Why China? The Economic Logic behind China’s One-Belt-One-Road Initiative

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Abstract

China initiated the One-Belt-One-Road Initiative as a grand plan to promote collaboration among the vibrant East Asia economic circle at one end and the developed European economic circle at the other. The Chinese government has prioritized five areas of collaboration: policy coordination, connectivity, unimpeded trade, financial integration, and people-to-people bonds. The initiative constitutes an integral part of China’s new strategy to further its all-around opening-up to the world and reflects its clear intention of improving and expanding cooperation with developing countries. Through this initiative, China sends the signal that it will vitalize global economic growth by helping developing countries fill their development gaps. It reflects constructive interaction between China’s opening-up policy, diplomatic strategy, economic restructuring, and achievement of growth targets. China’s comparative advantage in manufacturing capacity and building of large projects, its huge size of its gross national savings and foreign-exchange reserves, underline the strength of one-belt-one-road strategy. The One-Belt-One-Road Initiative enables China to demonstrate that it can be a reliable and strong partner to developing countries. It will also benefit extensively from its cooperation with these developing countries.

Keywords

Asian Infrastructure Investment Bank (AIIB) – One-Belt-One-Road Initiative – all-around opening-up strategy

1 Impact of the Asian Infrastructure Investment Bank

According to the April 15, 2015, press release of the Ministry of Finance of the People’s Republic of China, the Asian Infrastructure Investment Bank (AIIB)
has approved 57 countries as its founding members.\(^1\) Although the US government has taken policy position not in favor the establishment of the China-led AIIB, all US allies, except Japan, have enrolled in it. Such a consensus is a rare occurrence in modern international relations.

This phenomenon has also been subject to widespread discussion within the mainstream media in the United States. Many think that the US government’s passive resistance to the establishment of the China-led AIIB has harmed the country’s track record of consistency in foreign diplomacy.

How should we interpret the impact of the AIIB? The AIIB is just one of several similar regional financial institutions that have been established within the past few decades in various regions around the world. The AIIB, therefore, is not the first of its kind and will likely not be the last. The AIIB has received tremendous attention worldwide. It has generated widespread concern and debate within the US main stream-elite class, not simply due to the direct functions and influence of the AIIB but also due to the fact that it is part of an important Chinese economic and diplomatic strategy initiated at a time when China has the largest emerging economy in the world. Many neighboring countries want to join with China in its grand vision of creating the One-Belt-One-Road Initiative, which will accelerate China’s growth beyond the rest of the world and change the global economic landscape along the way. Although the heated debate on the AIIB seems abrupt, it stems from the evolution of modern economic structure. The AIIB will become a main force in pushing forward this change.

1.1 **Background of the One-Belt-One-Road Initiative**

The deep evolution of Chinese economy and its internal and external development during the early 21st century, especially in the post-crisis era, led the Chinese government to formulate the One-Belt-One-Road Initiative. It was not created by chance.

Since entering the 21st century, the scale of China’s economy measured in US dollar (USD) has increased more rapidly than the previous decades, in part due to real appreciation of the Chinese currency Renminbi (RMB) as a result of the Balassa Samuelson effects.

China has had strong economic growth in the era of reform and opening-up. But if the total growth over the previous 35 years or so was divided into

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\(^1\) The AIIB included Sweden, Israel, South Africa, Azerbaijan, Iceland, Portugal and Poland as founding members, according to a statement released by the Department of International Financial Cooperation, Ministry of Finance, April 15, 2015, http://gjs.mof.gov.cn/pindaoliebiao/gongzuodongtai/201504/t20150415_1217200.html.