



For ECNU-HSE Summer School 2016

The Evolution of China's Foreign Strategies from the Perspective of IPE: a Case Study of “One Belt, One Road” Initiative

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- **I. International and Domestic Backgrounds for the “OBOR” Initiative: An IPE Observation**



Several Instructions about IPE

- 1. IPE is a synthetic research work about international trade, finance, history and present situation of international politics.
- In particular, IPE work on the correlations between politics and economies.
- Such as, is there any relationship between the international economic cycle and the international political cycle?



- From the end of World War II to the middle of the 1960's. The stability of the international political situation had been company with the post war economic recovery and economic golden period.



- From the middle of 1960's to the end of 1980's, The turbulence of international politics had been company with economic crisis——The Vietnam War, the two energy crises, and Cold War reached its peak.



- From the end of 1980's to early 1990's, and the after, both Cold War ended and seemingly convergence between the East and the West had correlated with the economic rise, which benefit from Cold War bonus.
- After the 2008 financial crisis, structural changes of international politics and global economic fluctuation occurred simultaneously



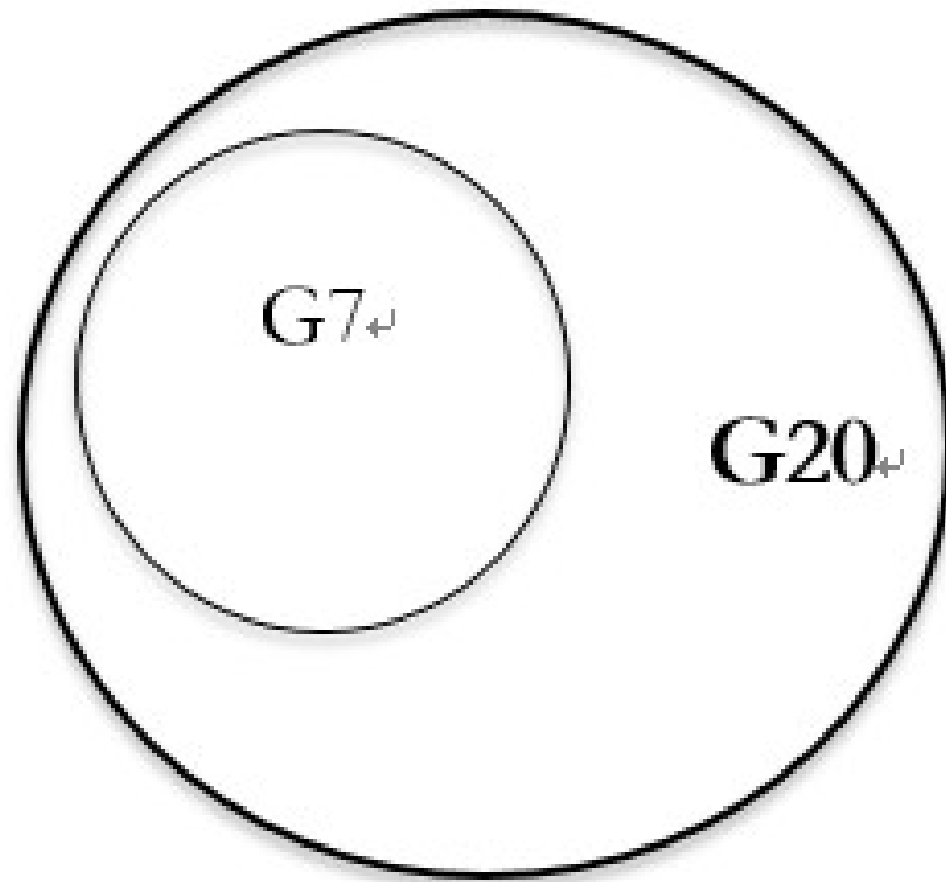
- 2. the characteristics of some representative scholars:
- a combination of theory and contemporary process (In particular, Susan Strange);
- the inclusiveness of Theoretical principles (compatible with three mainstream international relation theories)



- **II. The international relationship has entered the second stage after the Cold War.**



- This stage is characterized by the co-existence of both hegemony and disorder.
- But we also notice that a more diversified international configuration is emerging.
- This is an important international background for the proposal of the “OBOR” strategic concept.





- (1) For a long time, the United States remains the sole superpower, but its forces has weakened.
- (2) Emerging countries assume the growth tendency i n the long-term.
- (3) China has been concerned, not only in the momen tum of development, but also in the way of its develo pment, which is different from the Western model .(T here is controversy, Zhou Qiren believe that private o wnership is produced by lies in China.)
- **Great changes are taking place in the world.**



Global Economic Prospects, June 2016, WB

	2013	2014	2015e	2016f	2017f	2018f
World	2.4	2.6	2.4	2.4	2.8	3.0
Advanced economies	1.1	1.7	1.8	1.7	1.9	1.9
United States	1.5	2.4	2.4	1.9	2.2	2.1
Euro Area	-0.3	0.9	1.6	1.6	1.6	1.5
Japan	1.4	-0.1	0.6	0.5	0.5	0.7
Emerging and developing economies (EMDEs)	4.7	4.2	3.4	3.5	4.4	4.7
Commodity exporting EMDEs	3.2	2.1	0.2	0.4	2.4	3.0
Other EMDEs	5.9	5.9	5.9	5.8	5.7	5.8
Other EMDEs excluding China	3.9	4.3	4.7	4.7	4.9	5.0
East Asia and Pacific	7.1	6.8	6.5	6.3	6.2	6.1
China	7.7	7.3	6.9	6.7	6.5	6.3
Indonesia	5.6	5.0	4.8	5.1	5.3	5.5
Thailand	2.7	0.8	2.8	2.5	2.6	3.0
Europe and Central Asia	2.3	1.8	-0.1	1.2	2.5	2.8
Russia	1.3	0.7	-3.7	-1.2	1.4	1.8
Turkey	4.2	3.0	4.0	3.5	3.5	3.6
Poland	1.3	3.3	3.6	3.7	3.5	3.5



Latin America and the Caribbean	2.9	1.0	-0.7	-1.3	1.2	2.1
Brazil	3.0	0.1	-3.8	-4.0	-0.2	0.8
Mexico	1.4	2.3	2.5	2.5	2.8	3.0
Argentina	2.9	0.5	2.1	-0.5	3.1	3.0
Middle East and North Africa	2.0	2.9	2.6	2.9	3.5	3.6
Saudi Arabia	2.7	3.6	3.4	1.9	2.0	2.3
Iran, Islamic Rep.	-1.9	4.3	1.6	4.4	4.9	4.7
Egypt, Arab Rep ²	2.1	2.2	4.2	3.3	4.2	4.6
South Asia	6.1	6.8	7.0	7.1	7.2	7.3
India ²	6.6	7.2	7.6	7.6	7.7	7.7
Pakistan ²	3.7	4.0	4.2	4.5	4.8	5.1
Bangladesh ²	6.0	6.1	6.5	6.3	6.8	6.0
Sub-Saharan Africa	4.8	4.5	3.0	2.5	3.9	4.4
South Africa	2.2	1.5	1.3	0.6	1.1	2.0
Nigeria	5.4	6.3	2.7	0.8	3.5	4.0
Angola	6.8	3.9	2.8	0.9	3.1	3.4



- **III. The process of globalization is hindered and the regions become the main arenas for international competition and cooperation.**



- This propels China to get involved in cooperation and competition in new ways neighboring regions, Eurasia, Pacific Ocean and India Ocean areas, in order to , on the one hand continue promoting globalization, and on the other hand to ensure regional stability.
- As a result, the “OBOR” concept is the only choice



- Why has regional competition and cooperation become the focus?
- Globalization has been hindered, all countries will seek development from regional cooperation, European integration is the “leader” of this tendency , A variety of conflicts come from this.



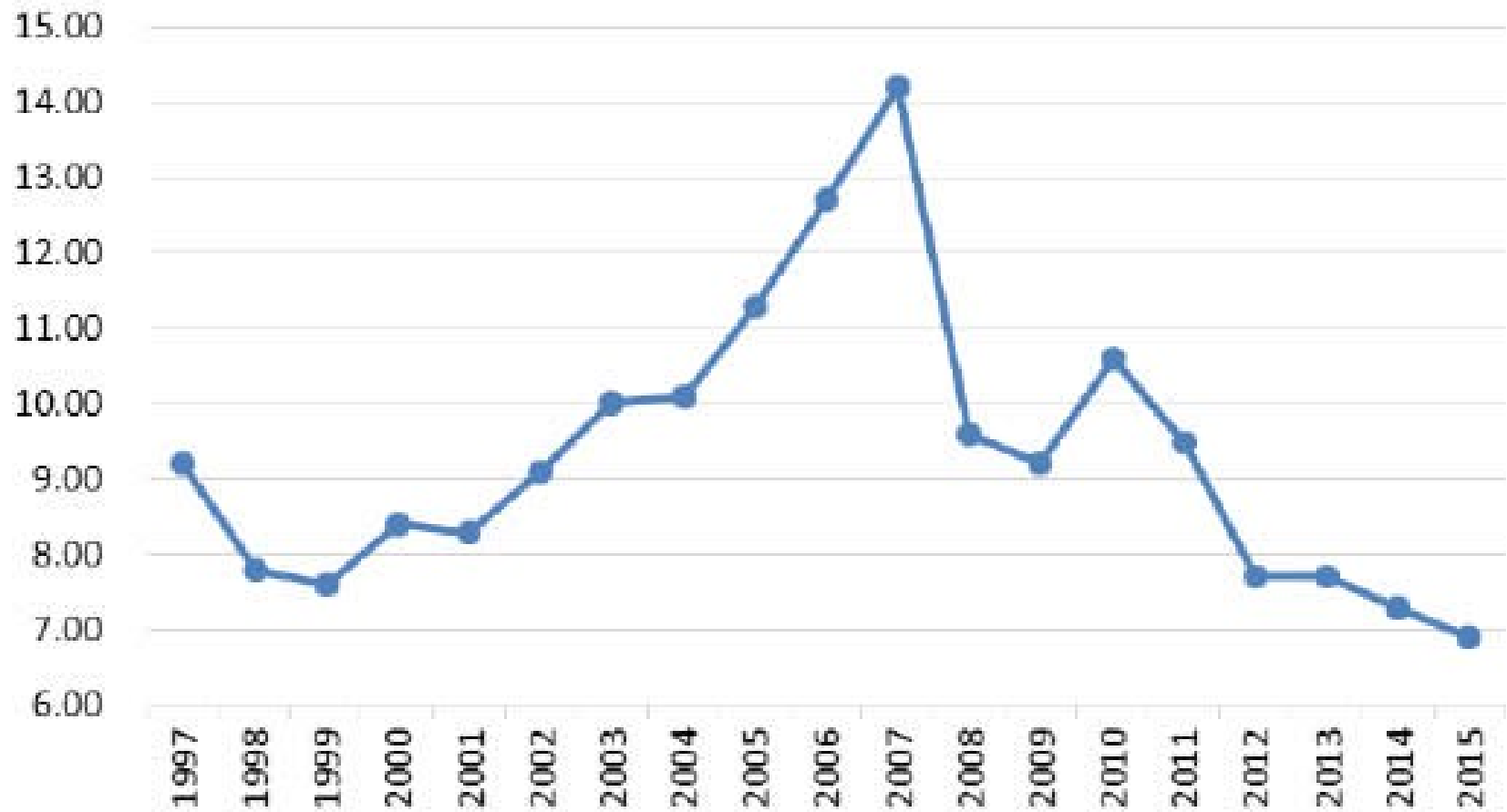
- **III. China's growth model and its strong potentials are the great impetus for the "OBOR" Initiative.**



- At the same time, China is still a developing country. This determines that the initiative, on the whole, is the medium-level trans-regional cooperation, which is not guided by high standards of market or high technology.
- Yet this development path accords with the reality of countries along the “OBOR” initiative. This can pave the way for future gradual higher levels of development.



China's economic growth rate





2016年我国一季度GDP增长6.7%



China's foreign investment is expected to reach 1.25 trillion U.S. dollars in the next 10 years. The next 5 years, China's imports of goods will be more than 10 trillion U.S. dollars, the number of outbound tourism will be more than 500 million people.



- There is a heated debate on the development prospect of China :

L type development



- 4. After several waves of modernization and institutional reforms, people not only experience progresses and benefits, but also realize the problems brought about by the reform. Just against this backdrop, the “OBOR” must lay equal stress on reform and development, integrate local principle with opening to the outside world, insist on the basic orientation that learning advanced experience and respect diverse civilization.



- Three waves of reform
- The characteristics of the current reform of China
- There are some contents about reforms in IPE, but not much.

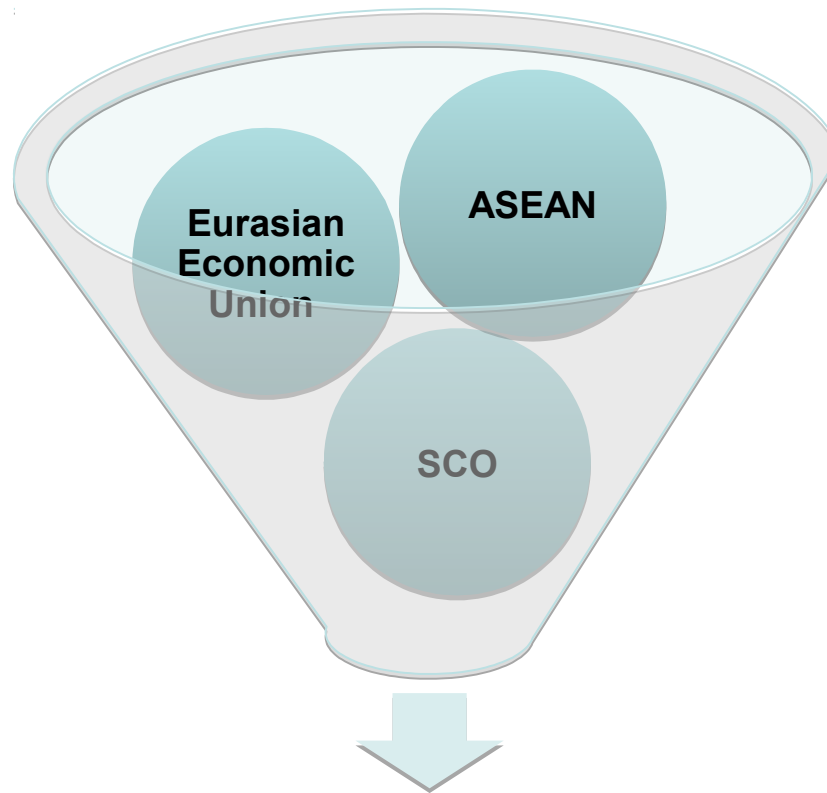


- **The “OBOR” Initiative from the Perspective of IPE**



I. Non-institutional Trans-regional Cooperation

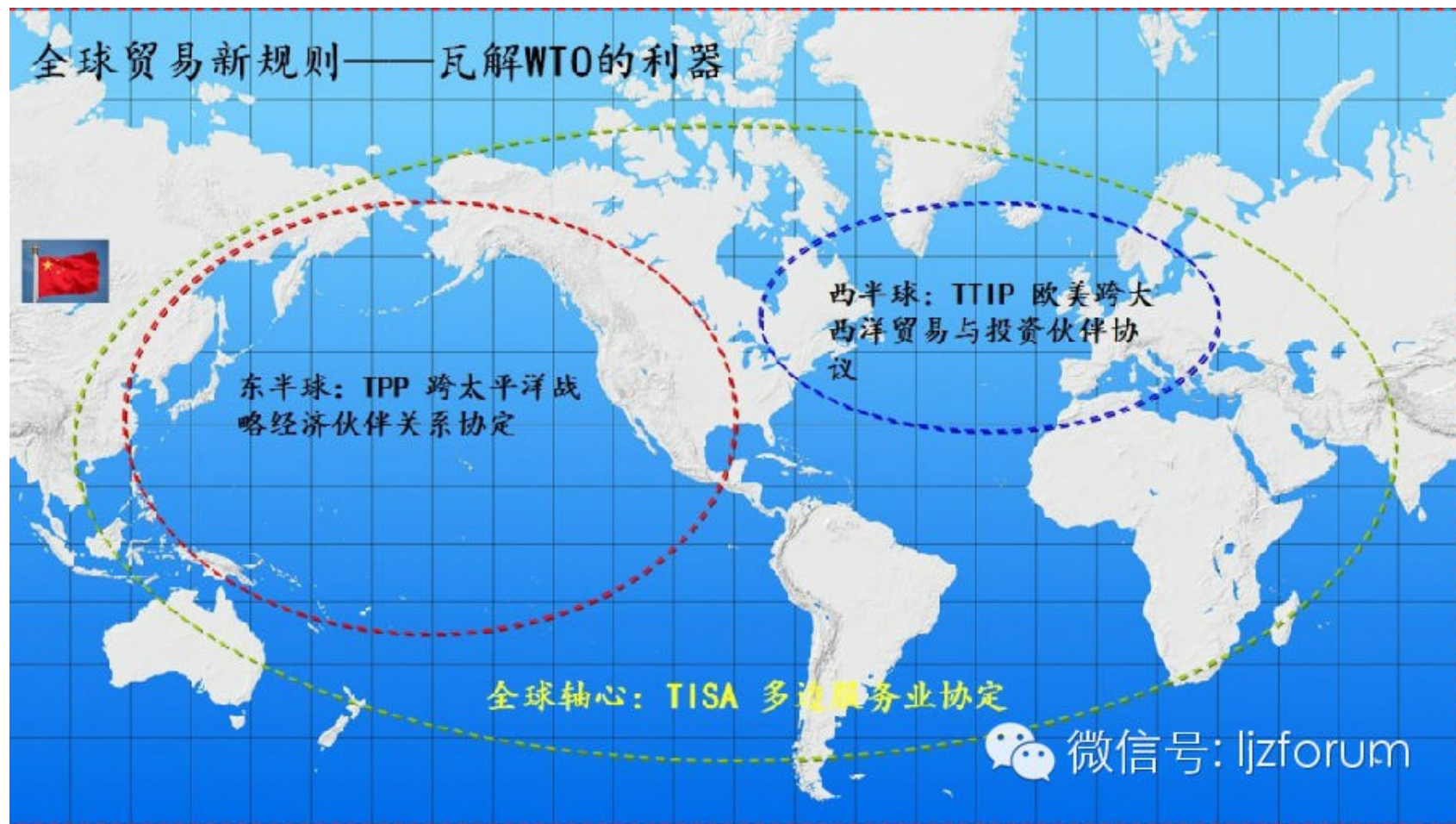
- The international economic cooperation projects are the main momentum. They don't have clear strategies for international economic cooperation in constructing regional cooperation institutions.
- The future model remains to be developed according to the acceptance of all parties: perfect master just like water.



Great Eurasian partnership



全球贸易新规则——瓦解WTO的利器





Countries involved with RCEP



亚太经济合作组织成员图





- Two disproofs:
- (1) The problem of European Integration: the process even if mature, also need to be cautious——the judgement from prof.David Calleo.
- (2) Reflecting on the Ukraine crisis: result of many factors.



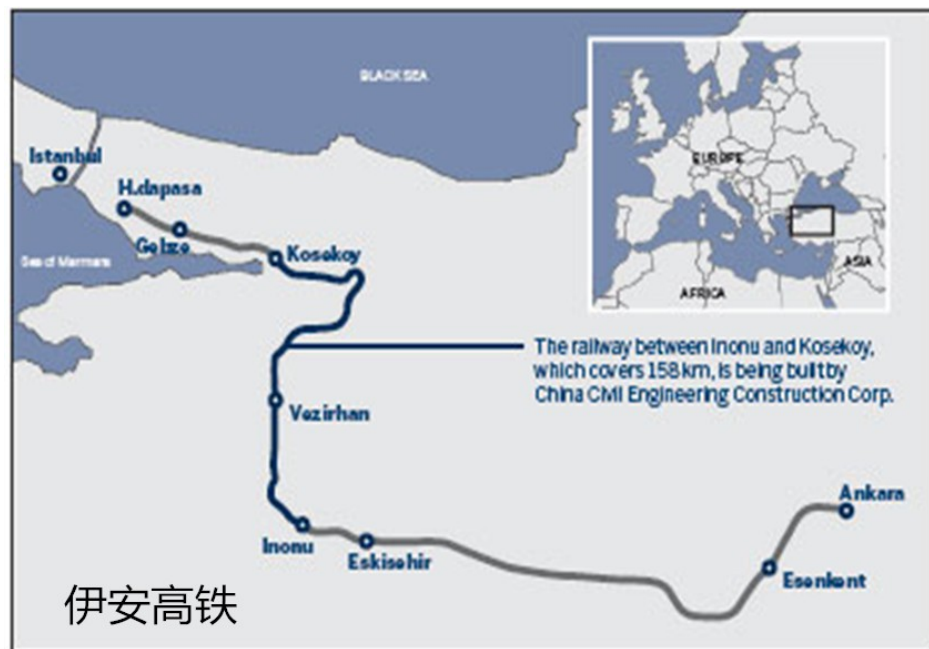
2. Main Cooperation Content: Infrastructure Construction and Capacity Cooperation

- 1960s of last century the West industrialization
- large-scale political and economic system transition dominated by the West after the end of Cold War
- Late concepts of industrial countries' supporting the civil society for developing and emerging countries
- Francis Fukuyama and the "OBOR" Initiative



中国研究建跨境高铁线





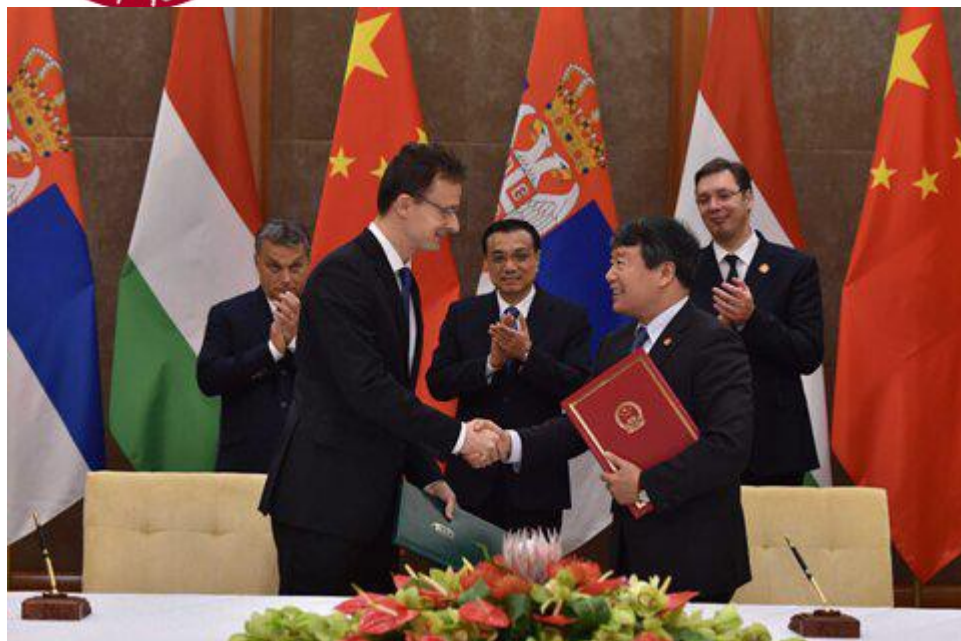


雅万高铁项目示意图





Chinese enterprises acquire Zelezara Smederevo of Serbia





3. The “OBOR” Initiative is not Marshall Plan but Balanced and Mutually Beneficial Inclusive Cooperation

- This is not an aid program to deal with the enemy during the Cold War——
- **Not** exclusively choosing partners or just accepting merely the states with the same ideology and social systems
- **Not** to promote in Western Europe, where there is a mature market economy and traditional democratic institution
- **Different** from the United States, considering itself as the world leader to implement aid programs.





4. Establishment of New Mechanisms including the AIIB etc, Promote Implementation of the “OBOR” Initiative

- Although generally speaking, currently for the “OBOR” Initiative, there hasn’t been touch to regional cooperation mechanism, but the establishment of innovation mechanisms including the AIIB, the BRICS Bank and the Silk Road Fund have already promoted the cooperation.



- AIIB board of directors approves first loans for 4 programs:
- (1) a loan of US\$165 million to bring power to rural Bangladesh;
- (2) a US\$216.5 million loan to improve Indonesian substandard housing, which is expected to be co-financed with the World Bank (WB);



- (3) a loan of US\$100 million to finish building a motor way in Pakistan, co-financing with the Asian Development Bank (ADB) and Britain's Department for International Development (DFID);
- (4) a US\$27.5 million loan to upgrade a road in Tajikistan, co-financing with the European Bank for Reconstruction and Development (EBRD).



- President of BRICS Development Bank





5. A Major Approach of “Inter-connectedness”

- Liberal trade principles

+

- Hamilton’s and List’s national economics



6. Grand space of Trans-country and Trans-regional Cooperation is bring in new element

- Paul Krugman once noted: “Why is the space issue still a subject of obvious practical importance and presumably considerable intellectual interest? This is not accidental. Because of some features of space economics, it’s essentially absent from the standard corpus of economic theory.”





- According to the World Bank Annual Report 2009, the reasonable adjustment of spatial density, transportation infrastructure and the process of regional integration, they all overcome regional differentiation, bringing about great economic effects which are neglected by traditional trade theories.



7. Efforts to Advance Security through Trade

- The relations between the interconnection and regional security, is not the issue which “OBOR” underline currently. But, there is an unavoidable fact that, trade has always been related to security. According to the works of Yu Yingshi, one of the important reasons to launch Silk Road in Han Dynasty, is to make sure the security of the west board area through trade, including build marriage and tributary relationship.



- 1. The relationship between trade and security is the main object of disciplines such as IPE.
- 2. Classic liberalism theories hold that the economic links and inter-dependence will bring peace, but these theories haven't been proved yet.

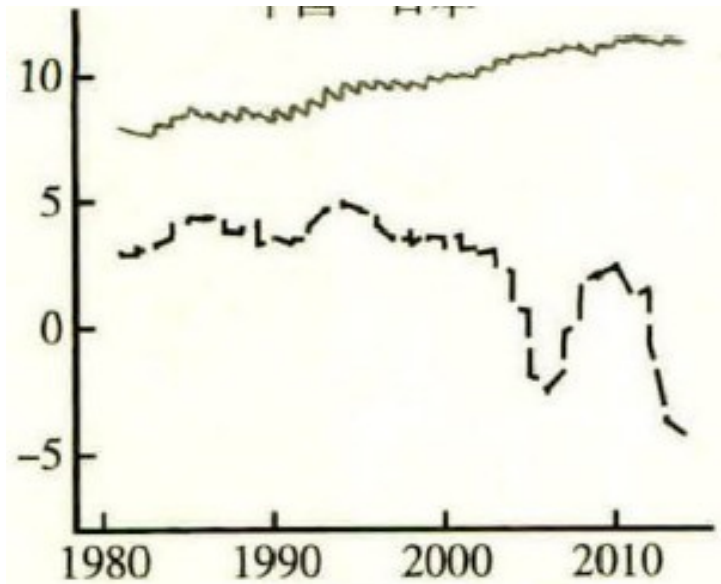


- 3. Recent research shows that the more capital flows between the two countries, the higher possibility that international conflict occurs.
- Meanwhile, the latest empirical analysis about the correlation between trade and security of East Asian area prove that : trade could hedge political risk between China and other East Asian countries, reduce the political sensitivity ; Nevertheless, it also depends on external conditions of related countries. Furthermore, at different stages, there are different features for political conflicts and trade relations.

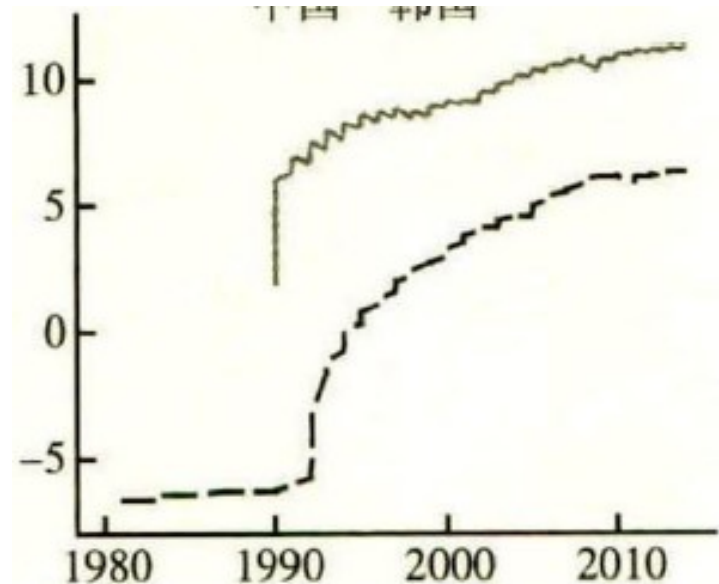


- ———bilateral trade volume -----Political Relation

- Sino—Japan

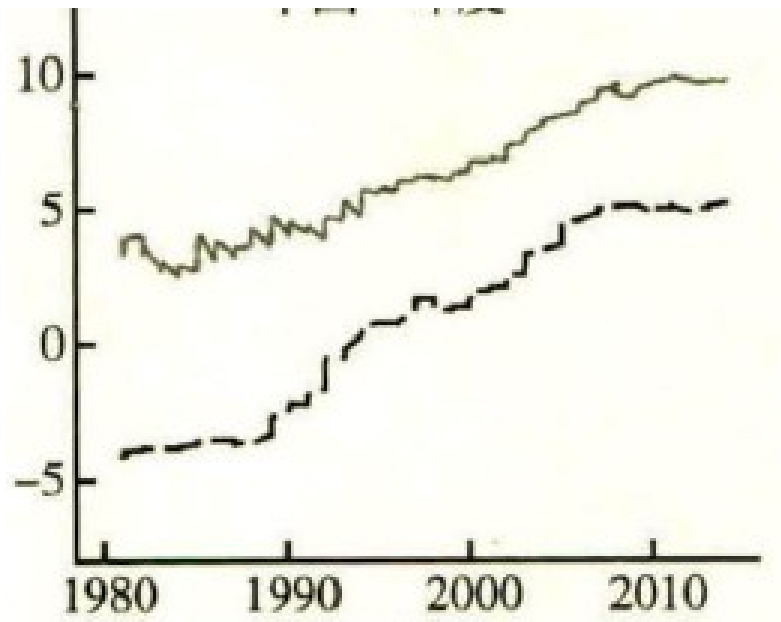


- Sino---South Korea

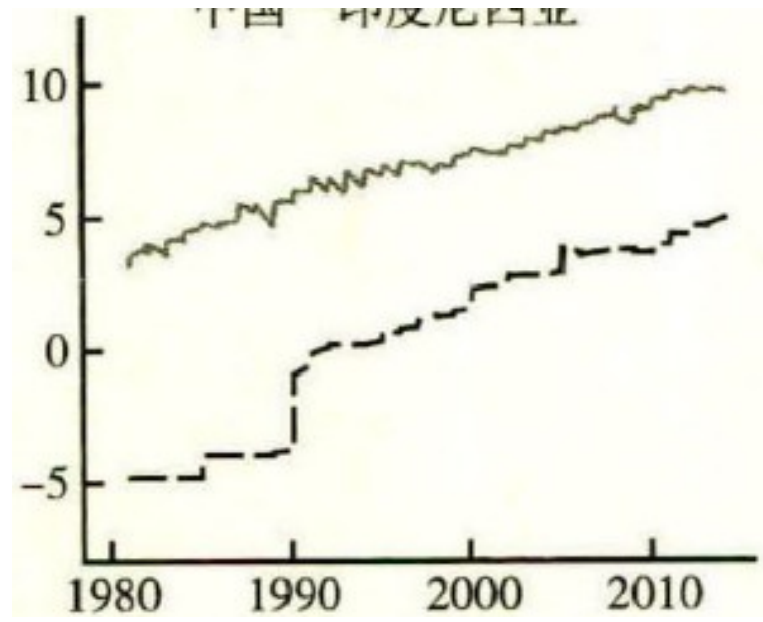




Sino---India

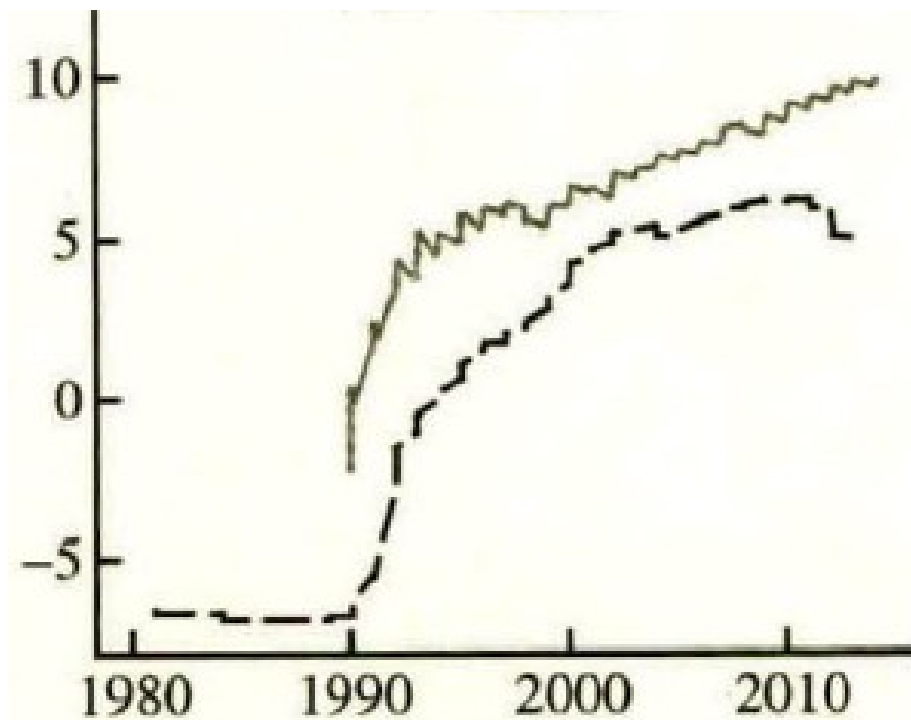


Sino---Indonesia





Sino---Vietnam





- The research results above show that, the correlation between trade, politics and security conflict is a important subject, which must be pay attention to during the advance of “OBOR” initiative.
- But there is not definite conclusion about the significant theoretical problem. It prove that, there are much urgent academic and theoretical needs for practice.



- **Reference and Innovation in IPE**



- 1.The World Economic Development and Stability first Relies on Cooperation among Major Countries.



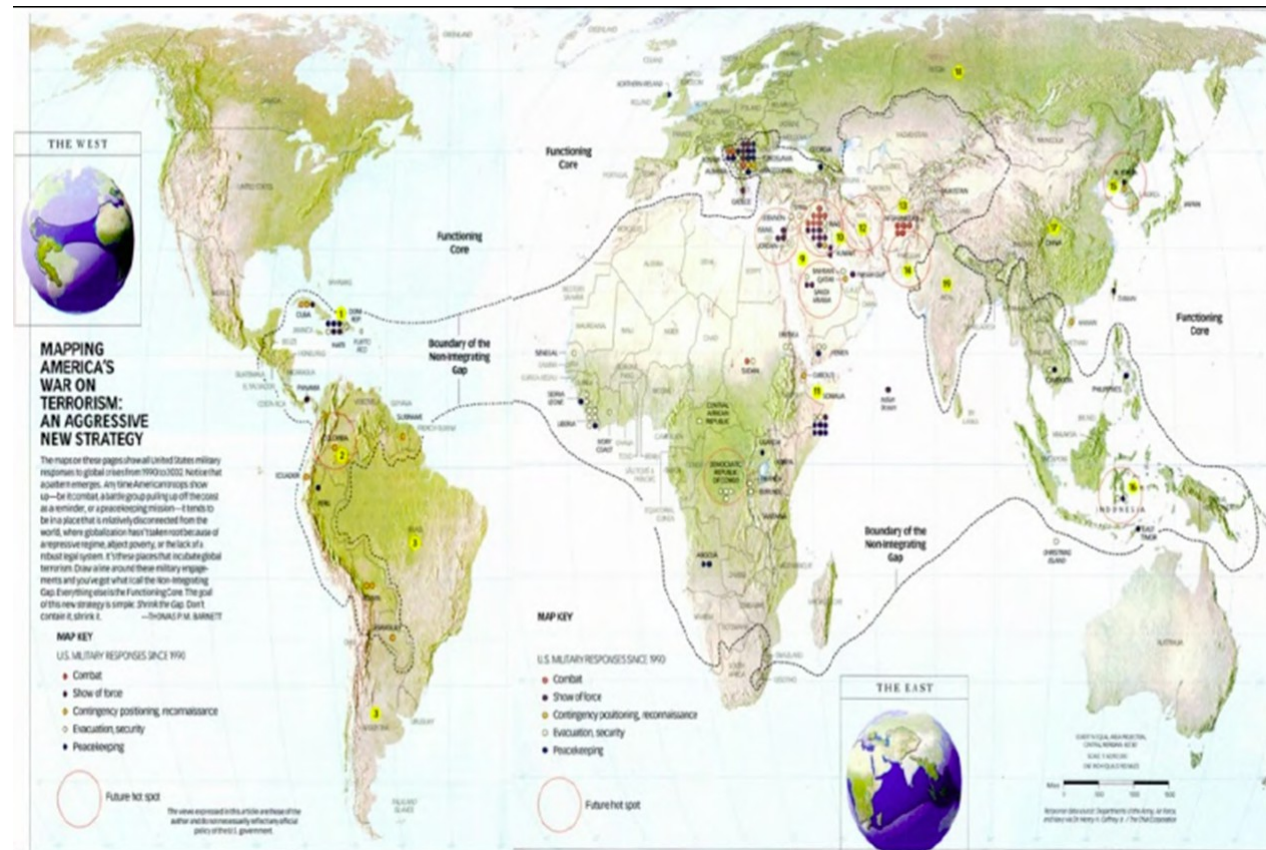
- 2.The European Integration Pattern Worth Reflection.





- 3. Referring to Historic Experience in IPE: Back to the Vienna System.











THANK YOU !