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The Belt and Road Initiative – a Way Forward to China’s Expansion

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Abstract

A new stage of the global development is envisioned by the initiative known as the “new Silk Road” – the Belt and Road Initiative. Enhanced economic relations between China and the rest of Asia, as well as Africa and Europe, are to be attained, with considerable investments into physical infrastructure (i.e. roads, airports, maritime and energy infrastructure). As a result, China’s economy is expected to accelerate, which is going to influence the economic development of the Western Chinese regions, by counter-balancing the dominance of the Eastern coast and via exporting the excess capacities of Chinese companies. Furthermore, China’s changing geostrategic ambitions are reflected by the initiative, which predicts re-balancing the global power in economic terms.

Keywords: *Silk Road, governmental initiative, Belt and Road Initiative, economic corridor*

1. Introduction

Typically, rich and more developed nations have been the supporters of free trade in recent times. Just like in the colonial period, when the British Empire ruled the seas of the world or when the United States of America was the leading power of the world economy.

By the beginning of the 21st century, power relations have changed significantly as emerging China is gaining an increasing role in global economy (Yeoh, 2016). With 1.3 billion people and the world's largest economy in purchasing power parity terms, yet China does not have a similarly influential political power in international organisations (e.g. World Bank, International Monetary Fund, Asian Development Bank).

On the opening of the 47th World Economic Forum in Davos, January 2017, the Chinese head of state, Xi Jinping, representing the leading power in world export, clearly took sides for advancing globalisation (World Economic Forum, 2017, January 17). “For many, globalisation is Pandora’s box”, he said. In his speech he expressed that it is not the economic globalisation that is responsible for the world’s problems, but the excessive profit-seeking behaviour leading to international financial crises. He openly warned against the expansion of the protectionist approach, emphasizing that in a trade war, nobody would win (Xinhua, 15 May 2017c).

Given its role as a world leader, it is fundamental to China that the global economy is about to function as freely as possible (World Economic Forum, 2017, January 18). Not by chance, as production for global export was the key to its ascension and previous economic development. The expansion of protectionism would break China’s current development course.

The Belt and Road Initiative (Shepard, 2017) can be perceived differently as from different viewpoints. According to a communiqué by the Foreign Ministry of China, the Belt and Road Initiative “helps to

usher in a new era of globalisation that is open, inclusive and beneficial to all” (Reuters, 26 April 2017). However, questions remain if the initiative becomes “a major international public good”, or if it serves China seeking to dominate the world economy.

This study attempts to analyse the initiative of China in the global economy, in order to reflect its driving forces and the underlying risks, as well as its prospective influences on the global economic and political landscape. But before doing so, the authors will first compare the historical Silk Road with the today's one.

2. The Historical Silk Road

The Silk Road was probably the best-known and undoubtedly the longest trade road of human history. It was established during the Han dynasty, somewhere between 2nd century BC and the 2nd century AD. According to Chinese traditions, “the father of the Silk Road” was an envoy named Zhang Qian who left for the West in the 2nd century BC in order to find allies against the nomad Xiongnu (Huns). (The well-known Great Wall could not withhold their incursions). Although the envoy was not able to ratify the military alliance, he brought back new knowledge with him from his journey, from previously unknown areas. The Chinese sent other envoys and they started to build trade relations towards the West. At the beginning of the Common Era, the Chinese traders were delivering large amounts of silk to Western Asia, which became a highly popular product in Europe and in the Roman Empire as well. An established road system connected China to Europe via Central and Western Asia and to Africa via South Asia (Barton, 2015). These main directions characterise the Chinese initiative in the 21st century.

The historical Silk Road was not a road with a definite starting and end point, but more of a system of roads with more important centres

and junctions. The reason behind this is its evolution, since the road was born as a consequence of the slow fusion of older trade ways. The denomination “Silk Road” refers to this, since the expression we use today was used neither in the Antiquity, nor in the Middle Ages.

The expression was coined by the German geographer, Ferdinand von Richthofen in 1877. Then it spread around the world and took roots in many languages, even in Chinese. The Silk Road is actually a denomination of an economic, geographic, historic and cultural complex, where thousands of envoys, soldiers, traders, monks travelled, fought, traded, went on pilgrimages without assessing the scene of their life from an appropriate geographical and historical distance (Lee, 2016).

Thereby they could not recognise in the roads – that for them were connecting only two neighbouring cities – the difficult system which connected Europe (mainly the Mediterranean) to the outermost parts of Asia. Even though it concerned a myriad of regions with completely different cultural background, it formed an immense, cohesive, organic block (Felföldi, 2009: 29-35). The current Chinese intentions – on the one hand the conceptions, on the other hand the already functioning roads – show us the same: a system of relations with more important routes, hubs, and junctions.

Obviously, silk was the determinant product of the trade between East and West. Its demand is demonstrated by the fact that along the trade way it had “commodity-money” function – it was the most renowned currency. But the Silk Road was the venue of the trading of other products too, such as porcelain, tea, spices, gems and semi-precious stones, products of glass, non-ferrous metals and precious metals, arms. The products did not flow only from the East towards the West; the caravans tried to deliver back the most demanded products of Europe, such as garlic, castor oil or most often gold. This vast system

had a network on the sea as well. The so-called Maritime Silk Road was an integral part of the continental network. This conception can parallel today's conceptions. China seeks to create the conditions of a Maritime Silk Road, but it faces even bigger difficulties than in establishing the infrastructure for the continental routes.

The historical Silk Road was not permanent for centuries. Natural disasters and processes, changes in the political-military-imperial relations changed quickly the routes used by traders and voyagers. As a consequence, the exact length of the Silk Road is not known.

The history of the Silk Road is an outstanding chapter of the cultural history of mankind. It had been the main artery in the circulation of products, cultures, languages, arts, religious and philosophical ideas, information and innovation between Asia and Europe for almost two thousand years up to the 14th century (Felföldi, 2009). When the current Chinese administration makes statements about the utility of its plans they often mention this aspect – obviously an updated version of it, too. They emphasize that the new road can be useful to everybody, since it would not only accelerate the circulation of products, but also speed up the circulation of people and innovation and contribute to learning new cultures, thereby improve the cooperation between peoples.

The Silk Road functioned until the end of the Middle Ages, and its disappearance is the consequence of several factors. The so-called “Pax Mongolica” provided safe circumstances for trading. But in 1368 with the fall of the Yuan dynasty the probably biggest continental empire of the world fell apart and the vacuum of power led to instable relations in Central Asia.

The imperial fleet led by Cheng Ho arrived in Africa after reaching the Arabian Peninsula between 1405 and 1433 which resulted in the start of the Chinese sea trade towards the West. The several plague epidemics in the middle of the 14th century discouraged lots of traders from taking

these risky journeys. From the end of the 14th century the expansion of the Ottoman Turks in Western Asia blocked the trade roads towards the Mediterranean. The historical Silk Road was doomed to disintegrate in the Age of Discoveries. Its most important momentum was the discovery of the maritime route from Europe to India by Vasco da Gama in 1498 with by-passing of Africa.

Centuries later, the New Silk Road is formed geographically similarly to its previous historical form. Like before, the goal is to connect Asia, Europe and Africa on the continental road and on the maritime road as well. Although in the emergence – emphasizing that the current system is being under – the essential difference is that the origin of the modern route is artificial. It demands powerful diplomatic and infrastructural development steps. Remarkable financial resources are needed for the developments. On the other hand, the establishment of the historical Silk Road had been the result of a long and integral progression.

3. Composition of the New Silk Road

The significance of various parts of the trade system has often changed in the past, adapting to the actual political changes, sometimes with parts of it becoming independent. Therefore, not all power structure changes in certain regions made an effect on the whole. Nevertheless, it is not conceivable in the age of globalisation. Similarly, to the fact that in the past the roles of certain routes have changed, the aim of the Chinese plan is not to create a closed system. The initiation rather marks main directions. Based on conditions of the upcoming years, it is going to be decided which parts are getting emphasized. Its advantage is practicability; thus, it possesses intense flexibility (Petras, 2017).

Xi Jinping's presidential tour in October 2013 is often referred as the beginning of the modern Silk Road, when he announced the initiative to revive the former route. At that time the plan was rather a proposal for the Southeast Asian countries to deepen the economic relations between the region and the USA and counterbalancing the Trans-Pacific Partnership trade pact (*Shanghai Daily*, 4 October 2013). The plan was not only of regional relevance. His speech during his route in the Central Asian countries gave proof of that. In his speech he was talking about a Trans-Eurasian plan which would create an economical zone with the former Asian countries situated on the Silk Road or which would have a vague purpose to connect the continental region of the Pacific Ocean and the Baltic Sea (*The Astana Times*, 11 September 2013). The proposal later was amended several times and now it has a clear objective to improve relations between China and Central Asia, the Middle East and Europe. Africa has also been affected by the initiative; however it is important to emphasize that the continent has already started to form deeper economic ties with China from the 1990s on. In Africa's trade, the "Asian giant" took over the first place since 2010. China supports massive investments in infrastructure on the African continent as well.

According to the notion the arm of the New Silk Road is connecting China to West Asia, then Europe through Central Asia. That is the so-called Silk Road Economic Belt. Another group of the developments, the "21st Century Maritime Silk Road" aims to include the South Pacific region, the South China Sea and the Indian Ocean (Hutzler, 2015). The area covered by the two corridors shows the real dimensions of the strategy: together the continental and maritime Silk Road form a large loop, so that the three continents – Asia, Europe and Africa – can turn into one. The initiative includes six economic corridors:

- The New Eurasia Land Bridge Economic Corridor,
- The China-Mongolia-Russia Economic Corridor,
- The China-Central Asia-West Asia Economic Corridor,
- The China-Indochina Peninsula Economic Corridor,
- The China-Pakistan Economic Corridor, and
- The Bangladesh-China-India-Myanmar Economic Corridor.

The New Eurasia Land Bridge Economic Corridor is connecting China – through Kazakhstan, Russia and Poland – to Rotterdam. The China-Central Asia-West Asia Economic Corridor will be launched from Xinjiang in West China and will create connection with Iran and Turkey through Central Asian countries. The corridor continues to the Arabian Peninsula and basin of the Mediterranean Sea (Tiezzi, 2014a). The successful creation of corridors suggests that after 10,400 km in February 2016 the first direct cargo train has arrived in the capital of Iran, which refers to the successful creation of the corridor. The trip took fourteen days, which is approximately thirty days shorter than the previous maritime transport leaving from Shanghai. The highlighted significance of energy security is that oil from the Middle East can get to China on land.

The previously mentioned two corridors can be remarkably important to Europe. Several recent ideas have shown up recently about the exact location of the continental route connected to China. Its starting-point is Xi'an, the former capital over the past thirteen dynasties in Central China, where the Mausoleum of Qin Shi Huang the First Qin Emperor is located. He was the first emperor of a unified China. The city has good transportation towards Beijing and Shanghai as well. Otherwise symbols have always had a special role in the Chinese politics, and the naming of the road and the intersection represent that as well (Tiezzi, 2014b).

The Western part of the route approaches Khorgas, situated on the boarder of China and Kazakhstan, through Almaty and Bishkek, and it would reach Tehran through the north of Iran. Temporarily, the route would move on to a territory which is not stable – it would approach Istanbul through Iraq and Syria. It would reach the northwestern part of Bulgaria, Romania and the Czech Republic, that is how it would connect China with Duisburg, Germany, where the world's biggest river port – which is at the same time one of the most important trade and logistic intersection – can be found. Rotterdam, the most remarkable goods transportation port can be reached from here. Then the road turns to the south to Venice, where it meets the maritime way of the Silk Road. According to another idea the route would lead to Moscow to Istanbul through Bulgaria, Romania and Ukraine, and from here heading to the west until Rotterdam through Belorussia, Poland and Germany (Matura, 2016).

Difficulties with the developing of the route are given because of political tensions in Eastern Europe (for instance in Ukraine) and in the Middle East (for example Iraq and Syria). Therefore, in the relations between Europe and China, only the Eurasian Continental Bridge plays a relevant role. In the past few years, China has worked out a direct service between Chongqing and Duisburg in Germany. The first train went through Poland and Russia to Duisburg in January 2011. The connection has become regular from 2014. Besides there is a direct service between Wuhan in China and Mělníkés Pardubice in the Czech Republic, similarly between Chengdu and Łódź in Poland, and also between Zhengzhou and Hamburg in Germany (Hong Kong Trade Development Council, 2016). The first goods train arrived in Riga, Latvia, from Yiwu, China, in November 2016. In 2017 the first direct goods train arrived in London through Kazakhstan, Russia, Belorussia,

Poland, Germany, Belgium and France. Thus, China has direct service connection with fifteen European big cities with the outstanding 9,977-kilometre-long route between China and Spain which leads from the east of China, from Yiwu to Madrid. The Tran-Siberian Railway lost the world's longest rail network address in 2014.

The uninterrupted and safe rail transport is more favourable in terms of time and distance as well, than the transport on the sea. The distance is approx. 12,000 km instead of 20,000 km. Moreover, the transit time is also reduced to its half, meaning 14-20 days instead of 40-50 days by sea transport. In addition, the Eurasian rail transport has a tradition: most of the Chinese products arrived by train in the Eastern European socialist countries before the political transition. The collapse of the Soviet Union had been followed by an unfavourable effect on the transport between East and West, so the previous cooperation has faded (Lentner, 2016).

The China-Mongolia-Russia Economic Corridor is a collaboration of these three countries which aims to develop their transportation system. This cooperation among these countries started on the Shanghai Agreement's summit in Dushanbe, Tajikistan, in 2014.

The China-Indochina Peninsula Economic Corridor involves the countries between China and Indochinese Peninsula and their cooperation (Cambodia, Laos, Myanmar, Thailand and Vietnam). Linkage of their transport systems and the joint development have already started. This recommendation was made by the Chinese head of government on the summit in Bangkok, Thailand (Greater Mekong Sub-Regional Economic Co-operation). Some projects have also been finished, e.g. the border crossing point, a port on the Vietnamese and Chinese border, and motorway and railway lines between these two countries.

The New Silk Road's important line is the Bangladesh-China-India-Myanmar Economic Corridor. The idea came earlier than the Belt and Road Initiative itself and it has its roots in the 90s. However, the realization only became relevant in the recent years. The 2,800 km long corridor links together 1.65 million km² from Kunming to Dhaka, Bangladesh, and Kolkata, India. It connects the Chinese Yunnan province, Bangladesh, Myanmar and the Indian West Bengal including 440 million people, with development and linking motorway, railway, sea and air transport lines together. It might take a great role in strengthening the relationship between East and South Asia, and their two major powers, China and India. For China, it is a significant aspect that the role of sea transportation can be reduced, resulting in faster and safer ware transportation. The goods could reach the Indian Ocean directly, avoiding the South China Sea where the latest political decisions from Beijing caused a tense situation. Bangladesh and Myanmar are hoping for tightening relationship to the neighbour's fast-growing markets and to the world economy. India favours a more powerful integration of its most Eastern area, which is divided from the country by Bangladesh (Bhattacharjee, 2016).

The Initiative's key element is the China-Pakistan Economic Corridor which connects Kashgar in Northwest China and the Gwadar Port in Pakistan. The USD 46 billion development plan was approved in 2015. The project includes investment in the energetics as well, apart from the infrastructure development (*The Wall Street Journal*, 16 April 2015). According to the plans the 1,681 km Karachi-Lahore-Peshawar rail line will be upgraded, and a 900-megawatt solar power park will be built in Punjab province. The project also involves coal-fired generation plants' development, the construction of motorways, airports, oil pipelines and communication infrastructures. The Silk Road Fund's first

project, in cooperation with the China Exim Bank, is the Karot Hydropower Project in Pakistan. It is a 720-megawatt power park, scheduled to operate by 2020 and is expected to cost USD 1.65 billion. (*The Wall Street Journal*, 16 October 2016) The Corridor has its own strategical importance for China, meaning that China can pass around the regional competitor India (Chin and Qi, 2015).

The maritime trade route starts from the port of Guangzhou. It connects Canton (Guangzhou) and Beihai on mainland China, Haikou on Hainan Island, Malaysia's Kuala Lumpur through the Strait of Malacca and India's Kolkata. Crossing the Indian Ocean, it reaches Africa – Nairobi, the capital of Kenya, and the Red Sea through Djibouti by-passing the Horn of Africa. The Maritime Silk Road would reach the Mediterranean Sea through the Suez Canal touching Athens (Piraeus) and finally arrive at its destination, Venice (Tiezzi, 2014a). However, the Strait of Malacca means a significant strategic risk for Chinese trade, so it is no coincidence that the idea of building a canal (Thai or Kra Canal) on the southern part of Thailand on Kra Isthmus, which would connect the Indian Ocean with the South China Sea, has been raised, but its realization is not expected in the short term.

There are significant obstacles that stand in the way of building the Maritime Silk Road; therefore it will take time. Chinese interests on sea are still limited. China aims to reduce its dependence on European enterprises in the field of maritime export to the country and on those routes where the American navy has important positions (Bhattacharjee, 2016). During the construction of the maritime belt, Chinese companies upgrade Pakistan, Sri Lankan and Myanmar harbours. With that, India is practically surrounded by these “Chinese” harbours and the country justifiably fears for its strategic position in the ocean's region (Jin, Li and Wu, 2016).

Amidst all the previous difficulties, the Belt and Road Initiative has been designed for strengthening China's influence on the world economy. The Initiative is also about to provide economic benefits for the countries which are connected through the six economic corridors. In this sense, the Chinese economic policy stimulus promotes strategic aims.

4. The Prospective Economic Benefits of the Belt and Road Initiative

The Initiative's implementation will have a huge impact on the global financial system, the cost of the related investments amounts to hundreds of billions or even trillions of USD (van der Leer and Yau, 2016). The funding derives from several resource channels which are granted by international financial institutions established by China. The state-owned Silk Road Infrastructure Fund started its work with a capital investment of USD 40 billion in 2014. The Asian Infrastructure Investment Bank (AIIB) established by China began its work in 2015 with a capital investment of USD 100 billion (Weiss, 2017) and the purpose of its activity is to support Belt and Road Initiative's investments. The Chinese government counts on the Shanghai-based New Development Bank's resources which was set up in 2014 by BRICS countries, as well as on traditional rivals as the Asian Development Bank or the World Bank. Financial participation of the countries concerning developments is also planned. Large enterprises of the Western world are interested in the investments, and the programme is expected to result in growth in orders (*The Wall Street Journal*, 16 October 2016). As a co-owner of large European and American enterprises or a sponsor in their projects, China's aim is to involve the financial actors of the Western world in investments.

What could China gain from this new economic plan? With the strategy of the “One Belt, One Road” China is planning to implement its short- and long-term goals simultaneously. There is no exact date for the completion of this project – patience is one of the main virtues in oriental mentality anyway. This venture could be considered much more as a fundamentally important pillar of the Chinese politics, a strategy that should be supported by governments to come, continuously during the next years, decades. The missing facts and specifics in the action plan do not indicate the signs of weaknesses but reflect the approach that the strategy must be flexibly executed, since participants’ goals might change in the future (Cheng, 2016).

This modern reconstruction of Silk Road contributes to an increase in China’s influence throughout the international political and economic scene. There are also opinions which consider this as a new Marshall Plan (*Bloomberg*, 8 August 2016) and emphasize the fact that the American financial aid after the World War II made possible for the US to control the political, economic and military life of the Western European countries. This Chinese development program in long term can lead to a bigger conflict between the major powers, and it can even end in a second Cold War. It is to be noted that though China is undoubtedly a global economic and trading power – it possesses the world’s biggest currency reserve, and it is the world’s most important export power – as for the military potential of the country it is far behind the United States (Zhang, 2017).

The official Chinese political rhetoric makes all effort to disprove the negative interpretations. It stresses the mutuality of future plans and the same economic interests of all participants. It emphasises the win-win cooperation so that the planned route would only bring benefits to all participants involved. It will result in productivity increases and

guarantee access for the business partners to the Chinese innovations even in the way of technological assistance. The political leaders underline the principles of “three no’s”, which mean: China does not interfere in the home affairs of other countries, it does not intend to increase its area of influence, and it does not endeavour hegemony in its international relations (Lee, 2016). Despite the principles of non-interference and disclaiming of extension of sphere of influence, the developments are financed by banks close to the Chinese state and state-owned funds. The economic interests of the Chinese companies (from raw material to human resources) are significant in the implementation.

The Chinese diplomacy stresses its expectation that intensive economic relationship will establish closer political and cultural relations which can lead to a new way of mutual respect and confidence. Re-inventing the Silk Road is not only establishing a commercial route – nor was that the historical predecessor – but it could also mean mutual interests, commitment and responsibility. It incorporates the vision about the interrelated economic and political communities which expand from Asia to Europe. From the perspective of the EU countries, the One Belt and One Road Initiative promises Chinese investments (Plevnik, 2016).

Related to the Belt and Road Initiative, China intends to sign free trade agreements with the countries along the economic belt. At present, China has signed 12 trade agreements with, among others, Singapore, Pakistan, Chile, Peru, Costa Rica, Iceland, Switzerland, Hong Kong and Taiwan. Similar agreements are under discussion with Japan, South Korea, Australia, Sri Lanka, Norway, the countries of ASEAN (connected with the Regional Comprehensive Economic Partnership) and with the Gulf Cooperation Council (Cheng, 2013).

The economic belt has significant geopolitical and geostrategic purposes too. The developing infrastructural connections would lead to emerging trade and in its broadest sense could stabilize the regions in the

neighbourhood of China and as a result, political and economic conflicts could be prevented. The question is that the route and the increasing influence to what extent would mean the export of the Chinese development model in the future (World Economic Forum, 22 September 2015).

The Central Asian region has been the conflict zone between China and Russia over many decades. The strengthening Russia regards the area as his traditional sphere of influence from the end of the 90s. The infrastructurally well-equipped routes could ensure a strong position to China as it would guarantee the safe trade – especially energy transportation – between China and the other Central Asian countries. However, the recently built rail connections towards Europe led through Russia which shows the mutual interests related to the initiative (Follath, 2016).

The infrastructural projects – and later the developing trade – would accelerate the process which can strengthen the internationalization of the Chinese renminbi, while decreasing the role of the US Dollar in international trade. China intends to make this economical belt a territory in which the capital accumulation and financial integration are stronger and also the exchange of the currency can be simple and smooth. It should also be noted that renminbi is already used even more widely throughout the countries in the neighbourhood, such as Mongolia, Kazakhstan, Uzbekistan, Vietnam, or even in Thailand (Shah, 2016).

This trade initiative also has internal economic policy goals. Though the Chinese economic growth has been in double digits during the last two decades, it plummeted to about 7% in recent years. (The plans of the government are about to maintain the pace of economic growth.) The new Silk Road program can be an important instrument in order to boost the economy. Recently the manufacturing sector (e.g., construction

industry, metallurgy, mechanical engineering) – where state-owned enterprises dominate the market – has been growing considerably, but along with the decline in GDP growth, this former expansion may cause considerable low utilization of the existing capacity. New infrastructural investments may bring economic stimulus to the economy (*Global Times*, 16 April 2017). Furthermore, the state can intervene with its significant currency reserves (World Economic Forum, 26 June 2016). Consequently, it can assist in boosting consumption and lead the economy to the earlier export-led economic growth path.

However, capacities can only be utilised fully if persistent supply of raw materials and energy resources is provided. The newly built Silk Road may help in easing China's urgent demand for energy and raw materials, by building new gas and oil pipelines in Central Asia for example, or maritime ports in South Asia. In the light of China's growing presence in Africa, the New Silk Road may play an important role in shipping and transporting raw materials and energy resources (World Economic Forum, 26 June 2017).

In line with the economic policy targets, the main part of the initiative is to support Chinese companies in expansion to countries of the One Belt and One Road Initiative. For this purpose, a special fund has been launched, the China Ocean Strategic Industrial Investment Foundation (COSIIF), which aims at promoting the local companies alongside the Belt and Road Initiative (*Global Times*, 23 October 2016).

The Initiative is also a part of the Chinese plans for rural development. The latter is targeting at the establishment of a more equally balanced rural structure, as a counterpart for the eastern territories. The developments of the global initiative would be accomplished in the less developed western and central regions. The planned roads are crossing 16 provinces out of the total 27 (including the Autonomous Regions); however, some other regions could also be

involved. All of these provinces have their own identical plan for the Belt and Road Initiative. These regional priorities are related to the improvement of the domestic political stability, via the convergence of the poorer territories like the Xinjiang Uyghur Autonomous Region in the northwest of the country (Zhang, 2017).

5. Further Spill-over Effects

The “Belt and Road” strategy – if implemented – could substantially influence the state and development of the global trade in the forthcoming years (World Economic Forum, 2017b). This implies several scenarios for the future, and none of the scenarios can be predicted as a certain one. For instance, the policy of the Donald Trump administration could create a different international environment for the Silk Road plans. In our view, an isolated US governmental policy could give way for China to an enhanced policy role globally. This might happen not just simply because China could get advantage from the US retreat, but also because sustaining and increasing the world trade will serve China’s interests as well. Within an international layout of this kind, the developments of the trade network could substantially support the Asian country’s plans. In this way, China would be able to strengthen its relations with Europe and Africa, acting as a counterpart to the presumably more protectionist trade policy of the United States in the future. Alongside with its changing economic and trade interests, China might be giving up its cautious distancing from the global problems, and might take more political responsibilities in world politics (Huang, 2016).

The plan of the New Silk Road could enlarge the dominance of Southeast Asia, and especially also China, in the global economy, and accelerate its central role in world trade. The Belt and Road Initiative

could support the increasing presence of China in the African continent (as depicted since the 1990s) as well, by diminishing the influence of Europe and the US there (Kynge, Beesley and Byrne, 2017). One of the longer-term effects of the Initiative could be the strengthening of the Indian Ocean's islands in the world economy, while these isles are forming deeper economic relations. There might be chances for the formation of a China-India-Africa triangle as a long-term result of the initiative; however, there are many obstacles to this formation.

The Belt and Road Initiative might open way to a new phase of globalisation, in which China is a main actor (as opposite to the previous phase, when the United States was the global leader). However, China's dominance might raise the concern whether this is about to happen together with the export of the Chinese social and political regime to other parts of the world (Xinhua, 13 May 2017).

The policy expansion of China, and especially the New Silk Road initiative, might give a chance for East Asian economic development to find its way to poorer regions in Central Asia, the Middle East or Africa (Yao *et al.*, 2016).

As a proof for the above, the leaders of the countries endeavouring on the Belt and Road Initiative released a joint communiqué on their roundtable in Beijing in May 2017 (Xinhua, 15 May 2017a), perceiving the Initiative as an impetus for international cooperation and free trade. In the communiqué the mutually beneficial cooperation has been entrenched, in respect of achieving sustainable growth and development, well-established infrastructural networks and sound financial structures (Xinhua, 15 May 2017b).

The Belt and Road Initiative brings huge investment and development opportunities to the relevant sectors and businesses. At the moment, many countries in South Asia (typically India), Southeast Asia (typically Indonesia) and Central Asia (typically Kazakhstan) are

plagued by a lack of funds, technology and experience, especially in manufacturing and infrastructure. When it comes to infrastructure, China is proposing an outstanding opportunity for international cooperation and knowledge transfer (Shanghai Stock Exchange and Association of Chartered Certified Accountants, 2017). Current developments strengthen China's foreign trade and investment relations, as well as the use of the renminbi as an official reserve asset. At the annual meeting of the Boao Forum for Asia 2015, President Xi Jinping talked about China's intention of increasing its annual volume of trade with the Belt and Road countries to more than USD 2.5 trillion in a decade (Ngai, Sneider and Zecha, 2016).

Throughout the three and a half years which passed since its first announcement, considerable investments have been achieved within the Initiative. The building of the China-Mongolia-Russia Economic Corridor has been launched accordingly (National Development and Reform Commission, PRC, 2015); although the Russian partner has indicated its intention for support rather than for participation. Among Central Asian countries, first it was Uzbekistan, who entered into a cooperation with China on a railroad construction between Tashkent and Namangan (Zhao, 2016). The results of the cooperation with Malaysia, China's most substantial partner among the ASEAN countries, have mostly been achieved by railroad and logistics projects. The progress of the Initiative proves that the participation of the less developed countries is more intense, as these are in need of infrastructural developments for the most. One example for this is the wharf of an industrial park in Central Sulawesi Province, Indonesia, built with the help of China under the framework of the Belt and Road Initiative, and completed in September 2016 (*Beijing Review*, 16 February 2017).

Meanwhile the Chinese economy has reached a yearly 6-7 per cent GDP growth, driven by domestic consumption and governmental

incentives. The macroeconomic data for the first half of 2017 confirmed that the actual GDP (of 6.9 per cent) was more favourable than the forecasted (6.5 per cent). Industrial output rose by 7.6 per cent in June from a year earlier, coming in above market expectations (*The Wall Street Journal*, 14 July 2017). Retail sales grew by 11.0 per cent in June from a year earlier, fixed-asset investment in non-rural areas of China climbed by 8.6 per cent year over year in the first six months of 2017, exceeding economists' expectations (Qi, 2017). However, rating agencies warn about the accumulated debt of the fiscal and the private sector, which has reached high levels (*The Wall Street Journal*, 24 May 2017). This might signal that the indebtedness of the public and the private sector implies significant stability risks.

China's trade data is closely watched as a barometer of strength in global trade though exports have become a less important factor in China's own growth in recent years. As the world's biggest exporter, China's economy once depended heavily on outbound shipments. After the global financial crisis crippled external demand, Beijing moved to make the economy more reliant on domestic consumption. However, China's trade surplus is above USD 40 billion per month, and is expected to continue to grow, given the relatively positive outlook on China's main trading partners and the expansion of the Belt and Road Initiative. China's foreign direct investments have spill-over effects on its companies' competitiveness, proving their export potential (Huang and Zhang, 2017).

6. Summary

The Belt and Road Initiative may exercise a considerable impact on the world trade and global economic development in the forthcoming years. The Silk Road Economic Belt and the 21st Century Maritime Silk Road

may provide strategic opportunities for China and the participating countries, strengthen the economic relations between the Asian and the European continent, and open routes to Africa and South America.

In 2013, Chinese President Xi Jinping launched the far-reaching cooperation initiative, the Silk Road. In May 2017, Beijing hosted the Belt and Road Forum for International Cooperation. The idea originates from the ancient Silk Road, but the initiative is not confined to it in the sense that more countries can join the cooperation. This paper investigated the scope and role of connected countries, as well as the achievements of the cooperation.

China has made concerted efforts in investing and developing local and overseas infrastructure construction, by allocating about USD 900 billion of governmental funds for the establishment. The Belt and Road Initiative is expected to help improve the transport, power and communication infrastructure in the connected countries in the coming decades, being implemented and financed by governmental and also private investment resources. The effects of the Initiative will, through the interconnection of high-speed rail, highways, waterways and other transport infrastructure, promote the achievement of greater integration and development of the economies along the Silk Road. Among the real effects of the initiative, the regional development considerations and the geostrategic aspects are even more substantial.

This study depicted the six economic corridors, and emphasised that the involvement of the participating countries has evolved in the past three and a half years. These moves served these countries' infrastructural development on one hand, but also strengthened China's geostrategic role on the other.

Finally, the paper demonstrated that the initiative is an important platform for the participating parties to strengthen cooperation and synergize their development strategies. By analysing China's economic

performance in response to the Belt and Road Initiative, the authors concluded that the industrial output and the employment data signal the continuation of moderate GDP growth.

Notes

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