

本資料は、第2回研究会(2016年5月19日)において、伊藤亜聖講師(東京大学社会科学研究所)が使用したものである。

May 19th, 2016
At JETRO, Tokyo

Comments on China's "One Belt, One Road" Strategy: A Making of State-led China-Emerging-Economies Nexus?

Asei ITO

asei@iss.u-tokyo

(Institute of Social Science, University of Tokyo)

1. Three directions of economic policy in China

- Slowdown in growth rate caused by
 - diminishing return to capital investment
 - the end of demographic dividend
 - structural problem (SOEs sector, overcapacity, etc)
 - decline in global demand
- Facing 'Middle-income Trap' and solutions
 - innovation and upgrading
 - structural reform (SOEs reform)
 - market discovery

Three policy directions

1) Innovation and Upgrading

Made in China 2025 program

targeting strategic industries

Mid-term Science and Technology Plan

Free Trade Pilot Zones (FTPZs)

2) Reform and Adjustment

“Supply side reform”

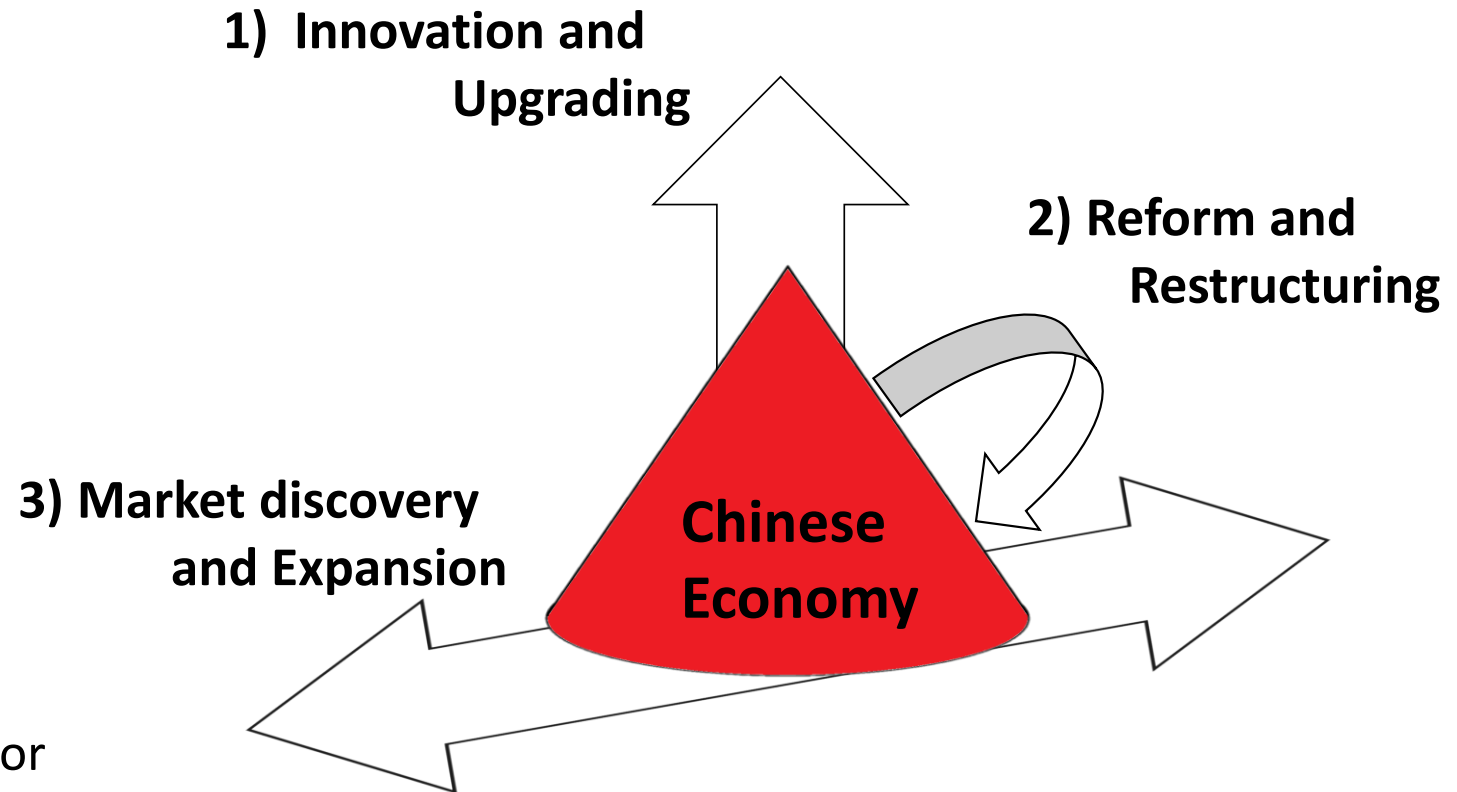
eliminating overcapacity, privatization

3) Market discovery and expansion

One Belt One Road strategy (OBOR)

building China-Emerging economy corridor

exporting machinery and infrastructure



We believe that OBOR has different mission compare to the FTPZs

2. Timeline and Background of “One Belt One Road”

Silk Road Belt initiative, proposed at the Nazarbayev University, Astana, Kazakhstan

“To forge closer economic ties, deepen cooperation and expand development space in the Eurasian region, we should take an innovative approach and jointly build an economic belt along the Silk road.”

Xi Jinping



Source:

http://news.xinhuanet.com/english/photo/2013-09/08/c_132701546.htm

Timeline of OBOR initiative

2013	Sep 7 th	<u>President Xi Jinping proposed the Silk Road Economic Belt at Nazarbayev University in Kazakhstan, covering policy consultation, railway construction, facilitation of trade, monetary circulation, and cultural exchange.</u>
	Oct 3 rd	President Xi Jinping proposed the 21 st Century Maritime Silk Road in a speech at the Indonesian parliament, mentioning establishment of Asia Infrastructure Investment Bank (AIIB).
2014	June 5 th	President Xi Jinping proposed “One Belt, One Road” in a speech at the opening ceremony of the Sixth Ministerial Conference of the China-Arab States Cooperation Forum, mentioning non-interference in internal affairs, cooperation in energy sector, infrastructure development, facilitation of trade and investment, and cooperation in high-tech sector.
	Dec 29 th	The Silk Road Fund has been officially founded with 40 bn USD, jointly financed by the State Administration of Foreign Exchange (65%), Export Import Bank of China (15%), China Investment Corporation (15%), and China Development Bank (5%).
2015	Feb 1 st	Chinese government set up “OBOR construction working committee”. Vice Premier Zhang Gaoli is in charge of the chairman of the committee.
	March 28 th	<u>Official guideline of OBOR entitled “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road” has been jointly released by the National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce</u>
	April 2 nd	President Xi Jinping signed agreement with Pakistan to invest 46 bn USD on the building of China-Pakistan Economic Corridor.
	June 29 th	AIIB has been officially founded by 50 founding members.

Related Speeches by Xi Jinping

“The “One Belt and One Road” represents paths towards mutual benefit which will bring about closer economic integration among the countries involved, promote development of their infrastructure and institutional innovation, create new economic and employment areas”

“To promote the Silk Road spirit, we need to respect each other’s choice of development path, “People don’t need to wear the same shoes; they should find what suit their feet. Governments don’t have to adopt the same model of governance; that should find what benefits their people””

(here, citing Wei Yuan’s (魏源) work)

“we cannot demand that countries with diverse cultural traditions, historical experiences, and contemporary national conditions should adopt the same development mode”

Source: Xi Jinping’s speech at of the Sixth Ministerial Conference of the China-Arab States Cooperation Forum, 5th June, 2014.

Unofficial Roadmap by Xinhua News



Source: Xinhua News article “開啓新航程 共築絲路”
<http://www.xinhuanet.com/fortune/cjzthgjj/104.htm> (accessed in 3rd June 2015)

Official Guideline

“Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road” (March 2015)

- Basically guideline follows Xi’s past speeches
 - Connectivity, Infrastructure, trade and investment, and cultural change
- Utilizing a variety of existing organizations, dialogues, and Expos
 - Shanghai Cooperation Organization (SCO), ASEAN Plus China, APEC, Asia-Europe Meeting (ASEM), Asia Cooperation Dialogue (ACD), Conference on Interaction and Confidence-Building Measures in Asia (CICA), China-Arab States Cooperation Forum (CASCF), China-Gulf Cooperation Council Strategic Dialogue, Greater Mekong Sub-region (GMS) Economic Cooperation, and Central Asia Regional Economic Cooperation (CAREC)
 - Boao Forum for Asia, China-ASEAN Expo, China-Eurasia Expo, Euro-Asia Economic Forum, China International Fair for Investment and Trade, China-South Asia Expo, China-Arab States Expo, and etc.

Economic background of OBOR initiative

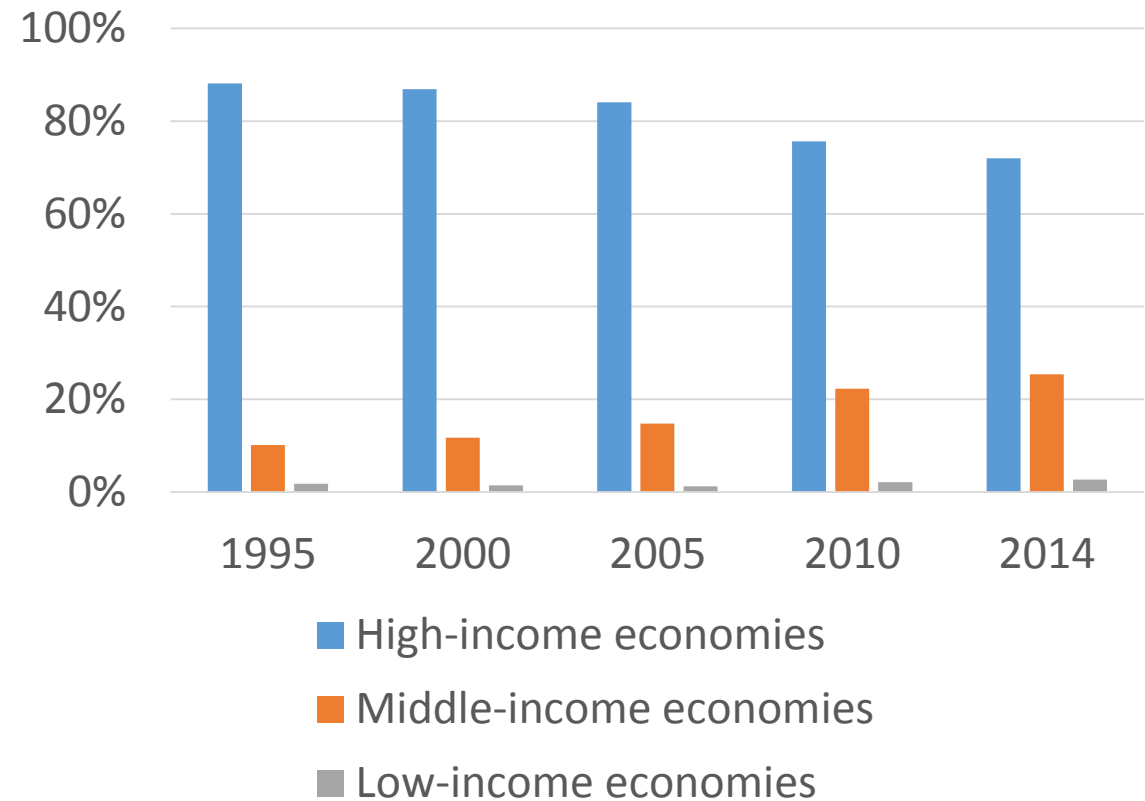
- 1) “Two surpluses” problem
 - overcapacity in steel production
 - huge amount of foreign currency reserve
- 2) Domestic regional inequality
 - coastal vs interior
- 3) Demand decline in developed economies
 - global financial crisis and Euro crisis

(Political background: USA’s pivot to Asia, China’s South-South cooperation, and China’s neighborhood diplomacy)

Growing emerging market

- High-income economy dominated approximately 90% of Chinese export in 1990s
- Since the late 2000s, high-income economies grown slower
- By 2014, the share of middle-income economies increased rapidly, reached 25% of China's total export

Figure 1. China's Export Destination by Income Level



Note: Income grouping is based on the World Bank's definition.

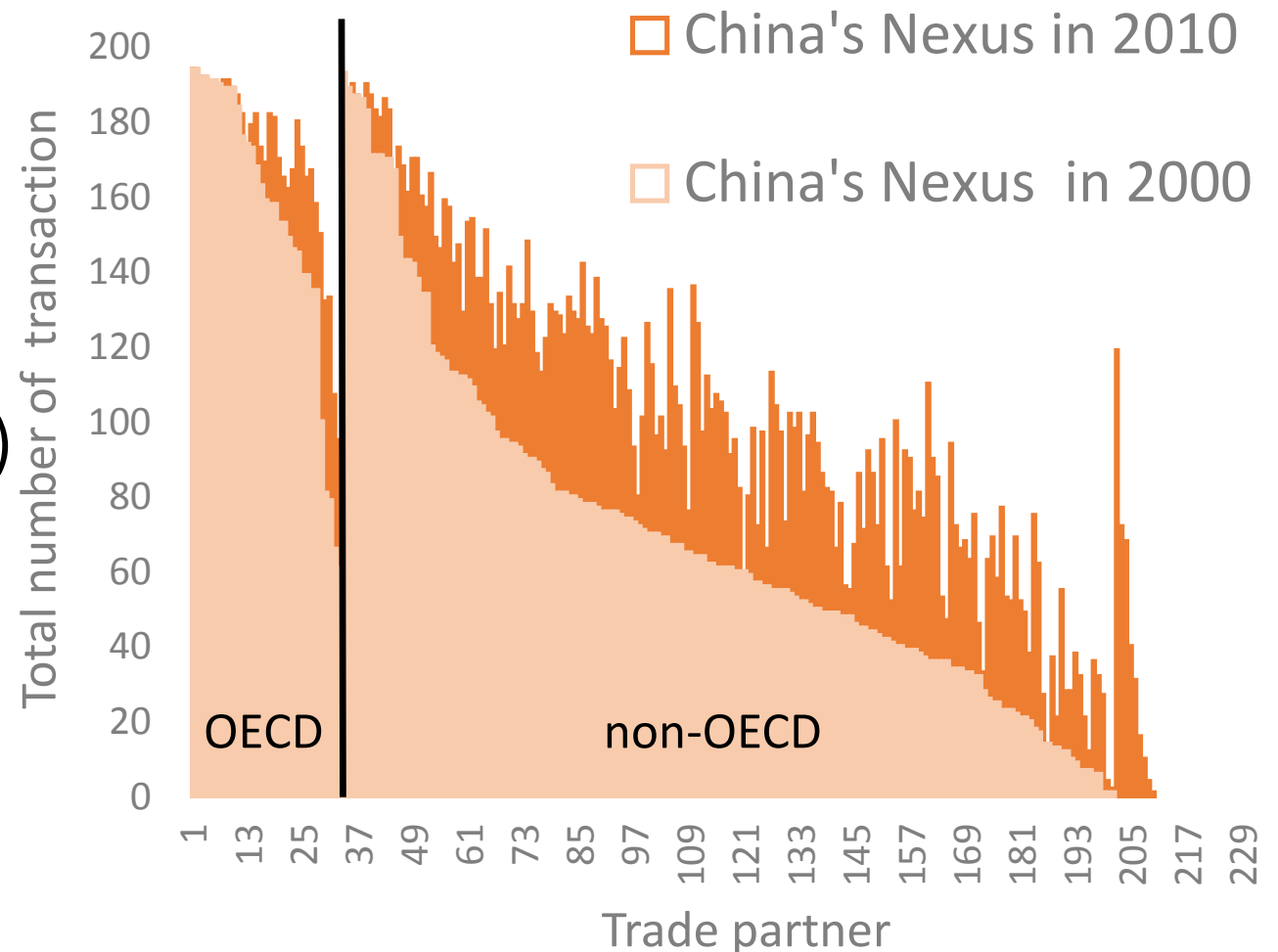
Source: UNCTAD trade database.

China's wide trade network with non-OECD

- Summing up the number of Chinese trade network
H-axis: nations
V-axis: number of products
which exceeds 1 USD in export
and import (separately aggregated)
- During the 2000s, China-OECD trade network shows little development in terms of trade network
- By contrast, drastic change has been observed in China-non-OECD trade

We call it as deepening of “China-
Emerging Economies Nexus”

Figure 2. Number of China's Trade Network

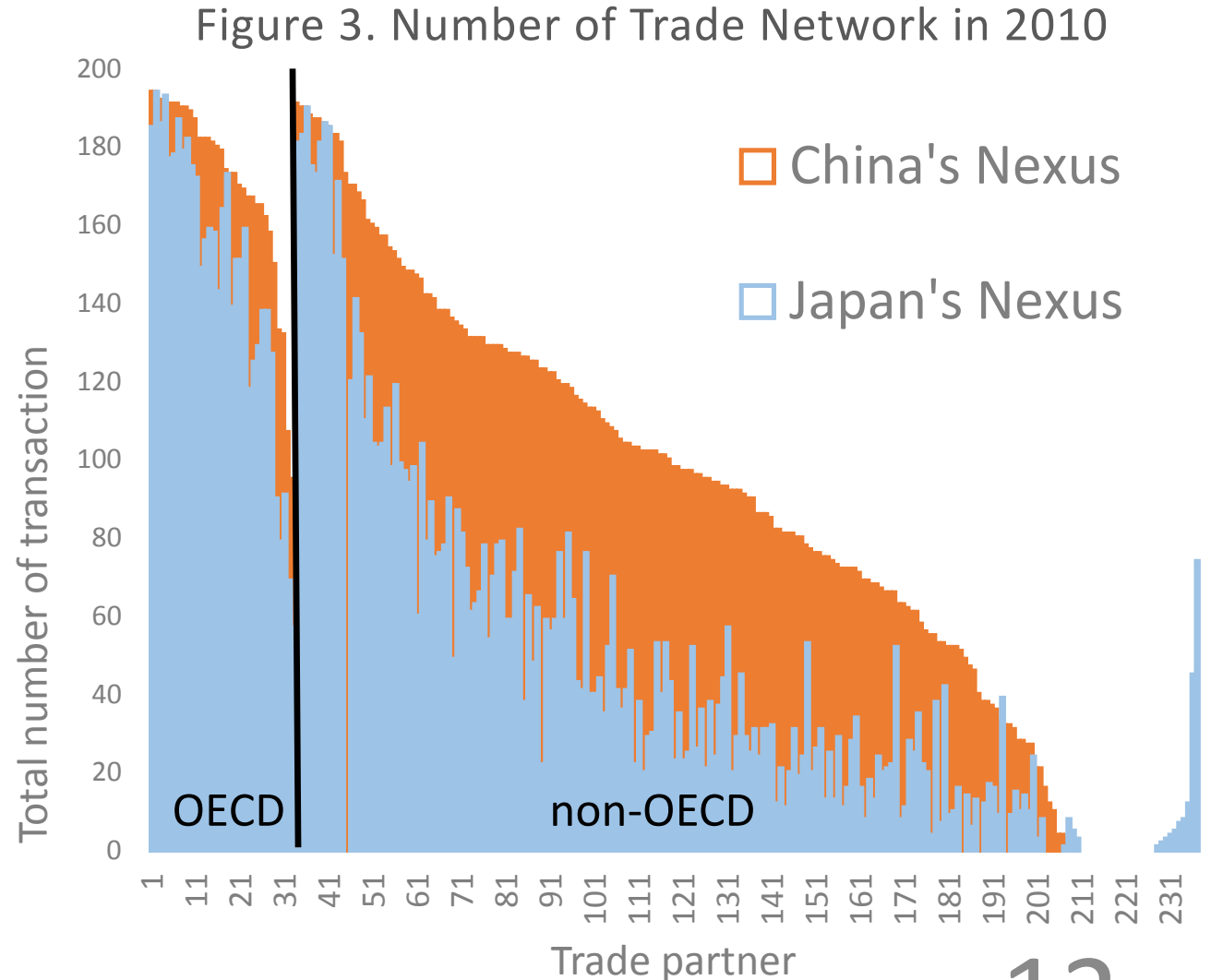


Note: Calculation is based on HS code in two digit-level

Source: UN Comtrade database.

Comparing China and Japan (1)

- Comparing China and Japan in 2010
- Gap caused by the trade with OECD is limited, while the gap in non-OECD nations is much larger
- Remind that GDP of China and Japan was almost same in 2010



Comparing China and Japan (2)

Table 1. Top 10 countries which Chinese network exceeds that of Japan (2010)		
Country	Gap in trade network (China minus Japan)	Gap in trade amount (China minus Japan, Billion USD)
Dem. People's Rep. of Korea	173	3.47
Kyrgyzstan	101	4.16
Uzbekistan	88	2.23
Kazakhstan	87	19.61
Belarus	87	1.21
Albania	82	0.34
Zimbabwe	81	0.48
Yemen	77	3.28
Madagascar	75	0.47
Guinea	75	0.46

Source: UN Comtrade database.

Some Critical comments on the OBOR

- “High risk, low return” project?
“Great Leap Outward”
“International version of the Great Western Development”?
- OBOR may postpone problems?
postpone overcapacity problem
low productivity firms

Table 2. China's Steel Export Amount (1995-2015, 10 thousand ton)

	2000	2005	2010	2015	2015/2005
World	1476	2762	3624	10037	3.6
Korea South	399	764	858	1309	1.7
Vietnam	56	174	243	984	5.7
Philippines	9	54	99	524	9.7
Indonesia	42	126	74	461	3.7
India	1	51	288	434	8.6
Thailand	72	253	121	428	1.7
Malaysia	21	91	75	307	3.4
Singapore	12	63	78	292	4.7
Turkey	17	9	34	273	31.4
Italy	40	61	124	261	4.3
Taiwan	232	271	121	241	0.9
Hong Kong	145	152	81	240	1.6
Pakistan	12	8	38	233	29.6

Source: Global Trade Atlas.

OBOR may contribute to reduce trade costs for third nations such as Japan and Korea



Source: Presentation material entitled "Kazakhstan on the way to developing Eurasian transport and logistic hub: Creating new trade logistic solutions," obtained at the Kazakhstan Railways, Astana, Kazakhstan.