Asian regional integration and the One Belt One Road Initiative: China and its neighboring economies from the perspective of the global economy

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In today’s report, I will speak about not regarding the growth of China as the growth of just a country, but about regarding China as an East Asian emerging economy in the global economy, and about how China’s One Belt One Road Initiative is viewed from that perspective and what issues it entails.

I will present my arguments with a focus on three main points. Firstly, I will think about Asian regional integration in the global economy and the mechanisms of its growth in reference to China. Next, I will consider the concepts behind the One Belt One Road Initiative and its relationship with the related countries. Lastly, I will think about the issues facing neighboring countries. This last part appears to lack freshness, but please allow me to mention it.

The growth and regional integration of the East Asian economic bloc

First of all, I want to think about the positions of East Asia and China in the global economy using data compiled by the International Monetary Fund (IMF). Assuming that the global economy consists of three economic blocs—the United States, Europe (the European Union) and East Asia—for convenience’ sake, and that East Asia and Europe are expressed in indexes according to the US GDP (100), you will notice a dramatic change from the 1980s to today. Assuming that East Asia is comprised of Japan, Newly Industrializing Economies (NIES: South Korea, Taiwan, Hong Kong and Singapore), the Association of South-East Asian Nations (ASEAN) and China, East Asia’s total GDP before the Asian currency crisis of 1995 amounted to 101 for some time. However, it subsequently shrunk rapidly because of the Asian currency crisis. East Asia’s total GDP then rebounded immediately and rose to 101 again in 2010, exceeding that of the United States, and hit 119 in 2012, exceeding that of the EU with

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1 This paper is based on a lecture at the Gosankai of the Kazankai Foundation held on April 18, 2018. In the lecture, I used many charts and figures, but I basically revised it into a descriptive form due to the volume of the charts and figures. I sincerely hope that you will refer to the materials specified at the end of this paper for the details.
This is because the economic scale of the EU was reduced significantly due to the European debt crisis. East Asia subsequently widened its gaps with the United States and the EU, and it is now the world’s largest economic bloc.

A similar structural change is evident within East Asia as well. China’s scale hit 40 in 2010, exceeding Japan with 37. Considering that China’s scale was 12 and Japan’s was 46 in 2000, this change in position between the two countries is dramatic. In addition, China’s scale should now be 60; that is, well beyond the 60% of the United States. Huge structural changes are arising both across the globe and in East Asia, and these changes are created mainly by China. In this connection, although NIES and ASEAN are below China’s growth, they are above that of Japan. In East Asia, a structure in which only Japan has lost importance relatively speaking has been constructed.

Next, I will consider the mechanisms of the development of East Asia, which has become the world’s largest economic bloc. In the process of East Asia’s development, I note the growth of NIES, which began to attract attention in the 1970s. This growth was based on the model of importing capital goods, intermediate goods and parts and components from Japan and exporting products to the United States. This model was called “the Triangle of Growth.” After the 1970s, this structure steadily became more advanced until the twenty-first century. The White Paper on International Economy and Trade from the Ministry of Economy, Trade and Industry published a conceptual diagram of the structure becoming more advanced. This diagram illustrated a structure in which NIES rose to the position of Japan and exported capital goods and intermediate goods together with Japan to ASEAN and China, which, in turn, entered the previous slot of NIES, and the products made there are exported to the US and European markets. A huge change was the emergence of markets in East Asia. The structure based on the Triangle of Growth made East Asia into markets. In this way, East Asia, and especially China, became a market from the world’s factory. This is what the East Asia where we live today is.

This growth of East Asia also has another feature. The White Paper on International Economy and Trade 2014 illustrated the structural change from the 1990s to recent years in intraregional trades within East Asia, the North American Free Trade Agreement (NAFTA) and the EU by parts and components, processed goods, capital goods, consumer goods and raw materials. The illustration showed the major differences of East Asia compared with the EU and North America. In intraregional trade, the EU and North America showed higher rates of consumer goods and lower rates of parts and components, whereas East Asia showed higher rates of parts and components, with intermediate goods combining parts and components and processed goods making up 60 to 70 percent. East Asia grew on the basis of deepened international divisions of labor.
Noticeably, this economic integration of East Asia is becoming increasingly dependent on China. If you look at the changes in Japanese, Chinese and US shares in the total sum of East Asian trade from 1993 to 2012, you will notice a decrease from 50% to 33% for the United States and a decrease from 28% to 23% for Japan, but doubling from 22% to 44% for China. East Asia’s largest trading partner has shifted dramatically from the United States to China. Let me take Taiwan as an example of growing dependence on China. The rate of overseas production to Taiwan’s production for exports was about 15% at the beginning of the twenty-first century, but it exceeded 50% in the early 2010s. Taiwan sends parts and components to China and completes them there. This tendency is also true of other countries, and there are almost no exceptions.

East Asia’s growth potential

East Asia’s economic scale is now higher than those of the United States and the EU. Will this growth continue? To confirm this, if you add East Asian countries and India and look at the correlations between the populations of those countries and per capita GDP and the correlations between the economic growth rates in the decades of the early twenty-first century and per capita GDP, you will notice a tendency of lower per capita GDP with countries with a large population in the relationship between population scale and per capita GDP, but higher growth rates. Although there are some exceptions, countries with large populations tended to show lower per capita GDP and higher growth rates. This means that East Asia has a huge amount of room for future growth. Of course, there are resource-related and environmental issues, but if these factors are excluded, Asia has a lot of room for growth. I therefore call these countries with a large population and higher growth rates “Potentially Bigger Market Economies (PoBMEs).” In my opinion, BRICs are a typical example of PoBMEs.

So why did countries with large populations grow? I will now look at the growth of emerging economies in Asia over half a century in the past by region. It was after the late 1970s that NIES attracted attention, but BRICs began to attract attention in the twenty-first century. We had a change in groups that attracted attention in the development of emerging economies. This can be considered to show a structural change. South Korea and Taiwan grew by an export-driven model. The source of the competitive edge of these countries was low wages, and products were exported to developed countries. It was the mechanism of emerging economies’ development at that time. In the 1990s, Chinese coastal areas developed as a result of this mechanism. In recent years, however, companies that advance into Asian PoBMEs have come to consider the future growth potential of investment markets rather than low wages. They intend to manufacture products in China and sell them in China; their purpose is to
enter the Chinese market. Relationships have changed in this way. The industries into which companies make inroads are also changing.

**The development and independence of emerging economies by direct investment**

Now, let me confirm one thing. In his paper in 1997, Peter Drucker, who was said to be the “God of Management,” argued that in economics, capital exports are explained after trade, but that capital exports come first and trade occurs later. In fact, there are many cases in which capital exports come first and trade begins later. If you think hard, you will realize that developing countries and emerging economies after World War II achieved growth by accepting capital and technologies from foreign countries to develop with almost no exceptions. Emerging economies, including NIES and ASEAN countries, developed by accepting foreign companies’ direct investment (FDI) and technologies.

After investigating direct investment targets from the 1980s to today on the basis of data from the United Nations Conference on Trade and Development (UNCTAD), I noticed something interesting. Direct investment recipients were overwhelmingly occupied by developed countries until before the twenty-first century. Developed countries made mutual investments. In 1980, developed countries accounted for 86%, but today they account for around 50%; they accounted for 40% in 2014. That is, 60% of total investments went to emerging economies and transition economies that year. Emerging economies gradually gained larger shares, and the initial main recipients were in Asia. From the 1980s to the 1990s, NIES were the main recipients. Today, however, half of total direct investment goes to emerging economies, mainly in Asia, and investments are conducted for different purposes. The appeal of NIES was its export-driven development and cheap labor force, but companies today advance into PoBMEs, especially BRICs. The purpose of their advance is the growth possibility and potential of the markets. This helps grow the PoBMEs in turn.

I drew up the following matrix chart to make this change a little easier to understand. Generally speaking, economics does not consider space. But it is a matrix of direct investment based on the classification between emerging economies and developed economies according to the locations of production and markets (consumption). The first quadrant is developed countries’ mutual investment type. It is a framework in which companies advance from developed countries to developed countries, both the locations of production and markets are developed countries, and only developed countries develop. But investment in the second quadrant, in which companies advance into emerging economies, also emerges. Direct investment goes to emerging economies. Goods are produced there by using low-paid
workers and are exported to developed countries. Today, however, we see the pattern of direct investment in the third quadrant. Companies produce goods in emerging economies and supply them to local markets. Development by this investment leads to the emergence of the middle-income class, and a lot of attention is paid to the potential markets of countries with a large population. The second quadrant shows a pattern of investment in NIES, and the third quadrant shows a pattern of investment in PoBMEs.

Chart: Changes in FDI models viewed from the growth and development of emerging economies

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<tr>
<th>Locations of primary markets</th>
<th>Developed economies (countries)</th>
<th>NIES-investment-type development (Export-driven)</th>
<th>Developed countries’ mutual investment-type development</th>
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<tr>
<td>Emerging economies (countries)</td>
<td>PoBMEs investment-type development (Potentially Bigger Market Economies-driven)</td>
<td>China and the ASEAN Economic Community (AEC), etc.</td>
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<td>Emerging economies (countries)</td>
<td>Developed economies (countries)</td>
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Source: Created by the author

As this shows, emerging economies grew economically and showed a tendency toward independence. China has shown this tendency clearly since the beginning of the twenty-first century. If you look at the degree of independence on foreign countries from trade rates (exports + imports/GDP) using Chinese data, you will see that the figure rose sharply from 33% in 1992 to 64% in 2006. The figure fell significantly after that, however, marking 36% in 2015. The occupancy rate of foreign companies in the Chinese economy also drew a similar pattern. The share of foreign-affiliated companies in trade increased from 26% in 1992 to 59%
in 2006; it decreased to 36% in 2015. The share of foreign-affiliated companies in domestic industrial production hit 36% in 2003 from 7% in 1992; it began to decrease from there and fell to 26% in 2011. The share of foreign-affiliated companies in investment in fixed capital and assets increased from 7% in 1992 to 17% in 1994; it then began to go downward and marked 1.5% in 2015. After the start of the twenty-first century, the Chinese economy reduced its dependence on foreign countries and also its dependence on foreign-affiliated companies domestically. Although the Chinese economy is dependent on foreign-affiliated companies, the degree of dependence is steadily reducing. It can be said that the Chinese economy is currently in this phase.

The One Belt One Road Initiative between public goods and hegemony

Now, let me move on to another subject. What is the One Belt One Road Initiative? China became the world’s second largest country in terms of GDP in 2010. The growth rate has fallen recently, but the One Belt One Road Initiative is a foreign policy based on China’s economic confidence. In March 2016, Chinese Foreign Minister Wang Yi made the following announcement at a press conference: “More than seventy countries and organizations have announced that they will cooperate in the One Belt One Road Initiative, and there are thirty signatories. The Asian Infrastructure Investment Bank (AIIB) was also established, and China achieved significant results. The One Belt One Road Initiative is an international public good.” In May 2017, the One Belt One Road International Conference was held in Beijing and was attended by participants from more than 100 countries. It is reported that more than 1,200 participants attended the conference. The United Kingdom, France, Germany, Greece, Portugal and Estonia opposed an original joint communiqué prepared by China, but the conference showed China’s might to the whole world.

Xu Hongcai, deputy head of the China Center for International Economic Exchanges (CCIEE), writes that the One Belt One Road Initiative is a global public good, and that it is a concept that will drive the global economy. According to Enda Curran, Stephen L. Jen, a former International Monetary Fund economist, estimates that the One Belt One Road project will be 12 times larger in absolute dollar terms than the Marshall Plan, and more than enlargement of the EU, and that China may spend as much as 9 percent of its gross domestic product. A *Guardian* article says that China’s annual injection of capital into the project will add up to 150 billion dollars. McKinsey & Company also reports that the One Belt One Road Initiative has so much potential that the US Marshall Plan compares enormously unfavorably with it. This is how the One Belt One Road Initiative is observed. In Japan, Professor Kawai Masahiro gave a speech at the Foreign Correspondents’ Club of Japan (FCCJ) last September
and said that if infrastructures such as expressways, railroads, sea ports and ICT are opened
to the public, the BRI (the One Belt One Road project) will become an international public
good.

In this connection, China denies comparison with the Marshall Plan. The reason for this
seems to be that the Marshall Plan was drawn up within the structure of the Cold War. But
the One Belt One Road Initiative is a project that will produce considerably significant
economic effects.

Because of the time limitations, let me provide you with a brief explanation. Certainly, the
One Belt One Road project is being promoted at the initiative of China. But it is officially in a
framework of international development cooperation. Considering the future situation of the
project, I think that this point is very important. China is also pushing for “international
cooperation in production capability” with the aim of cooperating with companies in
developed countries. In addition, the project is aimed at concluding free trade agreements
(FTA). If this is meant literally, it will be great.

I think that you are already familiar with the Asian Infrastructure Investment Bank (AIIB)
as an international financial institution, but the New Development Bank (NDB) (also known
as the BRICS Development Bank) was also established. Eighty countries participated in the
AIIB, surpassing the Asian Development Bank (ADB) with sixty-seven participating countries.
The AIIB is not a bank solely for China. In addition, half of the AIIB’s first loan projects are in
cooperation with the European Bank for Reconstruction and Development (EBRD), the World
Bank and the ADB, and they are in a framework of international cooperation.

What is the One Belt One Road Initiative really? It is assessed in many ways, but I think
that it is a project that has resulted from a combination of five factors. The first factor is
President Xi Jinping’s confidence and ambition. Secondly, China became an economic power
and had foreign exchange reserves of nearly 4 trillion dollars at that time. The third factor is
resource security to maintain China’s growth. The fourth factor is measures for resolving low
economic growth, which was called a “new normal” in China, and excessive production. The
fifth factor is measures for the Trans-Pacific Partnership (TPP), regarding which twelve
countries were negotiating at the time. Domestically, the project was meant for measures for
addressing the minority race issue. I think that the project resulted from a combination of
these factors. But I think that Chinese wisdom and greatness can be observed in their
establishing the project under one concept.

Let me speak about two focal points. The first point is measures for the TPP. The TPP was
initially an economic integration among small countries called P4, but after US President
Barack Obama decided to join the negotiating countries in 2009, the TPP began to attract
attention. In 2012, Mexico and Canada participated in the negotiations, followed by Japan,
which totaled up to twelve negotiating countries. At that precise moment, the Xi Jinping administration was established. Xi was selected as the General Secretary of the Central Committee of the Communist Party of China in November 2012 and assumed the presidency in March 2013. That is, he first had to have a serious sense of crisis toward the progress of the TPP negotiations at the same time as the inauguration of his administration. At that time, the Abe administration was established in Japan and Abe participated in the negotiations, scrapping his campaign pledge. I think that this temporary match in timing was unable to be ignored.

In an important comment published after he assumed the post of the General Secretary of the Chinese Communist Party, Xi referred to “the great dream of the Chinese people.” This is how the One Belt One Road project was born. In 2015, the vision and action of the One Belt One Road Initiative were announced through joint signing with the National Development and Reform Commission (NDRC), the Ministry of Foreign Affairs and the Ministry of Commerce, and in March 2016, the project laid out the most important foreign policy in the outline of the 13th Five-Year Plan. Xi emphasized “a strong country” at the session of the National Congress of the Communist Party of China last October and removed presidential term limits from the constitution in March of this year. These developments led me to believe that the One Belt One Road Initiative is a representation of President Xi’s confidence and ambition and countermeasures against the TPP.

I will now move on to resource security. China is increasing its resource consumption exponentially, along with its growth. For example, China’s share of global consumption in 2014 was 57% for iron ore, 56% for copper, 50% for coal and 12% for oil. Consumption has increased rapidly since the start of the twenty-first century. Resource imports are essential. After calculating exporters’ dependence on China, I discovered that since the start of the twenty-first century, small neighboring countries, such as North Korea, Mongolia and Laos, Central Asian countries, including Turkmenistan and Uzbekistan, which used to be part of the former Soviet Union, and African and Middle East countries had rapidly become more dependent on China. The rate of Mongolia’s dependence on China more than doubled from 40% in 2000 to 89% in 2014. Turkmenistan’s dependence on China showed a dramatic increase from 1% to 70% due to the completion of gas pipelines. African countries also became dramatically increasingly dependent on China. Sierra Leone and Congo’s dependence on China increased from 0% to 80% and from 6% to 52%, respectively. Oman’s dependence on China was 45% in 2014.

Of course, the main items exported by these developing countries are primary products and resources. In these areas, China builds ports and harbors, constructs pipelines and
sometimes leases land to establish military bases. This suggests that the One Belt One Road Initiative is much like a resource security policy.

**Countries in the project areas and the One Belt One Road Initiative**

What do the related countries and organizations think of the One Belt One Road Initiative? I think that ASEAN, on the whole, takes a favorable stance on the project, at least officially. From the initial stage, all ASEAN members had agreed to participate in the establishment of the AIIB with China. Because ASEAN countries lagged behind in terms of developing infrastructures, they expected China to provide funds.

Eurasia also has expectations. Eurasian countries are independent states that were born as a result of the collapse of the former Soviet Union. It was China that took the first actions in this area in the form of establishing the Shanghai Five. In 1996, China took the initiative in the attempt, and Russia also joined in. It was reorganized into the Shanghai Cooperation Organization (SCO) in 2001. Russia was unhappy about this, however. As a result, President Putin proposed the Eurasian Economic Union (EEU) in 2011. An agreement on establishing the EEU within three years was reached, and the EEU was born in January 2015. Since the start of the twenty-first century, China has also begun to set its mind to the Eurasian Land Bridge project, which led to the Silk Road Economic Belt.

In the One Belt One Road Initiative, I think that 2015 was the most important year. In that year, the Summit was held in Ufa, Russia, and on that occasion, the 7th BRICS Summit, the 15th SCO Summit and the meeting of the Supreme Eurasian Economic Council were held at the same time. All the top leaders of Eurasia, excluding those of developed countries, and the leaders of BRICs got together in Ufa. The Indian prime minister also participated. At the meeting, they agreed to start the procedures for enabling India and Pakistan to gain membership to the SCO. Both countries became official members in 2017. At the summit in Ufa, Russia, Mongolia and China also held a trilateral summit, and each of them agreed to cooperate in infrastructure-building projects.

The relationship between China and India is delicate. China places importance on its relationship with Pakistan and implements the China-Pakistan Economic Corridor project as a flagship project. This is a project of building a port in Gwadar, Pakistan and connecting it to Kashgar, China by expressways and so on. After the start of the twenty-first century, India carried out the International North-South Transport Corridor (NSTC) project, an infrastructure construction project connecting Russia with Azerbaijan through the Iranian port of Chabahar. But India implemented the NSTC on a full-scale basis in response to the situation where China deepened its relationships with Pakistan and Myanmar, such as
besieging India, and increased military presence in the Indian Ocean. In addition, an international treaty on constructing the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC), with the participation of China, was concluded in December 2013. India also has plans for the India-Myanmar-Thailand Trilateral Transport Linkage Project (Trilateral Highway Project), which connects to ASEAN. In competition with China, India has embarked on building infrastructures connecting the ASEAN region, the Middle East and Central Asia, which are located on the eastern and western sides of India, to Europe.

Regarding China’s relationship with the EU, the EU did not have a common policy on China until 2015. But China has regularly held summits of the heads of governments of China and the countries of Central and Eastern Europe (CEE16+1) since 2012. At the summit in 2014, these countries agreed to strengthen the collaboration among them, particularly in building infrastructures. In this situation, the EU confirmed its comprehensive strategic collaboration with China at the 17th EU-China Summit, which was held in Brussels in June 2015 in commemoration of the 40th anniversary of the establishment of diplomatic relations between them, and recognized their flagship initiatives (the Investment Plan for Europe and the One Belt One Road Initiative). In fact, eleven of the sixteen countries were EU members and the EU was obliged to handle the situation.

It is widely known that Greece, which had fallen into a financial crisis, was forced to privatize state-owned businesses in response to requests from the IMF and Germany, and that Chinese state-owned companies acquired the rights to manage the Greek port of Piraeus by taking advantage of this opportunity. In 2014, the United Kingdom opened an offshore market for Chinese yuan in London. With the Chinese influence on Europe increasing, the EU, which faced a financial crisis and the danger of terrorism, saw common interests in development cooperation projects with China.

African countries’ trades with China increased rapidly in the 1990s, and the ministers of fifty-one African countries and China have held the Forum on China-Africa Cooperation (FOCAC) every three years since 2000. The summit is also held at one of these three meetings. In 2015, the summit and the 6th ministerial meeting were held and the Johannesburg Declaration was announced. They agreed on China’s Silk Road project. Accordingly, the governments of the countries in the areas covered by the One Belt One Road Initiative have voiced strong support for the project.

**Problems of the One Belt One Road Initiative**

Of course, the One Belt One Road Initiative faces a great deal of criticism and contains defects. Numerous problems have been pointed out, including stringent loan requirements, military
maritime advances, environmental destruction and problems with the local people in the project areas. This is the dark side of the One Belt One Road Initiative. People are concerned about the 43-year lease of the Pakistani port of Gwadar, the acquisition of the rights to manage the Greek port of Piraeus and the establishment of military bases in the Middle East and Djibouti. According to a Voice of America news report, hydroelectric generation projects on Chinese loans in Pakistan, Nepal and Myanmar were cancelled one after another in November 2017. The loan requirements appeared to be too stringent. In its relationships with Pakistan, with which China appears to be getting along, China does not necessarily have good things. Recently, *Nikkei Asian Review* and *The Banker* reported a joint examination of the One Belt One Road Initiative. According to this report, the railroad project in Indonesia is far behind schedule and similar things are occurring in Sri Lanka, Kazakhstan and Bangladesh as well. There are concerns about repayments in Pakistan, Sri Lanka, the Maldives and Laos, and the port of Hambantota in Sri Lanka is 99-year-lease territory.

**The One Belt One Road Initiative to Japan and China**

Japan’s stance shifted from criticism to conditional cooperation. Previously, Prime Minister Abe called the AIIB “a bad loan shark” and recently, Minister of Finance Aso referred to it as “consumer credit business.” Of major developed countries, only Japan and the United States are non-participants in the AIIB. Countering China, Japan has strengthened its “high-quality infrastructure investment” policy, especially in countries in the areas covered by the One Belt One Road Initiative, and has also applied Official Development Assistance (ODA) to those areas. But Nikai Toshihiro, Secretary-General of the Liberal Democratic Party, attended the One Belt One Road International Conference, which was held in Beijing in May last year. At the 23rd International Conference on the Future of Asia, which was organized by Nikkei Inc. in June 2017, Prime Minister Abe stated that he would cooperate with the One Belt One Road Initiative. Japan does not participate in the AIIB, but it will cooperate with China on individual projects.

Prime Minister Abe internationally announced the “Free and Open Indo-Pacific Strategy” at the sixth Tokyo International Conference on African Development (TICAD VI), which was held in August 2016. After his meeting with Abe, US President Donald Trump referred to the “Indo-Pacific Strategy” at an APEC-related meeting in November 2017. Prime Minster Abe also communicated this strategy to Indian Prime Minster Narendra Modi and Australian Prime Minister Malcolm Turnbull, and according to a newspaper report, Japan, the United States, Australia and India discussed a joint infrastructure project in February this year. This move is intended to put pressure on China. Japan’s move shows its rivalry with China.
Considering the growth of Asia spatially, the initial Japan-NIES-US triangle structure transformed into a more advanced triangle structure of “Japan and NIES”-“ASEAN and China”-“US and Europe.” The point is that the Asia-Pacific economic bloc developed previously. Today, however, Russia has stopped growing due to political issues, including the Ukrainian issue. With China and India developing and the ASEAN Economic Community (AEC) being established, along with the announcement of China’s One Belt One Road Initiative, it can be said that the Indo-Pacific economic bloc and the Eurasian economic bloc are being born within rivalries. I think that we are now in the phase where the frontier of growth is moving westward.

According to a recent newspaper report, Toyota Motor Corporation is trying to develop a business in the Indian market in partnership with Suzuki Motor Corporation. The Indian economic growth rate exceeded that of China last year, and Japanese companies appear to be going in that direction. An overview of the international landscape shows this structure.

The One Belt One Road Initiative and neighboring countries

In its relationships with neighboring countries, China has territorial issues especially with the Philippines and Vietnam in the South China Sea. But China built artificial islands and deployed military bases. In the Philippines, the territorial issue became ambiguous due to the establishment of the presidency of Rodrigo Duterte, but in neighboring countries, including Vietnam, China’s assertive claims and actions caused serious problems. ASEAN has expressed “serious concerns” over the South China Sea issue at the summit since 2014. But the term “concern” was removed from the statement at the summit in November last year. This is not because the issue was resolved, but because some countries became dependent on China in the face of its strong economic might.

In November 2016, the 14th Dalai Lama, the spiritual leader of Tibetan Buddhism, visited Mongolia. About one week after Mongolia accepted him, however, the Chinese government halted the intergovernmental exchanges and blocked a border. Hundreds of trucks became stranded near the blocked border in the depth of winter for hours, and possibly for days. In the end, the Mongolian foreign minister announced a policy prohibiting the Dalai Lama from entering the country from then on. Reportedly, the Chinese Ministry of Foreign Affairs stated that the Tibetan issue was a critical issue for China and “hoped that Mongolia would draw lessons” from the Chinese measure. Laos, Cambodia, the Philippines and Vietnam, as well as Mongolia, are in similar positions.

Regarding Taiwan, China claims that Taiwan is part of it and that it is a matter of “core interests.” Taiwan is qualitatively different from other neighboring countries. Taiwan is also
inside of China’s first island chain in terms of military strategy, and strong tensions run constantly between the two sides. Economically speaking, however, half of Taiwan’s production for exports is produced in China, and Taiwan is becoming increasingly dependent on China. Taiwan is on the horns of an extremely serious dilemma between political independence and economic dependence.

Lastly, I will summarize my discussion points. China’s becoming a great power is realized within the development mechanisms of emerging economies, rather than solely through its own development. Now China provides markets. The One Belt One Road Initiative was set forth as the top foreign policy of President Xi Jinping. China claims that the One Belt One Road Initiative is “an international public good,” and the international community also considers that the project has a lot of potential. China appears to be riding on the momentum of the times. This may be said to be the geographical shift of frontiers from the Asia Pacific era led by the United States and Japan to the Indo-Pacific and Eurasian era led by China. Japanese and Indian policies for countering China should also foster infrastructure investment in this region.

But there are also issues involved in this structural change. President Xi Jinping removed the term limit on his presidency. This means that he places the legitimacy of his governance on “the great revival of the Chinese people” and regards the One Belt One Road Initiative as a foreign policy for achieving this. For this reason, the One Belt One Road project can be expected to last for the next five years, for the next decade and beyond. There is a possibility that the related countries and neighboring countries will be increasingly on the horns of a dilemma between economic and political independence. There is also a possibility that China will have deepened conflicts with the United States, a hegemon, and Japan, strengthening an alliance with the United States. Accordingly, the One Belt One Road Initiative is put in between Chinese hegemony and the international public good. The international community as well as China is required to make efforts to make it into a new development policy for genuinely mutually beneficial relationships. I think that we live in an era in which such efforts matter.

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