One Belt and One Road, China's Massive Infrastructure Project to Boost Trade and Economy: An Overview

Kalim Siddiqui

Department of Accounting, Finance and Economics, University of Huddersfield, Huddersfield, UK

ABSTRACT

The "One Belt and One Road" (OBOR) is essentially a transport route, but as a trade corridor, it also incorporates industrial zones, gas pipelines, power plants, seaports and airports. The proposed trade routes also include some of the least trade-integrated countries of the world such as Cambodia, Laos, Myanmar, Bangladesh, Pakistan, as well as more developed economies such as Russia and Europe. Increased infrastructure facilities in these regions will mean better and more integrated links to the world's more developed markets. This study has followed doctrinaire methodology, which includes analytical, descriptive and comparative methods. This study argues that this is not just a regional economic project for enhancing trade and regional economic cooperation but will also have a wider global impact on international trade and economic cooperation. And if the OBOR initiative is successful, then it will accelerate the move from a unipolar post-1991 world to an increasingly multipolar world.

ARTICLE HISTORY

Received 12 November 2018

Revised 1 April 2019

Accepted 10 April 2019

KEYWORDS

China; One Belt and One Road; twenty-first century maritime road; China–Pakistan economic corridor; international economic cooperation

1. Introduction

The "One Belt and One Road" (OBOR) initiative has been discussed in the media in recent years (*Guardian* 2017), but little interest has been shown among economists with regards to the project, and in general there seems to have hardly been any serious attempt by western academics to study and to analyse whether this strategy would generate real effects in terms of the economic and trade integration of countries participating in the road-belt initiative. This study looks beyond the description of the OBOR but examines this idea in a longer contemporary and historical perspective. I find there is a gap in the literature about the economic impact of the OBOR initiative, especially on the developing countries' economy.

It is also said that financial integration would take place with OBOR. There is still poor infrastructure in most of the Asian countries that are included in the OBOR. According to Asian Development Bank estimates in 2020, the need for investment on infrastructure will be about US\$730 billion per year in Asian countries alone, but the multilateral agencies are not able to provide so much funding. At present, the major sources of finance for OBOR project include: the Asian Infrastructure Investment Bank (AIIB), the Silk Road Fund, and the BRICS (Brazil, Russia, India, China and South Africa) Development Bank. The

Chinese government has expressed its commitment to support the countries who are involved in the OBOR project. The government has also encouraged Chinese companies to issue bonds in both Renminbi and foreign currencies outside China (Summers 2016).

A Chinese official outlined that the OBOR project will enhance connectivity, including strengthened policy communication, i.e., regional cooperation; strengthened transport linkage; increased trade flows and economic activities; strengthening monetary flows reducing the cost and financial risks and increased financial competitiveness. It is expected that OBOR, will promote financial integration, which also means strengthening cooperation in better supervision and coordination mechanism between the regions. Chinese industries investing overseas will mean they have to be more innovative and efficient to maintain and be successful in an increasingly competitive foreign environment. Moreover, it is hoped that once the OBOR project gains momentum, the overseas markets for Chinese products will expand rapidly (Deepak 2018).

Moreover, the official report about the OBOR by the China's Ministry of Foreign Affairs has presented:

The aim for China is to speed up the development of the western region. The OBOR will turn the frontier in opening up to the world, development opportunities in the central and western regions will increase and new growth points will emerge . . . this will be beneficial for enduring energy sources and resources, and also for transferring strongpoint industries from the eastern to the central and western regions and to countries on our periphery. (Cited in Sidaway and Woon 2017, 594)

As Summers argues:

a new strategic plan to promote "opening of the (inland) border regions" (*yanbian kaifang*, the Chinese term used in the 12th programme), suggesting that this theme . . . would become substantially more important. . . . This regional dimension is therefore important in understanding the current Chinese thinking about the new Silk Road. (Summers 2016, 1632–1633, *emphases original*)

He further argues that another important feature of the OBOR initiative is:

the emphasis on "going out" (*zou chuqu*) by Chinese companies, the dominant feature of which is outward foreign direct investment, although the concept also covers the export of labour and economic cooperation projects. There is also some evidence that patterns of outward investment. . . . A Chinese iron and steel association representative was cited as saying that the belt and road could help meet overseas market for more equipment, vehicles and other Chinese goods. (Summers 2016, 1636, *emphases original*)

It seems that academics and policy analysts in the West have either ignored or were more sceptical about such an initiative. In Asia too, scepticism has been expressed.

This periphery is strategic because it helps China meet domestic requirements of growth and development and acts as a security shield for the Chinese state. On the other hand, this strategy supports China's great power ambition to create a China-centred order, opposed to USA. (Bhattacharya 2016, 311)

Some have also pointed out that with the growing Chinese economy, while at the same time the US economy is facing a deep crisis, this could lead to the decline of the US global dominance in trade (Siddiqui 2018a). As a result, the competition between the USA and China may intensify, and could result in increased economic and trade conflict between

the only global economic and military power (the USA) and a rising economic power, i.e., China. Some studies have also tried to compare the OBOR project with the US funded Marshall Plan of the early 1950s. There seems to be an incorrect analogy because the Marshall Plan was a contingency plan which lasted for four years. But OBOR aimed at long-term investment in crucial areas of the recipient economies such as infrastructures, energy, manufacturing and trade integration between the recipient and China. The Marshall Plan coincided with the establishment of the Britton Woods institutions, namely IMF and World Bank, which led the absolute dominance of the US dollar as an international currency. Also, this was an attempt by the USA to revive the west European economy and the recipients were desperate to rebuild their war-torn economy and hence had little choice but to accept it (Deepak 2018).

A number of explanations have been presented about the Chinese intentions behind the OBOR can be put into two categories: some argue that it is a primarily “a geopolitical and diplomatic offensive” and effort to extend Chinese influence in other countries through investment (EU Council on Foreign Relations 2015). While others describe it as economic and commercial needs for new markets for Chinese businesses to avoid building industrial overcapacity or excessive holding of US dollars (Summers 2016). Regarding economic growth prospects with OBOR initiative, China has been willing to finance massive infrastructure projects, despite some scepticism. For example, Chinese contractors are using Chinese materials and workers, minimizing multiplier benefits for the host economies. But there is no doubt that competition of influence has helped increased options for the developing countries.

Historically, similar circumstances were seen after the USA overtook Britain to lead the world in industrial production capacity in the late nineteenth century. However, this was not such a smooth transfer of power, and it took another fifty years and two world wars before the USA actually did dominate global finance. Earlier in the nineteenth century, the great power game struggle between the British and Russian Empires began to gain regional hegemony to control the resources in South Asia (Siddiqui 2017a). Again, in the twentieth century, the USA continued to extend its influence through its involvement, both directly and indirectly, in Afghanistan. With the collapse of the Soviet Union, the USA became the unchallenged sole world leader in South Asia (Sheng 2017).

By examining China’s OBOR initiative, this study intends to argue that this is not just a regional economic project for enhancing trade and regional economic cooperation but will also have a wider global impact on international trade and economic cooperation. China is also working a North-West to South route, which is bound towards the Indian Ocean via Pakistan. For example, the OBOR project includes the China–Pakistan Economic Corridor (CPEC), where China has pledged US\$60 billion to build power stations, major highways, new railways and high-capacity ports. This is a part of China’s OBOR initiative to build further economic, trade and infrastructural ties with Pakistan and its access to India Ocean (Sheng 2017).

Moreover, the OBOR project will provide a new impetus to the world economy, and will certainly improve global governance and enhance capability. It will also promote trade and investment and interdependence between countries and, ultimately, it is envisaged to enhance the capability of the world economy to withstand economic risk. Under such circumstances, this should allow a win-win situation, rather than zero-sum game, to be achieved. Moreover, China plans to double its output and per capita national

income by 2020 from its 2010 levels and increase its economic and political influence in Asia and beyond, and certainly, such attempts will boost the country's influence dramatically (Yu 2017).

This study has followed doctrinaire methodology, which includes analytical, descriptive and comparative methods. The research is drawn from the use of various documents to understand the subject area and in the process, it becomes evident that the methods utilized depend not only upon the researchers' perspective but also on the time and available resources. There exist different versions of the same data and documents; therefore, it is important to keep in mind that government documents are amenable to manipulation and selective influence.

China historically had closer trade, economic and cultural exchange and bilateral cooperation with its neighbour, which is rooted in its imperial past and has influenced foreign policy goals in recent decades (Bhattacharya 2016). The study aims to investigate the historical, economic and trade policy aspects of the development due to the OBOR initiative. Here, we will examine here the great economic and trade opportunity this important policy initiative represents.

In the past histories of Silk Road and the trade of silk, tea, and porcelain together were traded along with competing ideas about civilizations, and it appears that the OBOR initiative will play a distinct role in shaping economic development and infrastructure beyond China and across nearby countries well into the twenty-first century. Five major goals have been set within a framework of connectivity and cooperation: policy coordination; logistics; trade; financial integration; and to boost economic cooperation. It is seen as an important mechanism for deepening bilateral and multilateral cooperation; indeed, experts have pointed out the role history plays in the manner in which China conducts itself in today's international affairs (Winter 2016; *Guardian* 2017).

The intention of this paper is to first trace the characteristics of the OBOR, whilst the remainder of this section will provide background information on the OBOR project. The second section will look at the historical role of China's Silk and Maritime trade routes. Section 3 will analyse the OBOR initiative in the current international situation. Section 4 will explore the rationale for the preponderance of this government policy under Xi Jinping, whilst Section 5 will analyse the CPEC project initiated by China in Pakistan. Finally, the OBOR strategy will be evaluated and certain inferences drawn.

In a speech given at Nazarbayev University in Kazakhstan on 7th September 2013, Chinese President Xi Jinping announced his government's intention to launch the OBOR project. And, soon after visiting Indonesia on 3rd October 2013, he announced a twenty-first century Maritime Silk Road while addressing the Indonesian Parliament. Both his announcements, one in Central Asia and the other regarding an Indian Ocean maritime trading route, seemed designed to increase trade and economic cooperation among the participant countries. As an Indian academic put it: "It seeks to herald to the world China's ambitious plan to re-emerge as the nerve centres of the world's trade and commerce, both at land and sea" (Bhattacharya 2016, 311).

In March 2015, the Chinese government published its "Vision and Actions" for the OBOR projects. It is said that this Chinese initiative would play a decisive role in improving global economic situations and linking and integrating the world markets with the aim of increased prosperity and growth. Some enthusiasts have found the Chinese OBOR project primarily to be the implementation of the major economic boost for the Central and

South Asian countries, while others saw it as an expansion of Chinese influence to the benefit of its businesses after the global financial crisis of 2008. However, it seems that the OBOR project will strengthen communication and trade road connectivity among countries and increase the use of Chinese currency, the yuan, rather than US dollars, and finally will have multiplier effects in investments in energy, infrastructure, agriculture and industries (*Guardian* 2017).

It is estimated that the OBOR project will have a direct impact on the trade and economies of up to 60 countries with a total population of more than 4 billion people and a significant proportion of world's output. The project is estimated to encompass 65% of the land-based road and 35% for the Maritime Silk Road (Aoyama 2016; Du and Zhang 2018). It is a massive plan by China to integrate its economy with the various regions of the world. The OBOR project will largely affect developing countries, with two-thirds of the world's population and an aggregate output of trillions of US dollars. As President Xi Jinping has said to Kazakhstan, his country intends to build a "community of common destiny" (cited in Bhattacharya 2016, 312).

The "OBOR" is essentially a transport route, but as a trade corridor, it also incorporates industrial zones, gas pipelines, power plants, seaports and airports. The proposed trade routes also include some of the least trade-integrated countries of the world such as Cambodia, Laos, Myanmar, Bangladesh, Pakistan, as well as more developed economies such as Russia and Europe. Increased infrastructure facilities in these regions will mean better and more integrated links to the world's more developed markets. The OBOR initiative calls for a multi-dimensional infrastructure network including a number of economic "corridors" (such as the CPEC, China-Mongolia-Russia Economic Corridor, and the New Eurasian Continental Bridge). It will upgrade land, sea, and air transportation routes through major railways, ports, and pipeline projects (Lin 2015; Ostrovskii 2017).

The initiative will also create mechanisms for the Five Connectivities: policy dialogue; infrastructure connectivity; tariff reductions; financial support; and people-to-people exchanges across the participating countries. The Chinese government has set out its key objectives as peace; prosperity; cooperation; openness; inclusiveness; and mutual benefit. It also claims that this project will facilitate international trade and investment and facilitate the orderly flow and allocation of resources such as labour, capital, and energy, as well as allow full market integration. Domestically, the aim is to sustain China's economic development. GDP growth has decreased from 7.7% in 2012 to 6.9% in 2017. While there is no single factor is responsible for the slowdown, 6.9% is nevertheless still extraordinarily high from a global perspective. It is clear now that China's past growth model of exporting labour-intensive manufacturing goods has evidently run its course and a new initiative is needed (Siddiqui 2016a).

2. Historical Aspects of the Chinese Initiative

China is the world's most ancient civilization, with over 4000 years recorded history. It had achieved great progress and contributed significantly to the development of world civilization. For instance, its engineering miracles include the Great Wall of China, the Terra-cotta Warriors, gunpowder, the compass, discovery of paper and printing, silk, fine porcelain and tea.

Since the ancient times of the Han and Tang dynasties, China had traded with Central Asia, Russia, Iran, India, Europe and Africa and East Asia. Historically, silk was China's principal export, but later on, porcelain and tea also became important. China held the monopoly in the production and export of these vital commodities, which were crucial to the Chinese economy and prosperity and were, in fact, the reason historians called this trade route the Silk Road. The Silk Road was developed under the Han Dynasty (206 BC–220 AD) Chang'an (also known as Xi'an) trade routes ran along the Wei river and through the Hexi corridor to Gansu province, then into Xinjiang, the Pamirs, Central Asia, Pakistan, Afghanistan, Iran, Iraq, Syria, Egypt, Indian Ocean, Persian Gulf and the Mediterranean Sea. It covered thousands of kilometres.

Historically, during the Tang Dynasty (618–907), China's trading route west through Silk Road was in a situation of particular crisis due to Arab world increasing its control over trading routes in Central Asia and the Middle East, which put Europe under the pressure of a silver crisis as a result of continuing deficits (Wang 2012). Another trade route was used at that time, known as the Maritime Silk Road, which was created and ran from the large southern port, Ming Zhou (city of Ningbo, Zhejiang province). Chinese ships sailed through the Straits of Malacca to Indonesia, South Asia and to the Gulf of Oman, Gulf of Aden, Red Sea, Egypt, and East Africa.

It is interesting to note that the land route began from the ancient capital of Xian and passes through Central Asia to link to Italy, while the maritime route began from China's Southern Fujian province from a harbour located at Quanzhou that was in use during the Song period (1127–1279 AD), linking China with East Asia, South Asia, Middle East, Africa and South Europe. It was during the Song Period that a huge increase in shipping and trade activities was seen.

In fact, in the post-Tang period, with the rising influence of the Arabs in Central Asia and the simultaneous increase in attacks from the semi-nomadic tribes of the Steppe, the Song Kingdom retreated to the Southern Chinese province of Yangtze. As a result of these developments, China abandoned the Silk Road and relied instead on its southern maritime trade route. These major changes led to the country's "centre of gravity" shifting to southern China and, as a consequence, increased investment and economic activities began to take place in this region, boosting maritime trade. In this sense, it is important to cite the example of the great Chinese voyager, Zheng He, who led a number of fleets to South Asia and the Persian Gulf, Iran and East Africa during the Ming period (1405–1433). This is widely celebrated as peaceful contact between China and countries such as Indonesia, Malaysia and the coastal regions of South India. As Bhattacharya noted, China developed a network of trade and tribute to maintain stability and governance.

[T]he Chinese imperial state did devise a normative Confusion system to manage its periphery through a network of trade-tribute relations . . . The tribute system, on the whole, allowed the Chinese imperial state to maximise the security and stability of the frontier at a minimum cost. During the Qing dynasty, a special institution, that of the *Lifan Yuan*, was created in 1683 at its northwest frontier to manage its relations with the Mongols and Uighurs. (Bhattacharya 2016, 314, emphases original)

During the medieval period, trading caravans of merchants crisscrossed the Taklamakan Desert to link western China with Europe. Even during the pre-medieval period, the Silk

Road was a corridor for trade and cultural exchange. In recent years, the Chinese government has taken a major foreign and economic policy initiative, which was considered a gigantic project that would increase regional connectivity and link Asia with Central Asia, Europe, the Middle East and Africa. The sheer size of this project (i.e., OBOR) seems to be far more ambitious than the previous Silk Road (Borici 2018).

In the mid-nineteenth century, with the defeat of the Qing dynasty in the Opium Wars, the Qing government was too weak to oppose foreign invaders, especially after the looting, plunder and burning of China's Summer Imperial Palace in 1860 by the British and French armies. Eventually, China was effectively carved up into multiple colonial enclaves, each under a separate colonial power, and was described by historians as the "cutting of the Chinese melon," while the unequal treaty system that was imposed by the European powers undermined Chinese sovereignty and turned China into a semi-colonial country.

The Chinese seem to be more inclined towards accepting the interdependence of different communities, while the Americans are seen as supporting unilateralism, rather than multilateralism, and inclined towards imposing uniformity to resolve the global crises. If we go by their past histories, then China has shown a greater sensitivity to national sovereignty than the West. It stands for greater diversity and gives considerable priority to connectivity and joint "docking" (*duijie*) of nation-states still jealous of their sovereignty (Ferdinand 2016).

In contrast to China's interdependence and trade, Samuel Huntington's (1996) book *Clash of Civilizations and the Remaking of World Order* attempts to argue in favour of European cultural supremacy. It seems that China's long historical records are also sometimes linked to the need to defend and promote pluralism of a distinct as Chinese civilization. As Liu Dexi argues:

China wishes to share its development experience and foreign philosophies with all countries, realizing the China dream and recalling the fine civilizations of other countries in the world; helping Japanese civilizations, Indian civilization, Islamic civilization, Western civilization, Easter Orthodox civilization, Latin America civilization, African civilization and all other civilizations to rejuvenate or retain their splendour, while at the same time studying the valuable parts of them. (Cited in Ferdinand 2016, 946)

3. The OBOR Initiative in a New International Situation

The Chinese government's aims to build a "new China" with the help of structural reforms, which will help to realize stable and sustainable growth rates rather than high growth rates. China's growth rates were 6.9% in 2017 and 7% in 2015, which were lower than previous years. Basing on this, one could say that in recent years, China has moved from double-digit growth rates to stable growth rates (Aoyama 2016).

On the other hand, the other world economic power, namely the USA, has strengthened military cooperation with countries like Australia, Japan and India to the ends of a policy of "containing China." In recent years, tensions have increased with neighbouring countries regarding territorial waters in the South China Sea.

In a possible conflict situation in the South China Sea, China is also interested in opening a trade alternative to the Malacca straits sea route and another trade route from South China to the Indian Ocean by passing through Strait of Malacca and Bangladesh to the

Indian Ocean. The aim is to connect with Sri Lanka's deep port (Aoyama 2016; Borici 2018).

Furthermore, China is currently experiencing problems with overcapacity production, rising costs, especially in labour-intensive industries, whilst China's production costs are increasing and will continue to increase in the future. There are signs of over-production by a number of China's industries, including coal, steel, and cement, along with excessive foreign exchange reserves (nearly US\$5 trillion in 2017) (Aoyama 2016). The OBOR promises to solve both of these problems and kick economic growth back towards higher growth in these same sectors. The OBOR will also open new destinations for Chinese investment and business. In recent years, the global economy has experienced slow growth rates, so it is hoped that the Chinese initiative will provide new sources of growth for the global economy, which for so long has sustained China's domestic growth. It seems that the OBOR project is mainly based on economic cooperation and aimed to accelerate Chinese socio-economic development in the face of new challenges in the global context.

The share of China's leading trade partners was 68.5% in 2010, dropped to 65.3% in 2013, and increased again to 69% in 2016. The share of China's trade with the participating countries also increased significantly, from 23.7% in 2015 to 25.7% in 2016 (Ostrovskii 2017). Among the BRICS emerging economies, namely India and Russia, this share is quite small at around only 2% of China's total foreign trade in 2016 (see Table 1).

The Chinese economy has grown rapidly over the past four decades, which has led to a massive number of workers moving to the cities, where the levels of urbanization in the country rose rapidly from 17.9% in 1978 at the eve of economic reforms to 56.4% in 2016. During this period, the Chinese economy developed into the world's fastest growing economy, with average growth rates for the last four decades of 9% per annum (Borici 2018).

In the changing international scenario, there is a similar need for a change in global governance with the rapidly transforming Chinese economy and trade. As China's economy grows together with other emerging economies such as India, Brazil, Turkey, then the United States and international institutions will have to make changes to accommodate the changing international environment (Francois and Manchin 2013). As China emerged as the second-largest economy of the world, then the present global powers, as led by the USA, will need to accommodate China in a similar manner to other event in the past,

Table 1. Dynamics of the volume of China's foreign trade in 2010–2016, US\$ billion (%).

Countries	2010	2013	2014	2015	2016
USA	385.4 (12.9)	520.7 (12.5)	555.1 (12.9)	558.3 (14.1)	516.5 (14.1)
EU (European Union)	479.6 (16.1)	558.9 (13.4)	615.0 (14.3)	564.8 (14.3)	548.9 (15.0)
Hong Kong Special Administrative Region of China (HKSAR)	230.6 (7.8)	400.7 (9.6)	375.7 (8.7)	343.6 (8.7)	303.0 (8.3)
Taiwan	145.4 (4.9)	197.0 (4.7)	198.3 (4.6)	188.2 (4.8)	178.7 (4.9)
Japan	297.8 (10.0)	312.4 (7.5)	312.3 (7.3)	278.7 (7.0)	273.4 (7.5)
South Korea	207.1 (7.0)	274.2 (6.6)	290.4 (6.8)	275.8 (7.0)	251.1 (6.9)
ASEAN (Association of Southeast Asian Nations) countries	292.9 (9.8)	443.6 (10.7)	480.3 (11.2)	472.2 (11.9)	449.8 (12.3)
Countries along the "Belt and Road"	n.a.	n.a.	n.a.	936.7 (23.7)	941.5 (25.7)
India	61.8 (2.1)	65.4 (1.6)	70.6 (1.6)	71.6 (1.8)	69.7 (1.9)
Russia	55.5 (1.9)	89.3 (2.1)	95.3 (2.2)	68.1 (1.7)	69.1 (1.8)
Total	2974 (100)	4159 (100)	4301 (100)	3957 (100)	3665 (100)

Source: National Bureau of Statistics of China (2017, 105).

such as when the previous global power of Britain accommodated the USA in 1944, as a result of which the IMF and World Bank were created and Britain accepted the new US world hegemon (Siddiqui 2018a).

365 Some researchers have interpreted the shift taking place in Chinese export composition away from labour-intensive products towards “high-tech” products within the global production networks as an indication that the Chinese economy is transforming towards an advanced technology economic superpower. It was also said that the rapid increase in intra-regional trade with China-centred production networks has led to East Asia, along with China, becoming a self-contained economy with independent economic growth
370 (Rodrik 2006). However, such studies have missed the key point that it is largely China that is facilitating the final assembly stages of the global production networks of vertically integrated high-tech industries.

Moreover, modern international trade is driven by a global production sharing that creates interdependence among countries (Siddiqui 2018b), which the old horizontal approach to trade was unable to explain. China’s rapid development is the most momentous development of the post-world war period. As Athukorala explains:

375 Total merchandise exports from China increased from US\$8 billion (around 1 per cent of global exports) in 1978, when the country’s liberalization process began, to US\$408 billion (7.7 per cent of global exports) in 2000 and to more than US\$2 trillion (14.1 per cent)
380 in 2015. In 2004, China overtook Japan to become the third-largest exporter in the world after the USA and Germany, and in another three years, it became the second-largest exporter, surpassing the USA. Since 2009, China has been the world’s largest exporting nation. China’s ratio of exports to gross domestic product (GDP) currently stands at 33 percent compared with an average level of 10 percent of other major economies such as
385 the USA. . . . (Athukorala 2017, 365).

The share of manufactures in China’s total merchandise exports increased from less than 40% in 1980 to more than 90% in 2000, compared with a global average of 70%. China alone accounted for more than half of the increase in total global manufacturing exports between 1990 and 2016. The integration of domestic manufacturing within global
390 production networks has been an important factor in this regard, along with an ample supply of relatively cheap and disciplined labour, trade liberalization and infrastructure and inflows of capital were the key factors contributing to China’s rise as an export powerhouse during this period. Also, China’s accession to the WTO (World Trade Organization) in 2001 provided a helpful environment through which to enable the smooth
395 functioning of China-centred production networks (Athukorala 2017).

Furthermore, China’s economy is presently the world’s second-largest economy and which consumes more energy than the USA, and it is hoped that China will take over the USA as the world’s largest economy by 2020. In recent years, China has attempted to liberalize trade in the nearby regions in response to its more confident and growing
400 economy and international circumstances. In implementing the OBOR project, it is hoped that this can provide greater access to outside markets, help China’s transition to the high income group of countries in the near future, and also provide the increased supply of raw materials needed to grow the Chinese manufacturing sector and thus boost exports from other countries (as happened recently for Brazil and Australia who benefited from growing Chinese import demand). As labour costs are rising in China,
405 this has led to a number of industries moving out of the country to rescue labour costs.

In these changing circumstances and situation, this could facilitate industrialization and modernization in developing countries under the OBOR initiative.

In 2009, China's GDP surpassed Japan to become the world's second-largest economy. By 2010, China overtook Germany by becoming the world's largest exporter in terms of volume. Further, by 2013, China became the world's largest trade nation by surpassing the USA in the total volume of exports and imports. China's achievements since its economic reforms began in 1979 have been described as an unprecedented miracle in world economic history.

The question arises as to why China has been so successful, while other former socialist countries such as Russia failed. The answer is simple: China did not follow the proposed IMF/World Bank-led reforms and gradually opened up its economy, especially state-owned enterprises. The government opened up labour-intensive industries which had a comparative advantage, and this strategy proved to be suitable to local conditions and thus competition and foreign investment in these sectors proved to be beneficial. Of course, the negative side was market intervention distortions gave rise to rent seeking, corruption and inequality in income and wealth.

After the four decades of its most rapid growth rates, China has become an upper-middle class economy with a GDP per capita of more than US\$8000 in 2016. It managed to build and achieve a comparative advantage in capital-intensive industries such as steel, aluminium, machine building, and automobiles. As argued by Lin:

After 36 years of reforms and opening-up, China has grown to be an upper-middle income country. For the sake of its great national renaissance, China hopes to overcome the middle-income trap and develop into a high-income country. Judging from the experiences of reform and opening-up, China should make the best of the markets and resources at home and abroad. Besides, China is now the world's largest trading country, the world's second-largest economy in terms of the market exchange rate. . . . So internationally, China should assume commensurable responsibilities and have the corresponding influence and voice in determining international affairs and rules (Lin 2015, 587–588).

It is important to highlight here that the OBOR project if successfully implemented, will create more balancing act, especially in economic development. The OBOR initiative will most likely help to express China's vision about international order to the world and also give theoretical and moral support to China's foreign policy. However, some have expressed doubts about its success and it is heading into the Chinese debt trap. However, one thing seems very clear if OBOR project is successful then it will challenge to the uni-polar world and it would pose a challenge to the established hegemon, i.e., the USA.

The developing countries in 1974 at the United Nations (UN) managed to pass a resolution on the "establishment of a new economic order" and again in 1986 at the UN, another resolution was passed entitled "right to development." During that time, the developing countries formed the Group of 77, which sought to improve economic relations between the developing countries (also known as the south-south co-operation). However, it all came to an abrupt end with the collapse of the Soviet Union.

It is hoped that China and in particular its OBOR initiative will be able to break the West's monopoly of international economy and would promote a right to development and also protect late-comers, i.e., developing countries aspirations for industrialization and improvement of their economy and also promote the rule of international law and regulations and prevent rich and powerful countries from their absolute control.

4. One Belt and One Road Initiative

China's "One Belt and One Road initiative" seems to be a vision and strategy for transforming the economic landscapes in Asia, Eastern Europe and Africa in the coming decades with the help of a commitment to build infrastructure, energy and telecommunication sectors. The proposed south Asian OBOR includes the Bangladesh, China, India, Myanmar (BCIM) economic corridor and plans for a Central Asian corridor involving Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, linking closer trade, infrastructure with central Asian countries.

The Chinese government has proclaimed the OBOR projects is its top national strategy and the government at various levels is actively extending support for this policy and working extensively towards its success. All indications point to the OBOR initiative being China's national strategy to promote international economic integration (Wong et al. 2017).

The proposing OBOR initiative China does have a number of advantages; for instance, it has a very competitive and developed construction industry with huge experience that can work on infrastructure development within China. China now has annual savings of nearly 50% of its GDP with a foreign exchange reserve of nearly US\$5 trillion. This means China will be able to finance such a gigantic project. Moreover, most of the developing countries do not have the capital to invest in infrastructure. China's recent experiences are those of successful development of labour-intensive industries and becoming the largest exporter through these industries. With constantly rising costs and gradually losing its comparative advantages, other developing countries could be the home of these industries (Siddiqui 2018b). This could lead to labour-intensive industries moving to other developing countries, enabling extensive job creation, diversifying the economy and increasing export income, as happened in China itself in the recent past. According to official estimations, 150 million people moved from agriculture to labour industries in China. This may all mean the more prosperous China could facilitate the industrialization and modernization of other developing countries, and OBOR may contribute to the beginning of a new world economic order and peaceful development, which represents a win-win for all those countries involved in the OBOR project.

By the end of 2017, the Chinese foreign exchange reserve had risen to almost US\$5 trillion; when the country joined the WTO in 2001 it had US\$212 billion. China has begun to finance a number of expensive investment projects to build roads, high-speed railways, harbours and airports in a number of countries. To meet such huge financial commitments, China has led the international financial institution, the AIIB, to play a crucial role in obtaining huge amounts of capital to fund its megaprojects. Moreover, Chinese state-owned banks also have taken the initiative to assist OBOR projects. By the end of 2016, more than two thousand projects in 49 countries were being allocated money by China's export-import bank. Furthermore, today, China's development bank is also financing 400 projects related to OBOR in 48 countries (Borici 2018).

Given its vast coverage in terms of geographical area and economic size, the development of the OBOR project is not only a challenging task for China and the road-belt countries but also an important new development and opportunity for Asia and the world economy in the coming years. It is most likely that participating countries, especially the land-locked Silk Road countries with little foreign investment, will find new

opportunities to increase trade and economic cooperation, as initiated by the grand project on international economic integration.

The OBOR and Silk Road Maritime project will not only facilitate free trade across the regions, but its massive infrastructure-led economic integration plan will result in a long period of economic and social changes for the participating countries. It also draws a blueprint for the integration of the Chinese economy with those of belt-road countries by developing these countries' infrastructures, such as roads, railways, harbours and airports, to become more efficient. China is the primary source of financing for most of the OBOR projects, and certainly once completed this will further boost Chinese trade and, of course, will benefit other belt-road countries. For instance, the Export and Import Bank of China provided credit up to US\$80 billion in 2015, compared to the US\$27 billion that was provided by the Asian Development Bank (Du and Zhang 2018).

China has also increased its attempts to build economic and trade ties through bilateral agreements. For instance, China signed bilateral and mutually beneficial agreements with Brunei, including strengthening their maritime cooperation. China also signed economic and trade cooperation agreements with Vietnam, despite having disputes over territorial waters and, in 2015, China and Vietnam further agreed to establish an "infrastructure cooperation working group." In North-East Asia, China increased economic and trade cooperation with Japan and South Korea and in 2015, establishing economic zones that involved these countries (Borici 2018).

China has been actively involved in regional cooperation since the mid-1990s. For example, China began negotiations with ASEAN countries and signed economic cooperation agreements with them in 2001, and also with other countries such as with the USA in 1998, East European countries in 2012, Gulf Council Member countries in 2010, African countries in 2000 and Latin American countries in 2014.

China also opened the economic corridor which includes Bangladesh, China, India and Myanmar (BCIM), the so-called southern routes for road transport and oil and natural gas pipelines from Ruili in Yunnan province to Kayaukpyu port in West Myanmar, facing the Bay of Bengal. China wanted this route to extend to Kolkata via the Brahmaputra River in Eastern India, and whilst initially, India agreed it, later on, became concerned about the project. Also, in Myanmar, in 2015, with the victory of National League for Democracy (NLD), under the leadership of Aung San Suu Kyi, has shown considerable uncertainty about it.

The current six corridors include the China–Mongolia Russia Economic Corridor, the New Eurasian Land Bridge Economic Corridor, the China Central and West Asia Economic Corridor, the CPEC, and the BCIM economic corridor. The China–Africa cooperation summit took place in December 2015, where the Chinese President Xi Jinping committed to investing a total of US\$60 billion to fund and boost the African economy and trade in agriculture, local industries and infrastructure (Borici 2018).

5. China–Pakistan Economic Corridor (CPEC)

Due to space limitations, I will largely focus in detail about CPEC, which is expected to transform Pakistan's economy. Commenting on the importance of CPEC project both for Pakistan's economy and for the region, Malik (2018, 78) argues:

China conducts around US\$5 trillion trade in merchandise via the Indian and Pacific Oceans. The trade routes can be very long, stretching up to 16,000 km, and there are some choke points at the Straits of Malacca and the South Chinese Sea. If some trade was diverted to land routes through Pakistan, this would be safer as well as economical. The route from Gwadar to Kashgar is approximately 2500 km and an oil pipeline would be safer and quicker (Malik 2018, 78).

The CPEC project will have a financial significance for Pakistan, as it will be the largest foreign capital inflows that Pakistan has received total over the last nearly seven decades. Malik further argues:

the CPEC, in fact, promotes Pakistan's regional trade by introducing new trade routes and by modernizing the old trading routes. The CPEC is not just the name of a road or a route, but rather a system of communication networks to connect all parts of Pakistan, as well as the region (Malik 2018, 78).

Emphasizing the potential economic benefits of the CPEC project for the people, Chinese President Xi Jinping on a visit to Pakistan on 20th April 2015 has said:

The planning and layout of the Economic Corridor should cover other parts of Pakistan as well so that the fruits of its development will reach both all the people in Pakistan and the people of other countries in our region (Cited in Malik 2018, 73).

The OBOR project also includes the CPEC which runs 1200 kilometres from Kashgar in north-western China to Pakistan's Gwadar Port, through roads, railways, and pipelines, and also includes other specific infrastructure and agricultural projects. The corridor provides an alternative and much shorter energy supply route, in terms of time, compared to Straits of Malacca in Malaysia. The US\$60 billion project will provide China secure access not only to Central Asian energy sources but also the Arabian Gulf, bypassing the Straits of Malacca and dramatically shortening the time it will take for Chinese goods to reach Africa and the Middle East. In addition to serving as a commercial hub, Gwadar may be transformed into a safe harbour for the Chinese navy; this would allow China into the Gulf and the Indian Ocean. In return, Pakistan expects to receive much-needed infrastructure and reliable energy supply to alleviate its persistent power shortfalls and to boost its economy and trade and alleviate poverty.

The two chief financiers of the CPEC are the China Development Bank (CDB) and the Exim Bank of China. Government policy guides the distribution of CDB and Exim loans, with state-owned enterprises (SOEs) being the primary beneficiaries. The Chinese government also holds a stake of at least 60% of the commercial Industrial and Commercial Bank of China, and can direct it to provide loans to SOEs to benefit CPEC projects. In addition, China aims to create favourable economic conditions for Chinese firms investing in Pakistan. A number of special economic zones (SEZs) are being established, offering investment incentives to both Pakistani and Chinese businesses. To date, it appears that it is Chinese firms, for the most part, that have taken advantage of the SEZs, such as a Chinese SOE operating the Gwadar Port which recently received permission from the Pakistani government to set up an SEZ with a forty-three year lease.

While no direct evidence suggests that the CPEC and SEZs are a product of Chinese influence designed to attract Chinese firms, the influx of Chinese firms is already stirring some trouble in the host country (Pakistan). According to a report by the Federation of Pakistan Chambers of Commerce and Industry, citizens of Baluchistan (where Gwadar Port is located) are concerned that Chinese workers may take their jobs. Similarly, others

worry that infrastructure spending seems mainly to benefit the Chinese, not Pakistani, companies, as companies import equipment and technology as well as manpower from China. Reports also detail alleged violations of Pakistani law and social customs by Chinese firms, and while Beijing is able to direct investment to Pakistan it may lack the ability to regulate the businesses operating there (Siddiqui 2013), even when their actions undermine the Chinese narrative of mutually beneficial engagement.

The CPEC will have a substantial impact on energy trade flows through the extensive pipeline infrastructure which is being planned. The project linking China with Gwadar Port and China through the proposed pipeline will be able to source gas and oil supplies from the Middle East. Therefore, China will be able to diversify its energy import sources and transit routes. The existing trade route via Malacca is seen as being strategically weak, with a considerable potential for being blocked, thus threatening China's vital trade route. Most of China's energy imports and raw materials rely on shipments through the Malacca Straits.

The OBOR project will have a huge impact on the Pakistani economy. For instance, out of all the power projects of OBOR, 24% will be established in Pakistan, which will mean about 40 power projects in the country involving Chinese stakeholders. Once completed, the OBOR will provide for a rapid increase in the country's energy supply (Huang 2008).

Economic relations between the two countries have increased considerably since the turn of the millennium. China's stake in the Pakistani economy has increased significantly, and indeed much more still with the commitments made by the Chinese government that have pledged nearly US\$60 billion. The CPEC plans included a deep sea port at Gwadar. The port was opened in November 2016 within the isolated western region of Pakistan, and which is now open to the world, and is now linked via road with Kashgar city in western China. Kashgar is located at a distance of 1200 kilometres miles from Gwadar, though Kashgar is 3400 kilometres away from Eastern city of Shanghai. The development of Gwadar will definitely open a new and far-reaching opportunity for the people, economy and business of western China, but will also provide another routes for China's trade that could be of considerable importance due to the rising tension in the South China Sea between China and the USA and its regional allies (Siddiqui 2016b).

CPEC also will link Baluchistan with Sindh and Gilgit and Baltistan. Baluchistan province is rich in mineral deposits and the region is home to the Reko Diq and Saindak mines, including some of the largest untapped copper and gold reserves worldwide. The CPEC project will undoubtedly intensify the mining of such precious metals and also increase the dispossession of native inhabitants. Also, under CPEC, Pakistan is expected to increase large-scale coal production, including in its Thar coal fields located in Sindh province. China is keen to invest in these mining efforts to boost thermal power production, which is expected to increase up to 13,000 megawatts annually, and which is largely expected to be produced by coal-fired power stations.

However, the CPEC project could reinforce the existing pressures on an already vulnerable economic system and further increase the already rampant corruption and nepotism in Pakistan while forcing deposed people into the ranks of unemployed. This will be the most challenging task in the coming decades for the people of Pakistan.

6. China's External Stimulus and Capital Investment

Since the beginning of the twenty-first century, China has emerged as an important source of foreign investment not only in developing but also in the advanced economies. At present, China's overseas investments have exceeded US\$100 billion and the country has become the world's largest overseas investor. This is certainly a huge transformation for Chinese businesses from the world's manufacturers to its global investors. The government has encouraged its domestic companies to operate abroad, especially since the launch of the OBOR initiative. With increased government support, Chinese companies are more inclined to move overseas, as this support makes it less risky for these businesses to move overseas. More information and government support in the form of available funding and reduction in red tape will make it much simpler for Chinese companies to operate in foreign markets (Huang 2008).

In the past, Chinese companies' investments were largely focussed on the mining and energy sectors, but now they are diverting their investments towards consumer-based industries and medium technology. These Chinese companies have recently been showing increased interest in agribusiness, real estate, health care, technology, and financial services, and indeed these sectors have become more attractive for Chinese overseas investors. Moreover, Chinese overseas investments have shifted from acquiring raw materials to acquiring new technologies and brands.

The huge investment in infrastructure will definitely improve the quality and availability of infrastructure in belt-road countries, which is expected to make these countries more attractive to foreign capital investments as well (Siddiqui 2017b). It is widely agreed that better quality infrastructure will facilitate rapid growth in the region, and is an important determinant of foreign capital inflows. For instance, during the 1980s, China's twenty-nine regions, which had the high-quality infrastructure (i.e., road and communication networks), had received much higher foreign capital inflow. Moreover, a number of studies have confirmed that the availability of a better quality of roads will increase trade and these regions/countries will be able to take advantage of their governments' trade liberalization policies.

In 1999, the Chinese government launched the Western Development Programme (WDP) to develop more backward Western China. The government strategy was to focus on China's less-developed regions and to spread the wealth to these neglected provinces of the country. China's economically rich and more developed eastern region has 41% of the population with only 14% of the land, while the backward western regions have 28% with huge areas of 71.4% land area (Borici 2018; Du and Zhang 2018).

China has attempted to offer its own concept of global governance, on which rests an equitable and fair share of the world's economic and political order. As Xi Jinping, during his speech at AIIB in January 2016 stated that,

[T]he founding and opening of the AIIB also means a great deal to the reform of global economic governance system. It is consistent with the evolving trend of the global economic landscape and will help make the global economic governance system more just, equitable and effective (Cited in Bhattacharya 2016, 323).

To meet the associated financial requirements, China has formed two powerful sources, namely the AIIB and the Silk Road Fund, whilst the major shareholders are all developing and European countries, though notably excluding the USA and Japan. Of course, the

OBOR will assist Chinese firms to move abroad and, thus, it could be a mechanism through which china's economic and political influence will expand globally.

It is also seen as a means to provide an external stimulus for Chinese companies to increase their international operations. Besides this, China has accumulated a huge amount of foreign reserves and the OBOR initiative could be an enormous opportunity to seek their operations in overseas markets which might have been offset by a recent slowdown in the domestic markets. Over the last decade, the major Chinese building companies have experienced a dramatic increase in revenues due to the country's huge expansion in local infrastructure. The building of infrastructure also meant that demand for cement and steel has increased sharply. However, the fixed asset investment grew 8.1% in 2016–2017, which is the lowest since 2000, as the economy faced a slow-down in demand for goods and services (Borici 2018). Chinese companies see this as a good opportunity to move into the government-backed project to expand overseas and become global construction companies. Therefore, the OBOR initiative provides an outlet for Chinese companies, including materials and workers, to demonstrate technological competency and the efficiency to create reputations as global companies.

According to the Chinese Ministry of Commerce, during 2016 about 40,000 engineering contracts were signed in 61 countries to a total value of US\$79 billion. With developmental projects expected to continue over several years, the expected costs could go up to a trillion US dollars. The Chinese-led AIIB began operating in 2016; it has 57 members and is expected to expand its membership across Africa, Europe and South America.

It also could facilitate and induce the expansion of labour-intensive industries such as textiles and footwear, i.e., new export-oriented manufacturing zones and thus increased employment opportunities for countries on the OBOR routes. Therefore, it is expected that increased and improved infrastructure will facilitate the development of low-cost manufacturing hubs, which will ultimately accelerate the shift of low-cost labour-intensive manufacturing from China to South Asian countries. The most needed raw materials are already locally available and there is already an availability of raw materials and skills for industries such as textiles, footwear, autos and electronics.

In East Asia, the OBOR is expected to bring huge economic benefits. For instance, in Laos, the 23 Chinese projects make up the equivalent of 66% of the country's current GDP. Most of the investment will be focussed around the hydropower sector and will enhance its electricity generation, further boosting industries in the country. In this, Indonesia will also benefit from 33 large Chinese projects under the OBOR initiative, because the size of the country will lead to it accounting for 18% of total investment but only 4% of the country's total GDP. Moreover, the entry of Chinese construction companies into Indonesia will increase competition and efficiency, as currently, the principal sources of foreign direct investment are companies from only Singapore, Malaysia, Japan and the Netherlands. As Du and Zhang argued that the OBOR.

[is a] vision for economic integration of China with Asia, Europe and Africa. Since the inception of this vision in late 2013, the Chinese government has made it a paramount national strategy. The initiative provides a blueprint of a strong integration of China into the World economy and represents the commitment of the Chinese government to a more open economy. (Du and Zhang 2018, 189)

Over the last decade, China's foreign investment has risen, which seems to have coincided with the country's structural transformation and also its production overcapacity. This initiative also could enhance Chinese companies standing in the international economy, especially amongst those countries that will be linked to the OBOR infrastructure expansion. This initiative has clearly promoted Chinese overseas investment, especially those linked to OBOR projects. The massive investment in infrastructure will have a wider economic impact as it will improve the quality and availability of logistics facilities in countries associated with the OBOR projects. The huge increase in Chinese foreign outflow of capital could increase economic activity, economic cooperation and policy coordination. It could also improve transportation and trade among these countries.

The OBOR initiative is being led by infrastructure investment, where Chinese state-owned enterprises (SEOs) play an important role in infrastructure-related industries. The Chinese SOEs, with their considerable experience in construction and infrastructure, and also with a huge amount of capital backed by the Chinese government, will allow for very positive development in the infrastructures in the countries associated with OBOR projects. Moreover, non-state companies are also responding to this opportunity and are expected to be part of the government promotion policy.

The OBOR project includes investment in industries such as power generation to strengthen economic capability and connectivity among belt-road countries. This initiative will benefit China's western regions considerably. The Chinese government has already extended support to build infrastructure in China's western regions with funds from the Silk Road Fund and the AIIB, and other government funds as made available from Chinese foreign aid to both Chinese and foreign companies. This has already begun to change the vast hinterland of western China. More investment and better infrastructure in this region, along with opening it up to the world, will have huge economic benefits and allow for huge developmental opportunities within this region, alongside economic growth, a higher proportion of its output that can be traded, and business competition will increase (Siddiqui 2017c). This will be expected to reduce the income inequality between the less-developed western China and its more developed coastal regions.

Moreover, the OBOR initiative will also promote China's overall economic development by creating increased markets and enhancing the supply of raw materials and natural resources including fuel and gas supplies to support local industries. As a result, the project could be an important source for Chinese industries struggling to relieve overcapacity and declining demands of certain products in local markets, especially capital goods and construction industries (Siddiqui 2016b). This will represent a significant attempt to boost exports. Furthermore, China, with its huge savings and capital surplus, could channel the money into long term and potentially more profitable avenues of economic activities.

To succeed, China needs political cooperation, which it has already built such as with the Organisation for Central Asia, SSEAN for Southeast Asia, the Chinese-Arab States Cooperation Forum for the Middle East region, the Chinese-African Cooperation for Africa and BRICS for Brazil, Russia, India, China and South Africa. With Europe, China has engaged the 16 + 1 formula, i.e., 11 central and East European countries, 5 Balkan countries and China).

In terms of FDI location choice, foreign companies' prime motivation for making capital investments are largely to seek overseas markets, to seek efficiency (e.g., to acquire new

technology to cut costs) and to seek resources including the building up of strategic assets (Dunning 1993; Cheng and Kwan 2000). These three classical factors are currently prevalent in Chinese outward investment (Buckley et al. 2007). Some additional factors have been found through research (Du and Zhang 2018) which include political risk, economic liberalization, exchange rates, institutions and geographical proximity to China. As Du and Zhang argue that:

The massive investment of the OBOR initiative in infrastructure would improve infrastructure quality and availability, which can boost China's ODI [overseas direct investment] into belt-road countries. The facilitation of trade following the improvement in infrastructure in the belt-road countries can also indirectly promote China's direct investment in the belt-road countries. Furthermore, the high-level international political cooperation and government support embedded in the OBOR initiative can considerably reduce host country policy uncertainty and political risks for Chinese firms investing in belt-road countries. As the OBOR initiative is regarded as a grand scheme of economic diplomacy . . . the cooperativeness of host country governments can also help mitigate the negative effects of cultural dissimilarity and geographical distance on Chinese ODI in belt-road countries (Du and Zhang 2018, 192).

The new development and trade initiative being advanced by China for other regions through both the Silk Belt Road and the twenty-first Century Maritime Silk Road is known as OBOR. This project combines land and maritime power with the intention of enhancing China's economic and political strength in the region. It represents an ambitious and spatial expansion of Chinese state capitalism, which seems to be driven by China's excess industrial production capacity, as well as its rapidly growing financial capital interests. It also appears that the Chinese fear its past European experience of the 1930s when European powers had an overcapacity crisis and the struggle for foreign markets and resources became a battle ground, which in part precipitated the Second World War (Siddiqui 2018b).

For three decades, Chinese manufacturers have flooded the world markets with cheap products, which was possible due to its inexhaustible supplies of cheap labour. However, in recent years, rising labour costs, along with falling consumer demand in the advanced economies since the 2008 global financial crisis, have confirmed to the Chinese government that the country is entering a new phase of accumulation where service-oriented industries will play a greater role and shrinking world markets could represent a major challenge for China in the coming decades. Therefore, a new developmental strategy is needed. The solution seems to be to start with a major developmental effort in the less-developed regions in the country, i.e., Western China, and by building better quality infrastructure and channelling excess capacity to West China, and further by linking the region to Central Asia.

As Chinese industrial capacity increases, the yuan will become one of the world's most important international currencies, though it will be long before it will be able to challenge the hegemonic status of the US dollar. The strength of the dollar depends on the USA's continued capacity for productivity and its overseas investments and military strength and bases. The main source of financial-led capitalism currency's credibility is the USA's global political and military strength, which is the important determinant of the dollar's credibility, as was the pound sterling in the early twentieth century (Siddiqui 2018c).

7. Conclusion

The study has argued that the OBOR project is a peaceful strategy to improve infrastructure, trade, economy and ultimately the living conditions of people in the region of China, and also to connect people in various regions of the world in a peaceful manner. This will help economic development in a general sense, and if the initiative succeeds then it will help about 4.6 billion people, which is more than 60% of the world's population, and could create a total output of US\$20 trillion, or about 33% of global GDP (*Guardian* 2017; Du and Zhang 2018).

The study has found that China is presenting the idea of "new globalization," as different from the imperialist globalization that emerged after the Second World War and allowed the free flow of capital and technology, whilst impoverishing the developing world further by exploiting their resources (Siddiqui 2008, also see 1998). The challenge for China is to present an alternate. This initiative by the Chinese government has raised considerable hope for a new world with a community with common interests (Zhang 2015). Their emphasis on dialogue, mutual benefit, cooperation and prioritizing people has raised hopes that through the process of experiment, dialogue and corrections, a more inclusive development model can be developed. This is a challenge for China: can it promote the infrastructure investments that drive local development through diversity and sustainability, and not simply for its export outlets?

If peace is to be achieved then how the Chinese vision of development can create a genuine and sustainable alternative to the neoliberal development imposed on developing countries by Western-dominated international institutions such as the IMF, World Bank and WTO (Girdner and Siddiqui 2008). This represents a major challenge that must be met in the near future, not only for China but also for the rest of the world. We will see whether China can lead the developing world into an era of peace and prosperity. As during the Ming Dynasty (1371–1644), when Zheng He was a prominent Chinese admiral in control of the huge Chinese fleet and armed forces that undertook a number of expeditions to Indian Ocean, Middle East and East Africa during the 14th century, and which w promoted peace and understanding between China and the other countries. Zheng He's first fleet included 27,870 men on 317 ships, including sailors, doctors, interpreters, soldiers, artisans and meteorologists. On board, he had large quantities of silk, porcelain, copper utensils, iron implements and cotton goods. The fleet sailed along China's coast to Champa, close to Vietnam, and after crossing the South China Sea, visited Indonesia and Sri Lanka through the Straits of Malacca. It also sailed along the west coast of India, returning to China in 1407. Throughout the entire voyage, Zheng He neither attacked nor occupied any country, and nor did he take slaves (Sheng 2017; Wong et al. 2017).

The important shortcoming of the existing international economic order is poverty and inequality, which perpetuates conflict and tension both between and within nations. Over the decades, these factors have led to a number of developing countries into increased dependency on Western capital and markets (Siddiqui 2017b). This has led to the increased influence of large foreign corporations and away from self-reliant development.

Several decades ago, it was noted that the weakening the grip of the former colonial powers, both in the global economy and international trade will strengthen developing countries' economies (Siddiqui 2016b). Abdel-Fadil, Cripps, and Wells (1977, 209) argued that.

[T]he [developing countries] hoping to challenge neo-colonialist post-war relationship slowly broadened and gathered strength between the Bandung meeting in 1955 and the Algiers conference in 1973. The many conferences and meetings produced a little immediate result and the socialist bloc was never able to assist the third world to establish any effective bargaining position. . . . Which is obliged every state to contribute to an improved international economic order involving “economic and social progress throughout the world” and improvement in the welfare and living standards of all people.” However, in the 1980s and 1990s, these noble dreams vanished with rising debts and the balance of payments crisis, and most developing countries had at that point to accept neoliberal reforms (Girdner and Siddiqui 2008).

However, if the OBOR initiative is successful, then it will accelerate the move from a unipolar post-1991 world to an increasingly multipolar world. Whether China’s OBOR project can promote development, prosperity and ecological sustainability that transcends the rule of capital, only the future will tell us.

Disclosure statement

No potential conflict of interest was reported by the author.

Notes on contributor

Kalim Siddiqui teaches International Economics in the Department of Accounting, Finance and Economics at the University of Huddersfield, UK. He is also member of a number of international economic bodies including: Association for Heterodox Economics, International Initiative for Promotion of Political Economy (IIPPE), and World Association for Political Economy (WAPE). He has spoken at several conferences in Germany, Portugal, Norway, UK, Pakistan and India and regularly contributed articles in journals such as *International Journal of Political Economy*, *World Review of Political Economy*, *Journal of Asian Public Policy*, *Research in World Economy*, *Journal of Economics and Political Economy*, *Asian Profile*, *Social Scientist*, and *Economic and Political Weekly*.

ORCID

Kalim Siddiqui <http://orcid.org/0000-0002-7952-4573>

References

- Abdel-Fadil, M., F. Cripps, and J. Wells. 1977. “A New International Economic Order.” *Cambridge Journal of Economics* 1 (2): 205–213.
- Aoyama, R. 2016. “‘One Belt, One Road’: China’s New Global Strategy.” *Journal of Contemporary East Asia Studies* 5 (2): 3–22.
- Athukorala, P. 2017. “China’s Evolving Role in Global Production Networks: Implications for Trump’s Trade War.” In *China’s New Source of Economic Growth: Human Capital Innovation and Technological Change*, edited by L. Song, R. Garnaut, C. Fang, and L. Johnston, 363–385. Canberra: ANU Press.
- Bhattacharya, A. 2016. “Conceptualizing the Silk Road Initiative in China’s Periphery Policy.” *East Asia* 33 (4): 309–328.
- Borici, G. 2018. “China’s One Belt and One Road Initiative: The Response to Western Globalisation.” *International Review* 8 (1): 1–13.

- Buckley, P. J., J. Clegg, A. R. Cross, X. Liu, H. Voss, and P. Zheng. 2007. "The Determinants of Chinese Outward Foreign Direct Investment." *Journal of International Business Studies* 38 (4): 499–518.
- Cheng, L. K., and Y. K. Kwan. 2000. "What Are the Determinants of the Location of Foreign Direct Investment? The Chinese Experience." *Journal of International Economics* 51 (2): 379–400.
- 905 Deepak, B. R. 2018. "China's Global Rebalancing: Will It Reshape the International Political Economic Order?" In *China's Global Rebalancing and the New Silk Road*, edited by B. R. Deepak, 1–12. Singapore: Springer.
- Du, J., and Y. Zhang. 2018. "Does One Belt One Road Initiative Promote Chinese Overseas Direct Investment?" *China Economic Review* 47 (February): 189–205.
- 910 Dunning, J. H. 1993. *Multinational Enterprises and the Global Economy*. Wokingham: Addison-Wesley.
- EU Council on Foreign Relations. 2015. "One Belt, One Road: China's Great Leap Forward." Accessed March 22, 2019. http://www.ecfr.eu/page/-/China_analysis_belt_road.pdf.
- Ferdinand, P. 2016. "Westward ho-the China Dream and 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping." *International Affairs* 92 (4): 941–957.
- 915 Francois, J., and M. Manchin. 2013. "Institutions, Infrastructure and Trade." *World Development* 46 (June): 165–175.
- Girdner, E. J., and K. Siddiqui. 2008. "Neoliberal Globalization, Poverty Creation and Environmental Degradation in Developing Countries." Accessed 12 April 2019. <https://core.ac.uk/download/pdf/1648993.pdf>.
- Guardian. 2017. "The \$900 Billion Question: What Is the Belt and Road Initiative?" Accessed August 20, 2018. <https://www.theguardian.com/world/2017/may/12/the-900bn-question-what-is-the-belt-and-road-initiative>.
- 920 Huang, Y. 2008. *Capitalism with Chinese Characteristics: Entrepreneurship and the State*. New York: Cambridge University Press.
- Huntington, S. 1996. *The Clash of Civilizations and the Remaking of World Order*. New York: Simon & Schuster.
- 925 Lin, J. Y. 2015. "'One Belt and One Road' and Free Trade Zones—China's New Opening-Up Initiatives." *Frontiers Economics in China* 10 (4): 585–590.
- Malik, A. R. 2018. "The China-Pakistan Economic Corridor (CPEC): A Game Changer for Pakistan's Economy." In *China's Global Rebalancing and the New Silk Road*, edited by B. R. Deepak, 69–88. Singapore: Springer.
- National Bureau of Statistics of China. 2017. *Chinese Statistical Yearbook 2016*. Beijing: China Statistics Press.
- 930 Ostrovskii, A. V. 2017. "Prospects to Interface the Silk Road Economic Belt and Eurasian Economic Union Prospects." *Herald of the Russian Academy of Sciences* 87 (6): 480–490.
- Rodrik, D. 2006. "What's So Special About China's Exports?" *China and World Economy* 14 (5): 1–19.
- Sheng, A. 2017. "OBOR and Euro Asia's New Great Game." *China Report* 53 (2): 232–252.
- 935 Sidaway, J. D., and C. Y. Woon. 2017. "Chinese Narratives on 'One Belt, One Road' in Geopolitical and Imperial Contexts." *The Professional Geographer* 69 (4): 591–603.
- Siddiqui, K. 1998. "The Export of Agricultural Commodities, Poverty and Ecological Crisis: A Case Study of Central American Countries." *Economic and Political Weekly* 33 (39): A128–A137.
- Siddiqui, K. 2008. "Globalisation and Developing Countries: Opportunities or Marginalisation?" In *Globalisation at the Cross Roads*, edited by S. B. Verma, Y. Upadhyaya, and A. K. Bajpai, 46–71.
- 940 New Delhi: Sarup & Sons.
- Siddiqui, K. 2013. "A Review of Pakistan's Political Economy." *Asian Profile* 41 (1): 49–67.
- Siddiqui, K. 2016a. "Will the Growth of the BRICs Cause a Shift in the Global Balance of Economic Power in the 21st Century?" *International Journal of Political Economy* 45 (4): 315–338.
- Siddiqui, K. 2016b. "International Trade, WTO and Economic Development." *World Review of Political Economy* 7 (4): 424–450.
- 945 Siddiqui, K. 2017a. "The Bolshevik Revolution and the Collapse of the Colonial System in India." *International Critical Thought* 7 (3): 418–437.

- Siddiqui, K. 2017b. "Financialization and Economic Policy: The Issues of Capital Control in the Developing Countries." *World Review of Political Economy* 8 (4): 564–589.
- Siddiqui, K. 2017c. "Globalization, Trade Liberalisation and the Issues of Economic Diversification in the Developing Countries." *Journal of Business & Economic Policy* 4 (4): 30–43.
- 950 Siddiqui, K. 2018a. "Capitalism, Globalisation and Inequality." Accessed April 17, 2019. <http://www.worldfinancialreview.com/capitalism-globalisation-and-inequality/>.
- Siddiqui, K. 2018b. "David Ricardo's Comparative Advantage and Developing Countries: Myth and Reality." *International Critical Thought* 8 (3): 426–452.
- Siddiqui, K. 2018c. "Imperialism and Global Inequality: A Critical Analysis." *Journal of Economics and Political Economy* 5 (2): 266–291.
- 955 Summers, T. 2016. "China's 'New Silk Road': Sub-National Regions and Networks of Global Political Economy." *Third World Quarterly* 37 (9): 1628–1643.
- Wang, J. 2012. "China's Search for a Grand Strategy." *Foreign Affairs* 90 (2): 68–79.
- Winter, T. 2016. "One Belt, One Road, One Heritage: Cultural Diplomacy and the Silk Road." Accessed April 17, 2019. <https://thediplomat.com/2016/03/one-belt-one-road-one-heritage-cultural-diplomacy-and-the-silk-road/>.
- 960 Wong, E., K. C. Lau, S. Tsui, and T. Wen. 2017. "One Belt, One Road: China's Strategy for a New Global Financial Order." Accessed September 25, 2018. <https://monthlyreview.org/2017/01/01/one-belt-one-road/>.
- Yu, H. 2017. "Motivation Behind China's 'One Belt, One Road' Initiatives and Establishment of the Asian Infrastructure Investment Bank." *Journal of Contemporary China* 26 (105): 353–368.
- Zhang, Y. 2015. "One Belt, One Road: A Chinese View." *Global Asia* 10 (3): 8–12.