and the EAEU.

\* to create a better environment for medium- and small-sized enterprises that can play an important role in boosting regional economic cooperation.

\* to promote the local-currency settlement in bilateral trade and deepen cooperation in export credit, insurance and trade financing among many other fields.

\* to enhance financial cooperation through the Silk Road Fund and the Asian Infrastructure Investment Bank.

\* to advance regional and global multilateral cooperation and expand international trade.<sup>19</sup>

However, China's Maritime Silk Road proposal obtained only limited appreciation. India and Indonesia, two major states in South

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<sup>19</sup> "China, Russia Agree to Integrate Belt Initiative with EAEU Construction," *Xinhua*, May 8, 2015, <[http://news.xinhuanet.com/english/2015-05/09/c\\_134222936.htm](http://news.xinhuanet.com/english/2015-05/09/c_134222936.htm)>.

Asia and South East Asia, respectively, offered faint feedback regarding China's Maritime Silk Road project. China has to rely on her old friend, Pakistan, to advance the OBOR initiative in South Asia and the Indian Ocean. Indian prime minister Narendra Modi paid an official visit to China in May 2015; however, the Joint Statement issued between the two states mentioned nothing about China's OBOR initiative. While Indonesian president Joko Widodo on April 22, 2015 welcomed President Xi Jinping for his attendance at the Asian-African Summit and activities commemorating the 60<sup>th</sup> anniversary of the Bandung Conference in Indonesia, President Widodo said that Indonesia would deeply study and explore the opportunities of bilateral cooperation related to China's concept of the 21<sup>st</sup> Century Maritime Silk Road,<sup>20</sup> and China has not yet decisively obtained the contract to construct the Jakarta-Bandung high-speed rail project, while Japan is a powerful competitor.

In contrast to India's silence, Pakistan showed strong support for China's ambition to promote the OBOR initiative in South Asia and the Indian Ocean. In April 2015, Xi Jinping paid a state visit to Pakistan, and both countries agreed to upgrade their cooperation to an all-weather strategic partnership of cooperation. For the OBOR initiative, China and Pakistan agreed to undertake the China-Pakistan Economic Corridor project, which will geographically link the "Silk Road Economic Belt" and the "the Maritime Silk Road of the 21<sup>st</sup> Century" together in South Asia, and Gwadar Port in the Indian Ocean is the pioneering effort. Furthermore, more than 50 cooperation agreements covering transportation infrastructure, energy, agriculture,

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<sup>20</sup> "Xi Jinping Meets with President Joko Widodo of Indonesia," *PRC Ministry of Foreign Affairs*, April 22, 2015, <[http://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zzjg\\_663340/yzs\\_663350/gjlb\\_663354/2716\\_663436/2718\\_663440/t1258671.shtml](http://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/yzs_663350/gjlb_663354/2716_663436/2718_663440/t1258671.shtml)>.

trade and finance were signed between China and Pakistan. In return, Pakistan prime minister Nawaz Sharif reaffirmed Pakistan's support of China's OBOR initiative, the Asian Infrastructure Investment Bank, and the Silk Road Fund that China introduced.<sup>21</sup>

#### **IV. Impact on Global Power Distribution**

China's creation of another center of global leadership with the OBOR initiative has intensified great power competition to a new level, covering geographic, economic and financial sectors. Strategic tension between the PRC and USA alliance has been accelerating since 2013, while the United States has persistently undertaken a re-balancing strategy for restoring her leadership in the Asia-Pacific region. Japan's Abe administration is trying to free the Japanese self-defense forces from strict overseas military expedition regulations to consolidate the USA-Japan alliance. The OBOR initiative's dynamics drive the global power competition into a comprehensive rivalry.

First, China's economic offensive accompanying her military build-up brings the PRC-USA power competition to a complicated trans-regional stage. Chinese scholars estimated that China's grand strategy adjustment from a strategic military orientation to a strategic economic orientation will further complicate geopolitical competition in the Asia-Pacific region, and China's strategic adjustment will make it more difficult for the USA to counter.<sup>22</sup> With China's abundant fi-

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21. "Xi Jinping Meets with Prime Minister Nawaz Sharif of Pakistan," *PRC Ministry of Foreign Affairs*, July 10, 2015, <[http://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zjzg\\_663340/yzs\\_663350/gjlb\\_663354/2757\\_663518/2759\\_663522/t1281511.shtml](http://www.fmprc.gov.cn/mfa_eng/wjb_663304/zjzg_663340/yzs_663350/gjlb_663354/2757_663518/2759_663522/t1281511.shtml)>.

22. Yinhong Shi, "The Latest Transfer in China's Foreign Strategy: from 'Military Strategy' to 'Economic Strategy'," *Contemporary International Relations*, Vol.

nancial resources and economic strength, Xi Jinping vowed that Asian affairs should be managed by Asian people,<sup>23</sup> an announcement implicating the expulsion of the USA presence from the Asia Pacific region. For China, no Asian security mechanism should include the USA. The question arises: Does the USA have a place in China's regional architecture of an "Asian Common Destiny"? The OBOR project also brings the Indian Ocean area into the arena of the great power contest. The United States has long enjoyed maritime supremacy over the Pacific Ocean and the Indian Ocean, but China's presence in these areas challenges the national interests of the United States and India as well.<sup>24</sup> China's OBOR initiative alternatively provides a good reason to establish a common front based on the United States and India's rapprochement against China's presence in the Indian Ocean. Because of the OBOR project, Central Asia, the Indian Ocean and Africa comprise the new theater where the hegemonic power competition plays out.

Nevertheless, China's intention to reshape the regional order with the OBOR project has aggravated, and not decreased, great power strategic skepticism. The United States' refusal to endorse the Asian Infrastructure Investment Bank has demonstrated that the strategic distrust between the two great powers is apparent and difficult to remove. China considers that the USA and Japan are likely to hamper the PRC's OBOR schema; the USA sees the construction of

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25, No. 2, March/April 2015, p. 54.

23. "New Asian Security Concept For New Progress in Security Cooperation: Remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia," *PRC Ministry of Foreign Affairs*, May 21, 2014, <[http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1159951.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951.shtml)>.

24. Mengzi Fu, Lou Chunhao & Zeng Qiang, "Building the Maritime Silk Road of the 21<sup>st</sup> Century," pp. 13-14.

the AIIB and OBOR as designed to replace USA leadership worldwide. The OBOR initiative does not ameliorate the strategic distrust between the PRC and USA. Moreover, it is assumed that China's economic presence in Africa, Latin America and Europe challenges the long-standing economic primacy of the United States; China's growing global economic and political roles will also begin to reshape international norms, rules and institutions.<sup>25</sup> On her way to establishing a competitive center of global leadership defying the status quo international institutions, China sees the USA and Japan as her primary competitors. The United States' negative reaction to the AIIB seems to echo China's anxiety toward the United States' rebalancing policy. Responding to China's AIIB proposal, Japanese prime minister Shinzo Abe on May 21, 2015 unveiled a plan to expand Japan's financing for infrastructure projects in Asia by 30%, offering roughly US\$110 billion in the next five years to fund "high-quality infrastructure investments" in Asia through various channels, including expanding the Asian Development Bank's lending capacity and yen loans from the Japanese government.<sup>26</sup> While the strategic distrust between the USA and China remains high, the OBOR has stimulated economic and financial skepticism in Asia.

In addition, China's OBOR initiative may again be confronted by the 'Chinese threat' bias in South East Asian states. Chinese

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25. Kevin Rudd, "U.S.-China 21 The Future of U.S.-China Relations Under Xi Jinping: Toward a New Framework of Constructive Realism for a Common Purpose," p. 2, April 2015, *Belfer Center for Science and International Affairs, Harvard Kennedy School*, <<http://belfercenter.ksg.harvard.edu/files/Summary%20Report%20US-China%2021.pdf>>.

26. "The Future of Asia: Be Innovative-Speech by Prime Minister Shinzo Abe at the Banquet of the 21<sup>st</sup> International Conference on the Future of Asia," *Japanese Premier Minister Office*, May 21, 2015, <[http://japan.kantei.go.jp/97\\_abe/statement/201505/0521foaspeech.html](http://japan.kantei.go.jp/97_abe/statement/201505/0521foaspeech.html)>.

scholars worry that the launch of the “Maritime Silk Road” might generate a misunderstanding among ASEAN member states’ that the PRC is using the “Maritime Silk Road” as a strategic weapon to strengthen China’s influence on the ASEAN economy.<sup>27</sup> Furthermore, OBOR has to overcome the political obstacles generated largely from China’s territorial dispute with her neighboring states, including India, Vietnam and the Philippines. China finds that she is trapped in the political dilemma of defending her territorial sovereign claims and maintaining political stability while promoting the OBOR with her major neighbors.<sup>28</sup> The South China Sea territorial and maritime dispute might be a major obstacle limiting China’s success in promoting the “Maritime Silk Road” if China can hardly reach a compromise concerning the territorial and maritime disputes with her neighbors.

Fourthly, non-traditional security concerns are another factor which might trouble the OBOR initiative. China is finding that states along the Indian Ocean face non-traditional security challenges which might pull China into troublesome situations. In Central Asia and East Africa, non-traditional security challenges remain high. Many countries along the OBOR route are ethnically diverse, with different cultures and national identities; these are sources to enflame internal conflicts and international terrorists. To safeguard the OBOR infrastructure and China’s investments, huge pressure might force Beijing to adjust the non-interventionism which the PRC has upheld since the 1950s.

Notwithstanding, the success of OBOR depends largely on the

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27. Fu Mengzi, Lou Chunhao & Zeng Qiang, “Building the Maritime Silk Road of the 21<sup>st</sup> Century,” pp. 10-11.

28. Fu Mengzi, Lou Chunhao & Zeng Qiang, “Building the Maritime Silk Road of the 21<sup>st</sup> Century,” pp. 11-12.

degree to which China can maintain the geopolitical balance along the OBOR route. Though Russia under Putin has shown goodwill towards China's OBOR initiative, Russia can hardly exclude her concerns regarding China's extension into Central Asia, a zone conventionally under Russian domination. China's image in Central Asia is poor because Central Asian people see China as an exploiter who only desires the natural resources of these states and tries to dump her goods into their home countries.<sup>29</sup> China's economic presence in Central Asia might bring about regional political and economic re-configuration, threatening social stability. South East Asian states find it hard to believe that Indonesia and Vietnam would give a leading status to China. It is unbelievable that India, disregarding her political domination in Sri Lanka and Bangladesh, would allow it to be replaced by China's. China's presence in the OBOR zone will no doubt disturb the contemporary sub-regional balance of power. If the USA and major sub-regional powers accept accommodating instead of balancing China, the sub-regional geopolitical formation might need to be built under China's guidance.

However, for OBOR countries, China's economic offense spurs diplomatic opportunism. The UK's decision to join the camp of establishing the AIIB with China in 2015 sees the shaking of the United States' unipolar predominance. At first, under United States' diplomatic pressure, China's AIIB project had only grouped 21 countries by the time the memorandum on establishing the AIIB was signed on the October 24, 2014. However, disregarding the USA objection, the United Kingdom declared on the March 12, 2015 that she had decided to join the AIIB as a founding member, provoking a landslide-like wave of adherence to the AIIB founding members club by Germany,

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<sup>29</sup> Zhiping Pan, "Silk Road Economic Belt: A Dynamic New Concept for Geopolitics in Central Asia," *China International Studies*, No. 47, July/August 2014, p. 41.

France, Italy, Luxembourg, Denmark, Switzerland, and South Korea, most of which are US allies. Eventually, 57 states negotiated the AIIB Articles of Agreement; Malaysia was the 51<sup>st</sup> signatory of the Articles in Beijing on August 21, 2015.<sup>30</sup> The AIIB, designed to provide financial support for infrastructure development and regional connectivity in Asia with a fund of 100 billion, will be operational at the end of 2015. The European adherence to the AIIB was a big blow to the United States in terms of her political leadership in global financial institutions.

It is doubtful that Taiwan could take a hedging policy as other secondary states have undertaken in response to China's OOB strategy. The title that the PRC permits for Taiwan's adherence in the new international institutions under Chinese guidance constitutes the major obstacle that Taiwan has to overcome. The minister of the Mainland Affairs Council of the Republic of China (Taiwan), Andrew Hsia, declared prudently on March 5, 2015, that the ROC government was pleased to see that Taiwanese businessmen in mainland China benefit from the OBOR strategy, on condition that the Chinese government in Beijing did not propose political preconditions for Taiwan's participation.<sup>31</sup> Article 3.3 of the AIIB Articles of Agreement, which were opened for signature on June 29, 2015, says that "in the case of an applicant which is not sovereign or not responsible for the conduct of its international relations, application for membership in the Bank shall be presented or agreed to by the member of the Bank responsible for its international relations". This has already

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30. "Malaysia's Ambassador to China Signed the Articles of Agreement of the Asian Infrastructure Investment Bank," *Asian Infrastructure Investment Bank*, August 21, 2015, <[http://www.aiib.org/html/2015/NEWS\\_0821/14.html](http://www.aiib.org/html/2015/NEWS_0821/14.html)>.

31. 〈夏立言—若無前提樂見台商投資一帶一路〉, *CNA News*, May 5, 2015, <<http://www.cna.com.tw/news/aip/201505050388-1.aspx>>.

constituted a political blockade for Taiwan's application to the AIIB,<sup>32</sup> since Taiwan will be regarded as a non-sovereign applicant by the AIIB, which the ROC cannot accept. For Beijing, the legitimate title that the ROC could use in the OBOR structure is a subordinate one for which Beijing's political consent is essential. It is evident that the OBOR exerts great pressure on Taiwan's flexible diplomacy, rather than presenting an opportunity to open a new route for Taiwan's international space, since to do so the ROC would have to recognize Beijing's central authority under the "One China" principle.

Considering China's history of corruption and poor economic project management, the OBOR might bring China to a tragic over-extension of power and exhaustion of resources. China's economic and financial future is under a great shadow after her stock market crashed in August 2015. The OBOR is a tool to promote China's national rejuvenation, but it also might drag China into a perilous economic situation when abundant resources are wasted on ineffective development projects under claims to support the OBOR initiative. Besides, while infrastructure construction in remote areas of Central Asia needs huge financial support, the revenue feed-back is slow and minor. China saw the railway network linking China and Central Asia as too costly and ineffective. China's government has to massively subsidize the railway and logistics system as the shortage of goods on the return journeys leads to spikes in transportation costs.<sup>33</sup> China's economic expansion over the OBOR area might be unprofitable and too costly to bear for her shaky economy. China is currently facing

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<sup>32</sup>. AIIB, "Articles of Agreement," *AIIB*, June 29, 2015, <<http://www.aiibank.org/uploadfile/2015/0814/20150814022158430.pdf>>.

<sup>33</sup>. Zuokui Liu, "The Role of Central and Eastern Europe in the Building of Silk Road Economic Belt," *China International Studies*, No. 47, July/August 2014, p. 27.

economic perils. The global economic crisis and domestic ineffectiveness have shown China's export-driven economic model to be less brilliant than was thought. The OBOR is one possible solution to prevent China's economic slowdown; nevertheless, it could also be a mistake which exhausts China's economic dynamism before new export markets in Central Asia, along the coast of the Indian Ocean and in Africa can provide a return on investment required to rejuvenate China.

## **V. Conclusion**

In terms of geo-political considerations, the area where the OBOR is designed to function is not a power vacuum at all. With the OBOR initiative, China plans to build a China-centralized economic dependency network, which in return could serve China's national interests for national rejuvenation and substantial economic development. Furthermore, China's leadership is rising while her dependents rely largely on Beijing's economic linkage, investments and political support. Economic interdependence in the OBOR community will give China the superior status of comprehensive leadership. Taiwan might be under great diplomatic pressures should she submit to the strengthening of Beijing's regional power under China's OBOR strategy.

China has claimed repeatedly that her neighbor-related diplomatic concept is one of amity, sincerity, mutual benefit and inclusiveness; however, amplification of China's economic influence into Central Asia, South East Asia, the Indian Ocean, Africa and Europe will in fact disturb the status quo regional balance of power. Somehow, the launch of the OBOR initiative, though largely based on economic maneuvers on its surface, substantially intensifies global power competition in a comprehensive sense.

Strategic reassurance is needed while China is exerting her political influence in the OBOR areas, which are strategically sensitive, under the coverage of economic cooperation and financial assistance. Economic penetration appears peaceful but may also prove lethal to the regional power structure. The repeated announcements of China's peaceful intention have not decreased the strategic skepticism that the United States, Japan and India hold regarding China's OBOR initiative. While China tries to construct some sort of Beijing-centric economic interdependence zone apart from the global chain of production, which relies largely on USA leadership, China's OBOR project has polarized the world rather than forged a stable new world order.

Ironically, the failure of China's OBOR plan might damage the global economy as well. The China-orientated global stock market turmoil in August 2015 showed that any slowdown of China's economy exerts a massive impact on the rest of the world, including the USA, Japan and China's neighbors. The combination of global interdependence and power shifting puts China and her competitors in a vulnerable situation whereby the failure or success of the OBOR can destabilize the contemporary balance of regional, as well as global, power.

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