

China hosts international launch of One Belt, One Road initiative

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The two-day international Belt and Road Initiative (BRI) forum, which concluded in Beijing yesterday, has underscored the shifts and conflicts in geo-economic and political relations resulting from the rise of China to the position of the world's second largest economy.

While it received little attention in the media, the fact that the US was little more than a bit player at an economic gathering, dubbed by some as advancing the 21st century equivalent of the post-war Marshall Plan, points to the historic decline of its economic position.

The forum, which included the heads of 28 states and representatives from 100 countries, was the international launch of the so-called One Belt, One Road project initiated by Chinese President Xi Jinping in 2013.

Invoking the history of the Silk Road of medieval times, the BRI envisages the construction of a series of ports, railway lines and roads connecting the major economic centres of China with Europe.

The forum was convened in a \$1 billion complex constructed north of Beijing and was accompanied by a massive publicity campaign by the Chinese government.

Opening the gathering on Sunday, Xi had two objectives: to win international support for the BRI, which envisages the expenditure of more than \$1 trillion on infrastructure projects, thereby enhancing China's global position, and to cement domestic support for his regime as he enters his second term as president.

"Spanning thousands of miles and years, the ancient silk routes embody the spirit of peace and co-operation, openness and inclusiveness, mutual learning and benefit," he said, hailing the initiative as the "project of the century."

"We should foster a new type of international relations featuring win-win co-operation; and we should forge partnerships of dialogue with no confrontation and of friendship rather than alliance."

Under conditions where both Russia and China face increasing pressure from the United States, President Vladimir Putin was given pride of place among the international representatives at the forum's opening.

Xi told his Russian counterpart that their countries were the "ballast stone" of world stability. Behind the smiles and handshakes however, there are tensions between the two powers. Russia has its own plan for extending its economic and political influence in central Asia and the former republics of the Soviet

Union under its Eurasian Economic Union and there are fears that it could be subordinated to the BRI.

Both Xi and Putin sought to keep the issue in the background, with Putin emphasising that the Chinese and Russian projects were complementary and that Eurasian integration is a "civilisation project for the future."

For his part Xi said the BRI was not aimed at cutting across the initiatives of other countries. Besides the Russian EEU project, Turkey has a plan to link up Turkish speaking states in a so-called "Middle Corridor."

Xi insisted that the Chinese project was not intended to replace existing partnerships. "The aim of Belt and Road is not to reinvent the wheel. Rather, it aims to complement the development strategies of countries involved."

However, for all Xi's words about the need for greater openness, co-operation, the rejection of protectionism, the need to develop win-win outcomes, coupled with assurances that China is concerned about development for all, international tensions made their presence felt.

Japan the second largest economy in the Asia region boycotted the forum altogether viewing it as a means through which China is seeking to enhance its regional and global power.

India also boycotted the forum because of what it called "sovereignty issues."

These relate to the Chinese decision to label the \$50 billion Xinjiang to Gwadar port project which passes through parts of Pakistani-occupied Kashmir, which India claims, as the China Pakistan Economic Corridor (CPEC). The Indian snub came after considerable efforts by the Chinese to secure its attendance, issuing assurances that it would abide by international rulings on the Kashmir question.

Indian external affairs spokesman Gopal Baglay said the CPEC was being promoted as a flagship initiative of the One Belt One Road and "no country can accept a project that ignores its core concerns on sovereignty and territorial integrity." Behind the official reason there are concerns that Chinese investment will strengthen Pakistan economically.

The heads of states attending the meeting came from less developed countries with the major powers sending lesser representatives, reflecting both concerns about whether the project will actually materialise, while seeking at the same time to place themselves in the best position to exploit economic advantages that do arise.

Germany, which is regarded as a key player in the initiative because of its position as the major European economy at the head of the new Silk Road, sent the economics and energy minister Brigitte Zypries. She was accompanied by a significant representation of German big business.

But she expressed reservations about the project, saying at the outset that Germany would not sign a joint statement unless certain guarantees demanded by the European Union on free trade and the establishment of a “level playing field” were met.

“Germany does want to take part, but tenders need to be open to everyone; only then will German companies take part,” she said. “It must also be clear what is actually going to be built. At this point, it’s not clear.”

She also noted that Chinese restrictions on allowing foreign companies to buy assets were also a problem. “We want German companies to be able to operate in China in the same way Chinese companies can in Germany.” But at this point there was no clear timetable for dismantling restrictions.

In the event, Germany, along with other European powers, including Britain, did not sign a communiqué on trade because of concerns over transparency over procurement as well as social and environmental standards. There are also concerns among European officials about the growth of Chinese influence in central and eastern Europe.

While it joined other European countries in expressing reservations on how it would operate, Britain expressed its overall support for the project. Its delegation was headed by the chancellor of the exchequer in the May government, Philip Hammond, who was accompanied by representatives of UK banking and financial firms.

In March 2015, the Tory government of David Cameron defied pressure from the US and its own security agencies and decided to join the Chinese-sponsored Asia Infrastructure Investment Bank, a decision that reflected the interests of the City of London in exploiting the opportunities, which could open up.

And those interests were very much on display again at the BRI forum. Sherry Madera, the City of London’s special adviser for Asia, said London could play a key role in financing the initiative.

She said that while the UK was talking about Brexit, Asia was talking about business.

“We’ve always been a global financial centre. Banks and investors from the US, Middle East and Asia are all within easy walking distance, and that is the ecosystem that is London. That’s what makes it by far the most important global financial centre, far and away beyond the likes of Hong Kong or New York.”

Initially the United States had decided to send only a minor official to the forum but given the size of the gathering and the fact that countries throughout South East Asia were taking part, it decided to upgrade its representation, sending Matt Pottinger, the senior director for East Asia on the National Security Council.

Powerful sections of the US political establishment regard China and its economic initiatives as the single most important threat to the global position of the United States.

These views were reflected in an opinion piece published on *Fox News* by John Moody in the forum headlined “China’s silky threat to American leadership.”

It said while the Sunday talk shows were obsessing about Trump and sacked FBI head James Comey, China was hosting a top-level gathering “which will kick off the biggest challenge ever to America’s place in the world economy.” The initiative was a “brazen attempt to seize worldwide economic leadership from the United States” binding emerging trading partners to Beijing “by offering them access to China’s vast consumer market.”

Apart from the potential for international conflicts set off by the project, the Xi regime confronts problems in the Chinese economy itself.

The project is widely regarded in ruling circles not only as a means of expanding China’s global position but also as providing an outlet for excess industrial capacity.

But how willing Chinese firms and banking institutions are to invest in projects that may not earn them a sufficient return, and from which they could even incur losses, is another question.

On the eve of the forum, the *Financial Times* reported that investment in BRI projects declined last year “raising doubts about whether commercial enterprises are committed to a strategy for a new Silk Road defined as much by geopolitics as by profit-seeking.”

According to the report, foreign direct investment from China to countries identified as being part of the BRI declined by 2 percent in 2016, falling an additional 18 percent so far this year. It cited bankers and representatives of state-owned enterprises who complained that the government was pressuring them to undertake BRI projects that were not profitable.

This development points to a conflict between the motivations of the regime to advance the project in the interests of its domestic and international political concerns and the logic of the market, which pushes investment towards the more developed economies.

There is no question that the unification of the Eurasian landmass through the most modern transportation systems could provide significant economic advancement.

But in a global socio-economic order dominated by the striving for private profit, together with the divergent aims of capitalist nation-states and imperialist great powers, the project has already become a mare’s nest of conflicting interests.



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