China's OBOR Policy, China-U.S. Relations, and the Return of Geopolitics

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Abstract

China's "One Belt, One Road" plan (or strategy) that was unveiled in late 2013 is a bold new foreign investment program by the country that, one measure suggests, already has the world's largest economy. OBOR is aimed at addressing continuing domestic problems, exploring new investment opportunities abroad, and advancing China's position as a global power in a rapidly shifting geopolitical environment. This article advises readers to eschew any geopolitical IR theory or methodological assumptions, and it simply attempts to trace OBOR's antecedents, explain what the policy is (and is not), analyze its strengths and limitations, and carefully consider its likely future. The article begins with a careful review of the complex Chinese domestic and international backgrounds out of which OBOR emerged and proceeds to examine the plan as articulated by Chinese policy-makers, its sources of finance and related institutions such as the new Asian Infrastructure Investment Bank, and projects in various regions that have been approved to date. A further section focuses upon potential challenges that threaten the success of the OBOR initiative, from weaknesses in China's own economy, political system, and society, to a host of problems likely to be encountered in host countries. In conclusion, our analysis acknowledges the potential for a "return of geopolitics", dividing the world into competing power blocs and spheres of influence, but advances the proposition that China's OBOR should not be seen primarily as a threat. Win-win solutions are yet possible as investment in infrastructure and other projects encourages growth and may lead to more opportunities for all.

Keywords: OBOR, China, U.S., Geopolitics

I. Introduction

China’s “One Belt, One Road” plan (or strategy) that was unveiled in late 2013 is a bold new venture by the country that already has (by one measure) ① the world’s largest economy.② The plan is aimed at addressing continuing domestic problems, exploring new investment opportunities abroad, and advancing China’s position as a global power in a rapidly shifting geopolitical environment. OBOR comes at a time when China’s economy is itself slowing—or at least transitioning to a “new normal” of less-heated export-driven growth—foreign investment in China has also somewhat slowed, and China has begun to use its huge reserves to become a net exporter of investment capital. The OBOR plan is, at once, still evolving, highly ambitious, and risky in traditional economic terms.

OBOR might be interpreted as a challenge both to U.S. traditional pre-eminence in the global strategic and liberal economic order and to Russia’s efforts to reconstruct some of its former imperial control over eastern Europe and especially Central Asia. This interpretation plays neatly into a popular theme in contemporary journalism and security-minded academic circles, that we are now experiencing a “Return of Geopolitics”③ after the unjustified post-Cold War optimism about the outlook for relative peace and prosperity. In this vision, declining US hegemony and economic globalization are being replaced by a multipolar world of competing power blocs. China’s “rise” is more assertive and militaristic, Russia is again on the march, the European Union is suffering a major crisis of identity and purpose, and Central and Southeast Asia, the Middle East, Latin America, and Africa are all primarily arenas for great-power contests.

Those who are familiar with international relations (IR) theory will recognize the foregoing as a “structural neorealist” view of the world. Structural realists like to paint “the big picture” and postulate “grand strategies”. This sort of theorizing offers dramatic material for politicians’ speeches and media headlines, and it cannot be fully discounted—as IR “constructivist” theorists recognize—because it does suggest the way policy-makers and attentive publics may perceive the world. However, structuralist interpretations are so sweeping and inherently simplistic that they often obscure far more than they clarify. The

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註① Purchasing Power Parity (PPP), utilized by the IMF.

註② The original version of this article was a paper prepared for the 44th Taiwan–American Conference on Contemporary China, National Chengchi University (NCCU), Taipei, Taiwan, Republic of China, December 3-4, 2015.

註③ For example, see a seminal article written with an alarmist tone, Mead: 2014b. See also Mead 2014a and Lo 2008. In addition, see a spirited rebuttal of Mead’s initial article by a leading IR theorist, Ikenberry 2014.

“real world” (as distinct from a “neorealist” world) tends to be much more complicated and nuanced. For instance, realists can convincingly argue that geography gives China a clear “national interest” in the South and East China seas, but cannot tell us the degree to which Beijing will pursue its perceived interest through the exercise of diplomacy, economic initiatives, and/or the use of military force.④ Similarly, there is no way of predicting how and how far Putin’s Russia will actively attempt to establish its control beyond Crimea and various “frozen conflicts”. The new U.S. administration of President Donald Trump—principally by rejecting the Trans-Pacific Partnership (TPP) trade agreement-- appears to be abandoning Obama’s goal of an Asian “pivot”, itself previously upstaged by Russia’s advances and persistent grave unrest in the Middle East. Trump is also distancing the US from its traditional NATO/EU allies and longstanding North American NAFTA partnership. Thus, Washington currently seems to be trending towards isolationism rather than geopolitical engagement, except for (at this writing) an apparent fixation on the North Korean nuclear weapons program.

More directly to the point of this article, the reader should be strongly cautioned against making any leap from IR theory to glib assumptions about China’s OBOR policy. Of course, there is a “power politics” dimension to OBOR and yet Chinese official pronouncements and the initial roll-out of the program have often been strikingly orthodox and “liberal” in economic terms. A more benign interpretation is that China is “merely” seeking to play the role to which it is entitled as a major economy in the existing liberal order, trying to improve its national reputation abroad, looking for places to invest its money, securing a steady stream of resources, and hoping that OBOR will also help encourage restructuring of China’s domestic economy.

In sum, the best approach to understanding OBOR is not through theoretical abstractions, rather a straightforwardly practical one: to trace its antecedents, explain what the policy is and (just as importantly) what it is not, analyze its strengths and limitations going forward, and carefully consider its likely future. That is the plan for this article.

II. Antecedents of the OBOR Strategy

Understanding the OBOR plan—let alone speculating about its future prospects—

註④ As China maritime disputes have escalated, so has the geopolitical talk. For instance, see Clover and Lin 2016. On March 24, 2016, the Brookings Institution held a wide-ranging forum on “The Emerging China-Russia Axis: The Return of Geopolitics.” See the video: Brookings 2016. It is also significant that the Rand Institution think-tank has gone so far as to sponsor a serious study gaming the prospect of a war between the United States and China. See Gompert, Cevallos, Garafolo 2016.

requires us first to take a careful look backwards at the complex domestic and international contexts out of which it emerged.

A. China's Domestic Economy

For six years prior to 2007, China experienced an astonishing economic boom that was primarily export-driven. China's GDP grew at an average rate of 11 percent. Investment rose to 41.5 percent of GNP, the current account surplus climbed to over 10 percent of GNP, and forex reserves also accumulated at an unprecedented rate (Dollar 2015). However, all was not entirely well even before the 2008 global financial crisis, insofar as a number of sectors in the Chinese economy were already beginning to produce to overcapacity.

Then the sudden crisis threatened a severe drop in demand for exports and also (so it appeared for a time) the safety of China's huge dollar-denominated investment stake in United States debt. As Zhou, Hallding, and Han (2015) explain: The Chinese government's response "was to inject the equivalent of half a trillion dollars in a stimulus program for public infrastructure, rail, urban housing, [and] construction—boosting precisely those sectors where inefficiencies were high but demand was slumping." Although China's external surplus dropped to two or three percent of GNP, the increase in investment of over 50 percent of GNP did successfully compensate for the shortfall in demand (Dollar 2015). This "short-term solution" allowed China to escape the crisis years "relatively unscathed". Nevertheless, the surge in "credit-based, supply-driven projects" "encouraged continued lack of accountability" and only exacerbated the problem of overcapacity. Thus, currently, "China's steel sector idle capacity alone is double that of America's steel production, with iron, cement, aluminum, glass, coal, shipbuilding, solar panels, and other industries all facing similarly slumping demand and profit losses" (Zhou, Hallding, Han 2015).

China's annual growth rate drifted down to an official target rate for 2016 of 6.5 to 7 percent (Wildau and Hornby 2016), which at 6.7 percent appears to have been met (Wildau 2017), despite persistent doubts about the credibility of government statistics. The IMF forecast for 2017 is 6.5 percent (Curran 2017). China's December 2016 exports were down 6.1 percent from December 2015 to $209.4 billion (Chan 2017), and in March 2017 the country reported its first monthly trade deficit in three years of $9.2 billion ("China Sees" 2017). The overcapacity situation obviously reflects not only lower demand abroad for Chinese exports but also the fact that China's still is more of a "saving" than "consuming" society. Household consumption is only one-third of GNP (Dollar 2015). There are a host of other economic and related social problems as well.⑤ Technological

註⑤　A good summary is Bradsher 2017.

advance (measured by Total Factor Productivity TFP) has been declining (Dollar 2015), labor shortages have led to higher labor costs (10 percent per year [Dollar 2015]), and Chinese goods are facing aggressive competition from other emerging market countries in Asia and elsewhere. China's overall financial system is seriously troubled by a pervasive debt problem,⑥ undercapitalized shadow banks, out-of-control local finances, many companies with unbalanced budgets and/or unreliable balance sheets, a housing price bubble, poorly regulated stock markets, and endemic corruption at every level. China's national currency, the renminbi (RMB), is still struggling after its internationalization (see below) and requires continual government purchases and capital outflow controls to prevent it from depreciating too rapidly. Almost 2/3 of China's population are officially rural residents under the country's hukou system, and China's urban-rural 3:1 income differential is one of the highest in the world. Although rural citizens may come to big cities as migrants, they are not legally allowed to move there or bring their families, partly because local governments fear that they will not be able to meet the extra demand for social services. (Dollar 2015) Yet another widely publicized problem of Chinese domestic economic development has been the frequently accompanying horrific levels of environmental degradation and pollution. It must be added that successive Plenums of the ruling Communist Party since 2013 have identified the need for sweeping reforms targeting most the problems we have mentioned.

B. China's External Relations.

China's first economic "coming out" (in modern times) occurred after the initiation of domestic economic reforms in 1979. What little PRC trade there was in the 1950s was almost entirely with countries of the Soviet bloc, and indeed the United States and various other Western countries had an economic embargo against China. The Sino-Soviet split only increased China's isolation, and China followed an autarkic economic policy of "self-reliance and independence". However, the 1970s witnessed a gradual *rapprochement* with Japan, the U.S., and some European countries (Guo 2009). In 1979 China and the U.S. established formal diplomatic relations and concluded a bilateral trade agreement, and the following years each country granted the other "most favored nation" (MFN) status. On the U.S. side that status was originally subject to a number of conditions, e.g. freedom of immigration, and had to be renewed annually, but MFN was made permanent after China became a member of the World Trade Organization (WTO) in December 2001 (Morrison 2011). China has been an active member of the WTO ever since, including frequent

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註⑥ China's total corporate debt was $17.8 trillion, and two-thirds of China's companies are highly leveraged—making their debt load the riskiest in the world. Statistics from Kynge 2016.

engagement both as defendant and complainant in that organization's Dispute Resolution System. Over the years China made remarkable progress as a trading nation, rising in the world rankings from 32nd in 1978 to 15th in 1989, 10th in 1997, 6th in 2001, 2nd in 2007—and then to 1st in 2013. The ratio of trade to GNP in China increased from 10 percent in 1978 to more than 50 percent in 2004（Guo 2007, 282）.

The downside of the U.S.-China bilateral trading relationship was that U.S. imports from China rapidly outpaced exports, which resulted in a U.S. merchandise trade deficit that grew to alarming proportions. To put it in perspective, the U.S. 2010 trade deficit with China（$273 billion）was larger than current U.S. deficits with the OPEC countries, the EU27, Mexico, Japan, and Canada combined（total $235 billion）（Morrison 2011, 1）. There was also concern from 1994~2005 that China's peg for the renminbi at about 8.28 to the dollar was so low as virtually to constitute a neo-mercantilistic currency manipulation. That concern, however, diminished in mid-2005 when China allowed the renminbi to appreciate a little and ostensibly adopted a "managed float" policy reflecting a basket of major foreign currencies（Morrison 2011, 20）.⑦

Thus, for a few short years, the economic relationship between the U.S. and China almost looked like a "marriage made in heaven", as two prominent economic historians, Niall Ferguson and Moritz Schularick（2007a; 2007b; Ferguson 2008, chap. 8）described it. In 2007 they coined the term "Chimerica" to describe the "combination" of the Chinese and United States economies. China attracted foreign direct investment from the United States, Americans acquired a growing appetite for inexpensive Chinese goods, and U.S. manufacturing firms enjoyed lower labor costs by outsourcing to China. The People's Bank of China bought billions of dollars of U.S. bonds and this helped to keep interest rates down. Unfortunately, this apparently symbiotic relationship resulted in increasingly severe economic imbalances. China began to accumulate giant foreign currency reserves—$2.4 trillion by the end of 2009, equivalent to more than 50 percent of China's annual output—that began to appear much more than a simple hedge against the kind of volatility Asia experienced during the region's 1997 financial crisis（Ferguson 2010）.

The global financial crisis struck in mid-2008 and forced both the U.S. and China（as well as other countries, of course）to look to stabilize their own economies and then to reassess their relative positions in the global economy. China abruptly halted the renminbi's appreciation and the U.S.-China marriage of convenience looked to be heading for a divorce. As Niall Ferguson（2010）put it, the only question seemed to be whether that divorce would be amicable or lead to truly bitter "currency wars". Although estimates varied widely depending on the theoretical assumptions adopted, there was a broad consensus—shared by

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註⑦　For a full account of the monetary controversy through mid-2013, see Ferguson 2014.

the Obama White House, U.S. Treasury officials, legislators on Capitol Hill, the G20, the World Bank, and the International Monetary Fund（IMF）--that the Chinese were deliberately keeping the renminbi substantially undervalued. Voices from all these quarters, some strident and others more diplomatic in tone, complained about Chinese currency policy and called for a major "rebalancing" of the global economy. A bipartisan coalition from both houses of the U.S. Congress threatened legislation that would levy emergency tariffs against Chinese goods to help bring the trade balance into line. The Obama administration and most U.S. corporate elites urged caution, noting that China was in a delicate political transition stage to a new generation of Communist Party leadership and fearing the outbreak of a full-scale trade war.

Early in 2011 the tensions finally began to ease. China's economy began to show some signs of difficulty（e.g., rising inflation, higher labor costs, worker strikes, and so on）, Chinese imports seemed to be rising faster than exports, and China began to reduce its holdings of U.S. bonds when QE2 increased yields. The renminbi again started to rise, albeit very gradually against the dollar, until the relentless downward slide in China's growth rate lately forced a monetary change in direction. Nonetheless, as we shall note, the sudden dramatic devaluation of the renminbi in August 2015 caught most China watchers by surprise. Meanwhile, amidst all the fluctuations—themselves perhaps an indication of the increasing marketization of China's currency—China persisted in its multi-faceted campaign to further the internationalization of the renminbi and have it accepted as one of the world's leading market currencies（more on this below）.

Another important antecedent of the OBOR strategy has been China's growing role in the global economy as a source of outbound foreign direct investment（OFDI）by state owned enterprises（SOEs）and also private companies. China is relatively new in this role, going from almost nothing a decade ago to more than $100 billion in 2015 alone, which ranks China among the highest *current* exporters of OFDI. Reflecting its late start, China's present stock of OFDI is just 7 percent of its GDP, compared with 38 percent for the U.S., Japan's 20 percent, and Germany's 47 percent. However, by one estimate, China will become the world's biggest holder of foreign assets by 2020, increasing from today's $6.4 trillion to circa $20 trillion（Anderlini 2015）. China's initial OFDI tended to focus on energy and natural resources in developing countries, although there has also been（and continues to be）keen interest in the U.S., the UK, and the EU. One high profile case in the U.S. in 2013 was China's $5 billion acquisition of Smithfield Foods, the world's largest producer of pork products. China has long been effectively barred from investing in U.S. potentially security-related high-tech and energy sectors. For instance, in 2005 Washington barred the China National Offshore Oil Corporation's（CNOOC）effort to purchase UNOCOL, an American oil company, and in 2013 CNOOC was permitted to buy the Canadian oil firm Nexen only

with the proviso that it surrender operating control of Nexen's assets in the Gulf of Mexico. Recently, a longstanding debate over allowing Chinese participation in the UK's nuclear energy sector has apparently been resolved in China's favor.

Now, of course OBOR suggests a much broader geographical spread of priorities. There may be lessons for the future in China's OFDI performance to date. Certainly, as several leading analysts have pointed out, there are various "myths" about the past that need to be dispelled. For instance, Elizabeth Economy（2014）stresses that China is hardly the first rising power in world history to search for resources abroad and that China's search has been more peaceful than former Western imperial powers, although sometimes no less exploitative in practice. China does have advantages over its competitors because it can offer low-cost financing and low-cost Chinese labor, but Chinese companies also have to contend with the perception that they are agents of the state and sometimes suffer a "nationalistic backlash". Moreover, some companies that are not state-owned or even individuals--independent gold-seeking miners in Ghana（as a case in point）－can cause Beijing embarrassment when they ignore local laws and otherwise behave badly（McDonnell 2014）.

Let us look briefly at Chinese investments in Africa and South America. Brookings analysts Chen, Dollar, and Tang（2015）offer a balanced view of the African situation. China has become Africa's largest trading partner with demand for energy and minerals. However, China's investments in Africa stand as less than 5 percent of the region's total FDI, well behind the EU（especially France and the UK）, the United States, and even South Africa. The authors do acknowledge that some Chinese direct investment has been in countries like Angola and Sudan "with poor track records of governance", a record that Council on Foreign Relations authors Alessi and Xu（2015）discuss in more detail. They highlight the "Angola model" in which China provides low-interest loans to countries with bad credit ratings, in exchange for favorable concessions to develop oil and mineral rights. "Complaints range from poor compliance with safety and environmental standards to unfair business practices and the flounting of local laws." For example, Chad castigated China National Petroleum for illegal dumping of crude oil, and Gabon withdrew an oil field permit from a Sinopec subsidiary because of environmental issues. China's policy of noninterference allowed for a profitable flow of arms sales to the likes of Sudan and Zimbabwe. But China's noninterference posture has had to yield to political realities that threatened its investments in Sudan and elsewhere. In 2007 China stopped blocking UN Security Council resolutions to dispatch peacekeeping forces to the Darfur region, and after the secession of oil-rich southern Sudan in late 2014 Beijing sent 700 troops to serve under the UN flag. The previous year China also contributed troops to UN peacekeeping efforts in Mali's restive northern region. Such examples aside, Chen, Dollar, Tang's study（2015）of 2000 Chinese firms in 25 industries across all economic sectors in 49 countries paints a more

favorable picture. Most Chinese investments are in services and manufacturing, not all that concentrated in resource rich countries, more prevalent in "skill-abundant" and capital-intensive sectors, and positively correlated with the rule of law and political stability. One recent success story is the inauguration of the first electric transcontinental railroad in Africa, a 446-mile service from Addis Adaba to the port of Djibouti in the Horn of Africa. China designed the $4 billion system, provided the trains and hundreds of engineers needed to supervise the project, and China's Exim Bank supplied 70 percent of the financing (Jacobs 2017).

China's record in Latin America (for an overview, Myers and Wise 2016) and the Caribbean (LAC) is also a mixed one, with Beijing's investments (perhaps surprisingly) even more concentrated (some 90 percent) in raw materials and commodities than in Africa. Over the last decade, although China's trade with the LAC region has rapidly expanded, it is still only about a quarter of U.S. trade. China meanwhile has become Brazil's largest trading partner, helping to support that country's recent commodity-driven boom, which has now collapsed (Menéndez 2013). Maersk Line, the world's largest shipping company, reported that in January 2016 Chinese exports to Brazil (cars to textiles) fell 60% from the previous year (Donnan 2015). A 2015 multi-university study concluded that Chinese trade and investment in Latin America has been "a major driver of environmental degradation in [Latin America]" as well as "a source of significant social conflict" (Ray 2015). On the positive side, China has invested some $11 billion into infrastructure projects in Argentina, building highways, bridges, a dam, and hospitals (Romero 2015). Argentina's new president, Mauricio Macri, promised to rely less on China and more on the United States and Europe, but is apparently having second thoughts (Patey 2017). Meanwhile, China's major rail projects in Colombia, Honduras, Mexico (unsuccessful bid), and a transcoastal railway through Brazil and Peru—as well as a planned Nicaraguan alternative to the Panama Canal--are all in serious trouble. Brazil has an especially formidable bureaucracy, laws prohibiting hiring foreign workers, "a web of auditing courts, and the capacity of dozens of different prosecutors to cripple megaprojects with lawsuits" (Romero 2015). A "pall of acrimony" over labor conditions and environmental impact also "surrounds the Coca Codo Sinclair hydroelectric plant, Ecuador's largest construction project" (Krauss and Bradsher 2015). China has loaned Ecuador $10 billion since 2009 and today holds 30 percent of that country's external debt and controls half of its oil exports. With oil prices in the doldrums, Chinese policy banks are dangerously exposed both in Ecuador and in Venezuela, where China has invested heavily over the years of the Chávez and Maduro leftist governments (Hornby and Schipani 2015).

The final areas for consideration in the pre-OBOR section of this article are China's strategic/diplomatic relations. China does have a 22,000-kilometer land border that touches

some fourteen neighboring countries, and Beijing has at least minor border disputes lingering with a number of them, including a continuing wrangle with India over Aksai Chin and Arunachal Pradesh. Other longstanding controversies, of course, have been the independent political status of Taiwan and the evolving meaning of "one country, two systems" with respect to Hong Kong. However, most attention recently has centered on China's increasingly assertive pursuit of its sweeping claims to sovereign territories and potentially exclusive economic zones in the South and East China Seas—notably the Paracel and Spratly Islands, Pratas Islands, Macclesfield Bank, and Scarborough Shoal--that are also （variously） claimed by the Philippines, Malaysia, Vietnam, Taiwan, and Brunei. Beijing's claims are largely based on a so-called 9-dash（sometimes 10- or 11-dash）map originally issued by the then-Republic of China in 1947 that purportedly outlined China's "historical" sway over the entire area. Numerous low-violence confrontations between vessels at sea have occurred over the years. China of late has been building airfields and other outposts on "artificial" landfills and has embarked upon a major modernization of its armed forces and expansion of its naval capabilities. The Philippines successfully challenged China's territorial claims by getting them unequivocally rejected in a high profile 2016 ruling by the Permanent Court of Arbitration in the Hague, although the new Philippines president, Rodrigo Duterte, has opted for a somewhat less confrontational approach. The United States continues to send warships and reconnaissance vessels into the disputed waters to underline its non-recognition of Chinese sovereignty. The United States has also become increasingly vocal complaining about Chinese cyberspace "hacking" into U.S. national security networks and industrial espionage. Thus, in the foregoing respects, China's "rise" has appeared to be decidedly less and less "peaceful" over time.

Eminent China scholar David Shambaugh's（2013, 6-10）assessment seemed to capture China's then-geopolitical standing rather well. He argued that China at that stage was only a "partial power", because its global influence was limited to its significant impact on trade, commodity and energy markets, finance, real estate purchases, and tourism—and, in a negative sense, its usual hyper-resistance to international initiatives that might impinge upon national sovereignty. Militarily, except for ballistic missiles, a small space program, and cyber mischief-making, China was not（yet）able to "project power outside of its Asian neighborhood." Most important, despite its impressive economic "rise", China lacked significant "soft power" because its development model is unique and its intransigent positions on human rights, maritime territorial issues, Taiwan, Tibet, and Xinjiang made it more likely to be feared than admired. In sum, Shambaugh maintained, "China is a lonely power, lacking close friends and possessing no allies." Its relations with Russia, Pakistan, and North Korea involve a strong measure of "distrust". On the other hand, Shambaugh did acknowledge that Pew poll data suggested that there was a widespread perception among

"global publics" that China either already had or would eventually replace the United States "as the world's leading power."⑧

Not long ago one might well have asked what effect the Silk Road aspect of OBOR（see below）would be likely to have on the US "pivot" to Asia. That question now appears moot because of the shocking isolationist and anti-trade turn in US domestic politics, reflected as early the 2016 presidential campaign, when Hilary Clinton as well as Trump both declared themselves to be opposed to the now moribund TPP. Most knowledgeable observers had long argued that that treaty was always as much or more about US strategic engagement in Asia than it was about trade.

III. The OBOR Strategy

Xi Jinping formally assumed office as China's President on March 14, 2013, and he announced his country's new OBOR plan only a few months later during his state visits to Kazakhstan and Indonesia. The plan involves two main linked initiatives, a "Silk Road Economic Belt" and a "21st Century Maritime Silk Road." The first "belt" is intended to run overland from Xi'an in central China, across Central Asia and Russia to Europe（eventually as far as Moscow, Rotterdam, and Venice）. The second maritime part of the "road" will begin from the Chinese shore to key ports in the South China Sea, the Indian Ocean, and Africa, and continue through the Red Sea and（via the Suez Canal）into the Mediterranean. Chinese official estimates optimistically proclaim that OBOR programs will ultimately affect 4.4 billion people in more than 65 countries（65 percent of the world's total）and that trade with participating countries could reach $2.5 trillion within a decade（Stokes 2015）. The OBOR countries' combined GDP is 29 percent and trade volume is more than 60 percent of the global total, with China already established as the main trading partner of many of them（Lu Xinhong 2015）. In fact, the list of countries involved is still not entirely clear. Latin America and Africa—where, as we have seen, China has already made substantial investments--are not（yet）directly included. However, Africa's participation seems somewhat more probable because of two developments in 2015. China and the African Union signed a Memorandum of Understanding（MOU）pledging the parties to connect all 54 African countries through modern highways, high speed railways, and upgraded airports; and former World Bank chief economist Justin Yifu Lin proposed adding Africa to make OBOR "One Belt, One Road, One Continent"（Sun 2015）.

OBOR's initial focus will be on major infrastructure projects, including building a

註⑧ See also Shambaugh's（2016）gloomy predictions about Chinese politics.

network of roads and railroads, oil and gas pipelines, and improved ports along the entire Belt/Road circuit. Additional goals for participating countries are greater financial integration around the use of China's renminbi currency, trade and investment liberalization (although, thus far, no formal free-trade agreements), and much greater IT connectivity. As Kennedy and Parker (2015) observe: The plan is "notable for its mixing of traditional Chinese diplomatic language (e.g., emphasizing sovereignty and nonintervention) alongside a newer rhetorical focus on adherence to high standards and international norms and the 'decisive' role of the market and industry in driving the initiative." That said, "it remains to be seen" how much "market forces and commercial considerations will…play a critical role."

Projected total investment for OBOR is $1.4 trillion or twelve times the size of the Marshall Plan's $120 billion (in today's dollars)(Zhu 2015). Financing is supposed to come from several main sources. Directly dedicated to the program is China's $40 billion Silk Road Fund (Jin Qi, chief executive) that began operations early in 2015. The Fund is supported by the China Investment Corporation (China's sovereign wealth fund), the China Development Bank (CDB), the Export-Import Bank of China, and the State Administration of Foreign Exchange. In April 2015 the government revealed a recapitalization plan that would inject $32 billion in forex reserves into the CDB, $30 billion into the Exim Bank, and a further unspecified amount into the Agricultural Development Bank. These three state-owned non-commercial lenders are collectively known as "policy banks" because their principal mission is to help finance China's high-priority infrastructure and other projects both at home and abroad (Wildau 2015). Probably starting with Central and Southeast Asia, the Silk Road Fund's initial concentration is expected to be on transport infrastructure (Economist Intelligence Unit 2015). Jin Qi has insisted that "market-oriented principles' will prevail so that the Fund's shareholders will receive adequate returns. In her words: "When we make an investment decision, we will design an exit channel for it," including stock market listings, government transfers, or selling the project back to the main businesses involved (Ren 2015).

Another significant source of OBOR funding will be the Asian Infrastructure Investment Bank (AIIB) that began operations early in 2016. China's proposal for and offer of a substantial financial contribution to the AIIB accompanied the OBOR initiative in late 2013. The AIIB proposal met immediate resistance from the United States and other critics who were plainly suspicious of China's geopolitical designs and argued strongly that the new bank would undermine existing international financial institutions (IFIs) like the World Bank and International Monetary Fund (IMF). The Obama Administration was then considerably embarrassed when some 20 regional states and 27 non-regional states quickly expressed their interest in joining the AIIB and 50 states signed the Charter at the inaugural

ceremonies in September 2015. Although Japan at least temporarily chose to stay outside with the United States, the list of members soon included Russia, India, Brazil, South Africa, and Egypt as well as U.S. close allies like the UK, most EU governments (e.g., Germany, France, Italy), Australia, and even Israel. The World Bank and IMF in due course also endorsed the AIIB, and President Obama changed to his public stance to cautious optimism when President Xi paid his first state visit to Washington. In March 2017 thirteen new members joined the AIIB—Canada, Belgium, Ethiopia, Hungary, Ireland, Peru, Republic of Sudan, and Venezuela, as well as Hong Kong, Afghanistan, Armenia, Fiji, and Timor Leste—bringing the total membership to 70 (Reuters 2017). The AIIB expects to admit twelve or so additional members by the end of 2017 (Kynge and Pilling 2017).

The AIIB started with $50 billion capitalization and rapidly reached its target of $100 billion. Currently, China's share of the total is nearly one-third, and China holds 26 percent of the voting rights, just above the de facto veto level when the bank requires a three-quarters majority vote for some decisions (Kynge and Pilling 2017). Beijing's argument for the need for the AIIB was multifaceted and obviously persuasive. China and other emerging countries had long been waiting for an increase in the resources and reform of the governance structures of existing IFIs to allow them greater voting rights. An international treaty to that effect for the International Monetary System and World Bank had been reached but appeared to be hopelessly stalled by Tea Party conservatives in the U.S. Congress, which also (adding insult to the Obama administration and important U.S. business interests) subsequently halted funding for the U.S. Export-Import Bank. However, in mid-December 2015, no doubt responding to the imminent inauguration of the AIIB, Congress finally passed the IFI reform measure. There were also complaints from potential applicants about the World Bank's stringent requirements for loans, its glacial review process for applications, and its shifting focus in recent years from infrastructure to poverty reduction projects. Moreover, although China's GNP (depending on the measure) is as great, greater, or at least two-thirds that of the United States,⑨ China's World Bank voting share (before the reform) remained just one-third that of the U.S. China also pointed out that estimates suggest that the future need for infrastructure investment in Asia alone will be about $8 trillion or $750 billion per year, far beyond the lending capacity of traditional IFIs. The Asian Development Bank's lending capacity is only $13 billion per year, and China's voting rights in the ADB are only a third of Japan's, although China has double Japan's GDP. Of

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註⑨ In fact, China's per capita GDP (in the latest PPP figures, for 2014) was $12,880 vs. $54,597 for the U.S., putting the U.S. in 11th place and China in 90th, comparable to the Dominican Republic and Grenada (http://statisticstimes.com/economy/countries-by-gdp-capita-ppp.php). Of course, GDP per capita obscures huge income inequalities in both the United States and (even worse in) China.

course, China's voting rights largely reflect their contributing shares to other IFIs, but China spokespersons asked, what exactly is China supposed to do with its astonishing accumulation of foreign currency reserves? (Yifan 2015) The AIIB and OBOR provide a substantial part of the answer.

In late October 2015 the Chinese president-elect of the AIIB, Jin Liqun (formerly a high-level Chinese official), declared that the new bank will be "clean, lean and green." It will insist on tough environmental and social standards while moving much more rapidly with fewer bureaucratic barriers than other IFI's. The AIIB will not have a resident board micromanaging policies and projects—rather a broadly representative non-resident Board that will set general policies--and over time most loans are expected be made at the discretion of management (not least Jin himself). The first set of four loans totaling $509 million were announced late June 2016 and included three projects co-financed with the World Bank, ADB, and the European Bank for Reconstruction and Development. The AIIB extended $1.7bn of loans in 2017, exceeding its target for its first full year of operation, including several cooperative projects with other international banks (Hsu 2017). In February 2017 the AIIB also entered into an agreement with the International Finance Corporation (IFC) to enhance cooperative infrastructure financing in Asia (Bermingham 2017).

Jin early-on emphasized: "This is not a Chinese bank. This is a bank owned by all of the [member country shareholders]. And in the future there will be more members, right?" Jin added: "We are very inclusive" and said the U.S. and Japan were welcome to join, although the addition of major economic powers would require a significant increase in the bank's capitalization which (China is keenly aware) rival powers might be reluctant to fund. Jin pledged to recruit an international staff, drawing even from non-member countries like the U.S., and to pay the staff tax-free salaries like the World Bank. The AIIB will also have a research division that will favor sectoral analyses rather than the type of macro-level research conducted by the World Bank (Donnan and Sevatopulo 2015). Significant moves towards internationalization have been granting Britain one of the twelve seats on the AIIB's Board of Directors and the recruitment in February 2016 of Danny Alexander (formerly chief secretary to the British Treasury) as a senior executive (Allen 2016). Inclusivity to date, it must be noted, has not extended to admitting Taiwan (despite its application), so to that extent the AIIB is a very Chinese bank—albeit in this respect, like other multinational development banks (MDBs, e.g.. the Asian Development Bank) that have been reluctant to offend China by admitting Taiwan. One AIIB rule pointedly limits membership only to sovereign states. In fact, as Ian Tsung-Yen Chen (2016, 101) has stressed, China's plainly dominant role is the biggest problem for the future legitimacy of the AIIB. He writes: "The AIIB is just another development agency with a power structure problem, but this time it is

one that is led by China." By his measure, China has a stronger veto power in the AIIB than the United States in the World Bank and Japan in the ADB. Indeed, it will be important to watch—as more countries continue to join and contribute to the AIIB—whether China will permit its veto power to be eroded or even be willing to relinquish it altogether.

A third future source of funding for some OBOR projects could possibly be the prospective Shanghai Cooperation Organization (SCO) Development Bank. The SCO began in 1996 as the Shanghai Five but in 2001 adopted its new name with the addition of Uzbekistan to founding members China, Russia, Kazakhstan, Kyrgystan, and Tajikistan. SCO has two new acceding members, India and Pakistan, four observer countries, and six so-called dialogue partners. There are two permanent headquarters, the Beijing secretariat and the Regional Anti-Terrorist Structure (RATS, unfortunately) in Tashkent. As might be expected with such a diverse membership, SCO has thus far been underfunded, mainly a public relations forum, and at best a place for "frenemies" to explore possible cooperation in energy (Kazakhstan, Russia, and Turkmenistan have some of the world's largest oil and gas reserves), infrastructure development, and other fields. In 2010 China proposed the establishment of a SCO Development Bank, which Russia was unwilling to support, although the recent Russia-China geopolitical rapprochement (see below) might bring about a change in Russia's position (Albert 2015).

Another and less-direct form of financing will come from China's bank card organization Union Pay, which is rapidly expanding its presence in OBOR countries. For example, Union Pay has announced that its card's acceptance in Kazakhstan has risen to some 60 percent of ATMs and 40 percent of point-of-sales terminals (Economist Intelligence Unit 2015).

Whatever the sources of funding, it should be recognized that China's OBOR ambitions have been closely connected to its drive for RMB internationalization and formal acceptance as a global reserve currency in the IMF's Special Drawing Rights basket, which campaign finally succeeded late in 2015. OBOR target countries would help considerably to extend a "renminbi zone" that is bound to follow upon the Chinese currency's steady advance and legitimization in recent years.

The path to and after RMB internationalization proved to be long and difficult, especially in late 2015 and early 2016. Although by the end of 2014 the RMB was still only the ninth most actively traded currency globally, China had arranged bilateral swap agreements with 28 countries, established RMB clearing banks in 14 countries and regions, and made extensive use of offshore outlets. China also created the China (Shanghaii) Pilot Free Trade Zone and the Shanghai-Hong Kong Stock Connect program (Lu Xinhong 2015). The IMF announced in May 2015 that the RMB no longer appeared to be undervalued. In my view, the IMF's December decision to accept the RMB as a reserve currency was, at that

stage, primarily political—based on China's major power stature, the sheer size of its economy, and Beijing's political elite's hypersensitivity to status "slights"—rather than economic, in the sense of the actual market-readiness of the renminbi. This view, I would argue, was amply supported by the renminbi's subsequent wild fluctuations in value and general economic turmoil in China. Chinese officials for some months struggled (and blundered), caught between the tradition of state control and the new goal of more accommodation to free market forces. The RMB went into sharp depreciation mode, Chinese stock markets briefly lost up to 35 percent of their value, and China experienced massive capital outflows. The People's Bank of China's (PBoC) immediate response was to pump in circa $100 billion a month from its forex reserves—a total of over $470 billion ⑩--to support both stocks and the national currency. When that intervention seemed to have exactly the opposite effect, Chinese policymakers were eventually forced to let the markets take their course, except for the reimposition of significant capital outflow controls. The PBoC further muddied the waters by stating its intent to key the renminbi's value to a basket of 13 currencies rather than to the U.S. dollar alone (Mitchell and Waldmeir 2016). At this writing, the more market-oriented currency strategy has produced mixed results. The RMB has continued to depreciate gradually, but the currency is now much more stable (Hughes 2016) and a depreciated RMB is helpful for Chinese exports. Also, Beijing's obvious herculean efforts to bolster the renminbi helps to blunt the frequent Washington complaint that China is deliberating keeping its currency substantially undervalued. Meanwhile, the RMB dropped to sixth ranking in international payments, behind the US dollar, euro, pound sterling, yen, and the Canadian dollar (Wildau 2016).

With easier currency convertibility, an important question remains about the degree to which the Chinese government will eventually be willing to permit a much freer cross-border flow of capital and foreign investment. For instance, China's $5 trillion bond market is the world's third largest, but "foreign ownership of onshore Chinese corporate and government bonds remains tiny because of Beijing's restrictions on inflows" (Kynge 2015b). Lu Xinhong (2015) also observes: "At present, China's macroenvironment is stable and foreign exchange reserves are abundant, but the level of financial supervision is still very far behind the developed economies, the opening level of the financial industry is still in the primary stage, the financial system still has much room for improvement, and the country still lacks experience in coping with international financial risks. With all these factors, any premature opening of the capital account is likely to cause great risks to China."

註⑩ Recent spending has reduced China's forex reserves from a 2014 peak of about $4tn to about $3tn, still far larger than those of any other country.

IV. OBOR UNDERWAY: THE FIRST YEARS

OBOR was only announced in late 2013, so it is still early days in establishing the program's leadership, institutions, funding, and specific projects involved. In mid-October 2015, for example, two journalists reported: "There is…no indication yet of how it will run—through its own bureaucracy, or as separate departments in different ministries and policy banks. With foreign governments and multinational banks eagerly following the Delphic utterances from Beijing to understand what it means, the vagueness and confusion has not gone unnoticed. 'If you want to talk to the Silk Road,' says a diplomat from a neighbouring state, 'we don't know who to call'" (Clover and Hornby 2015). Hence it is definitely premature to try to describe the OBOR strategy's implementation in detail or certainly to try to predict its future with confidence. What follows here, then, is just a snapshot of OBOR's apparent current scope and a sample suggesting the range of projects to date.

A widely-quoted survey by London-based merchant bank Grisons Peak found that Beijing has been following through on its commitment to the countries along its OBOR route. Excluding Latin America and west/central Africa, 76 percent of total overseas China state lending (2014~March 31, 2015) went to OBOR countries. There were 67 loans together worth $49.4 billion, of which 52 percent of loans went to infrastructure like road, rail, and power projects. Some 70 percent of loans had some link with a China-based corporation. The survey also found that interest average rates charged appear to have risen gradually from 2 or 2.5 percent to 4 or 4.5 percent (Kynge 2015a).

China has also been rapidly building air connections with OBOR countries, which is less expensive and quicker to accomplish than roads and rail. Beijing has built 15 new airports and expanded 28 existing ones, and in 2015 had 51 such projects in progress. In addition, China's Civil Aviation Administration has promised to allow carriers from Central and South Asia to establish more direct-link service to China (Knowler 2015).

According to a report from the Economist Intelligence Unit, all 31 Chinese provinces have pledged to participate in the OBOR strategy, and two-thirds have made this an official development priority. For instance, western Qinghai is improving its air, road, and rail networks and is building a logistic center and bonded warehouse. The province's Xining Special Steel will provide products specially designed for OBOR infrastructure projects abroad. Wealthy coastal Guangdong is building a power plant in Vietnam, banana plantations in Southeast Asia, and an oil refinery in Myanmar (Economist Intellligence Unit 2015). In its way, although it is sometimes called China's "Wild West," no part of the country is more

central to OBOR than Xinjiang Uyghur Autonomous Region. Xinjiang has the country's largest natural gas reserves, 40 percent of its coal, and 22 percent of its oil—and it is the gateway to even larger energy resources in Central Asia. State financial transfers to Xinjiang from 2009-2014 were almost twice what had been sent in the previous 54 years and some of the richer Chinese provinces have themselves invested about as much in 4,900 aid projects. Unfortunately, from the standpoint of stability, Xinjiang is also home to thousands of Muslim Uyghurs who have sometimes violently expressed their resentment of Han Chinese who have increased their share of the province's population from 6 to more than 40 percent（Mitchell 2015）.

Pakistan is another country of major strategic interest for OBOR. Ritzinger（2015）observes that "[c]lose relations between China and Pakistan are certainly nothing new and are generally framed in terms of the two countries' mutual rivalry with India." Their relationship has often been described as an "all-weather friendship" encompassing diplomatic cooperation, economic interests, and military matters. "China has proved to be a reliable alternative for Pakistan to the United States in providing military assistance, including support for its nuclear program." Beijing does worry about a possible terrorist network between Xinjiang Uyghurs and Pakistan's "lawless" western regions. China is the leading source of Pakistan's imports and its number two export destination, but Pakistan trade is "negligible" in the overall Chinese economy. The two countries have had joint infrastructure projects, most notably the Chinese construction of the Arabian Sea Gwadar port along the Strait of Hormuz—allowing energy to reach China through planned connecting pipelines--and the famous Highway between Pakistan and China over the Karakoram mountains. Now China is investing a further $46 billion in Pakistan to improve the China-Pakistan Economic Corridor（Ritzinger 2015）. Another commentator notes that pledge is 53 percent more than the United States has given to Pakistan in the previous years combined（Durden 2015）. China will pay the Pakistan cost-share of the long-delayed Iran-Pakistani pipeline, but the "flagship project" will be a rail corridor across the two countries. The Karakoram Highway will be upgraded, and the key goal is a direct link between the port of Gwadar and the Xinjiang city of Kashgar（Ritzinger 2015）.

President Xi has also promised new investment of $40 billion for infrastructure projects in Central Asia,⑪ which is all the more welcome because of recession in Russia and low commodity prices generally. Toktomushew（2015）stresses that this should be seen in light of the fact that China had even earlier passed Russia to emerge "as the major economic player" in the region. China is Central Asia's leading trading partner, with totals（according to the IMF）escalating from $1.8 billion to $50 billion in 2013（Farchy 2015）. Chinese

註⑪　For a careful in-depth view of OBOR in this region, see Cooley 2016.

companies now own one-fifth to a fourth of Kazakhstan's oil production, about the same share as the national oil company. China is the principal customer for Turmenistan's natural gas, buying 61 percent of it in 2014 (Farchy 2015). China National Petroleum Corporation (CNPC) has broken Gazprom's gas monopoly in the region, in no small part because of the China-Central Asia pipeline, which is "three separate enterprises with 50% ownership between China and Kazakhstan, China and Uzbekistan and China and Turkmenistan." China has further important investments in the Atyrau-Alashankou oil pipeline and the Turkmenistan-China gas pipeline (Toktomushev 2015). Meanwhile, China has become "de facto the region's largest leader and source of development finance." For example, China's loans and grants represent "more than half of Kyrgystan's external debt" and 40 percent of Tajikistan's debt (Toktomushev 2015). Beijing's anticipated $6 billion of investments in Tajikistan over the next three years would be equal to two-thirds of that country's annual GNP (Farchy 2015)

V. Possible Knots in the Belt and Bumps in the Road Ahead

There is no doubt that the overall OBOR strategy is impressive and it has gotten off to a generally impressive start. Nonetheless, a number of serious challenges and problems are likely to lie ahead.

The most fundamental concern is the outlook for China itself, especially of course the economy but also the country's authoritarian political system, social strains, and natural environment. China's Communist Party has accomplished a difficult transition to a new generation of leaders, and Xi Jinping has proved to be a popular and effective President. However, over the longer term, one has to wonder whether the present governance structure and administration are truly up to the task of "managing" anything as immense and complex as modern China. The bureaucrats' initially unsuccessful attempts to control the devaluation of the renminbi and near-collapse of the stock market do not inspire confidence, and the Chinese government has made very limited progress in engineering urgent economic reforms. Almost certainly, even the much-publicized campaign against corruption has only scratched the surface of that pervasive problem.

China's "rise" and optimism about its future has been sustained over the years by record growth rates, which themselves were the result of a boom in exports and supported (during the global financial crisis) by a vast expansion of credit and other government pump-priming. The years of "overheated" growth in China have clearly drawn to an end, which is reflected in the government's lowering of its annual growth rate target to between 6.5 and 7

percent. Leaders have acknowledged that the old export-oriented growth model—while certainly not to be abandoned entirely—needs to be supplemented and perhaps eventually replaced by a model aimed at increasing domestic consumption, cautiously loosening state-controls, and gradually opening the country's economy to global market forces. This has customarily been characterized as the need for "reform", "restructuring", or "rebalancing". However, the latest slogan is even more liberal (in the conservative economic sense) and Western, as journalist Chris Buckley (2016) observes: "President Xi Jinping has begun pushing a remedy that sounds less like Marx and Mao than Reagan and Thatcher. Mr. Xi is calling his next big economic initiative "supply-side structural reform", a deliberate echo of the nostrums of tax cuts and deregulation advocated by those conservative Western leaders in the 1980s." Chinese leaders also seem to recognize that a continuing economic slowdown may raise questions about their competence and potentially lead to dangerous social strains. These concerns may be part of the reason for increasing authoritarianism at home and fanning nationalist passions through vigorous pursuit of territorial claims in the South and East China seas.

For our specific purpose here, the key related questions for the future are whether China will actually be able to "afford" and bureaucratically "orchestrate" any program as supremely ambitious as OBOR and the extent to which OBOR may be able to help moderate the country's pressing "overcapacity" problem. The answer to the first question is that the jury is still out and will remain so for many years. Most experts agree that the answer to the second question is "not very much." As Simfendorder (2015) expresses it: "China is simply too big and most of the Silk Road's economies too small. Just consider that China's five largest provincial economies would rank among the Silk Road's 10 largest economies; or the fact that Bangladesh, Cambodia, Laos, Mongolia, Myanmar, Pakistan, and Tajikistan collectively have a GNP smaller than southern Guangdong province." Dollar (2015) comments that "just in steel alone, China would need $60 billion per year of extra demand to absorb excess capacity." Furthermore, Zhou, Hallding, and Han (2015) remark, it is "not entirely clear to what degree low-end industrial production will be used to support the initiative." There are also the "difficulties and expenses of transporting bulky and heavy equipment abroad." Meanwhile, domestic infrastructure projects to connect China to the outside world "again amounts to yet another massive stimulus package for hard industry" and "will only delay the shift to a balanced economy that needs to take place."

Literally beyond the task of managing the domestic economy, China's bureaucrats and SOEs have not had the greatest track record in identifying and executing sound and profitable projects abroad. In the future, a number of debtor countries will no doubt have grave difficulty paying back their loans, and Kennedy and Parker (2015) note, "many of the proposed projects could well end up as little more than a series of expensive

boondoggles." Moreover, any "major increase in the scale of [the external activities of Chinese companies] increases the risk of damaging political blowback." We have already noted earlier problems that Chinese projects have encountered in Latin America and Africa, and there are examples in Asia as well. Sri Lanka is a particularly nettlesome case in point. The former prime minister awarded several large contracts to Chinese SOEs, with the result that nearly 70 percent of the country's infrastructure projects have been funded and built by China, and the national debt tripled. Then the January 2015 election brought a new prime minister, Maithripala Sirisena, to power, who alleged there had been widespread corruption and put at least a temporary halt to two-dozen projects, including a $1.4 billion port project in the capital Colombo (Economist Intelligence Unit 2015). In February 2015 Cambodia announced that it was suspending (at least until 2018) a $400 million Sinohydro Corporation dam project, because NGOs had raised environmental concerns. In Myanmar in 2011 a newly elected reformist government tilted more towards U.S. influence and suspended a dam project to be built by China Power Investment (Economist Intelligence Unit 2015). Aung San Suu Kyi, since her electoral victory in November 2015, has adopted a more even-handed approach and attempted to mend relations with China with a state visit to Beijing. Her position is that Myanmar will welcome responsible investment from all sources but under stricter rules (Bowman 2016). Meanwhile, her new government is reviewing the dam project and (along with Laos and Cambodia) has accepted Chinese military aid (Clover and Lin 2016). Another favorable political shift for China, as we have noted, has been the election of Duterte as president of Phillippines, soon after his predecessor had won a headline legal victory in the Hague against China's maritime claims. Duterte has expressed his intention to distance his government from his country's longstanding alliance with the United States and to seek closer relations, investment, and trade with China. Regarding Central Asia, Cooley (2016) observes: "[T]he construction of new roads and railways may well expand commerce and offer new economic opportunities; however, in other political circumstances, new high-profile projects may highlight ethnic and social cleavages, increase political competition over rents and income streams, and unleash anti-Chinese populist appeals."

As Stokes (2015) puts it: "The success of One Belt, One Road will depend on the cooperation of capricious regional and local leaders [who] especially in Central Asia and the Middle East, draw from centuries of experience playing foreign powers off one another to gain personal political and financial advantage….Challenges posed by non-state actors layer on additional political risks that China is unaccustomed to handling. The Taliban in Afghanistan, the Islamic State [ISIS] in Iraq and Syria, and the Houthis Yemen all threaten Chinese investments and key transit points along proposed trade routes." Thus there is obviously going to have to be a prominent physical security dimension to OBOR that will

inevitably involve a need for some level of military protection. Zhu（2015）notes that OBOR commits China to building an astounding 81,000 kilometers of high-speed railways, which is more than the current world total. He asks: “Who is going to protect so many projects covering so many countries?” and reminds us, as an example, that the Kashgar Gwadar economic corridor—designed to link western China and Pakistan with roads and pipelines and send electricity to Pakistan—“passes through some of the world’s most vulnerable and conflict-ridden territory.” In fact, Pakistan has promised to assign 10,000 of its troops to guard Chinese projects, and U.S. forces have so far protected a Chinese copper mine in Afghanistan that（understandably）has suffered many delays. Many other countries will surely pledge and attempt to provide adequate internal security as well. Yet it is certain that China will have to raise and equip rapid-response army, naval, and air units and sometimes have to provide on-the-scene protection themselves. How receptive will OBOR-involved countries be to having Chinese “boots on the ground,” let alone stationed on their soil, aircraft flying sorties, and/or naval vessels using their ports and facilities? A Philippine scholar comments Indian Ocean states were nervous enough about an earlier visit of a Chinese submarine to Colombo, a rumor that China intends to establish a naval base in the Maldives, and Pakistan’s invitation to China to set up a naval base in Gwadar（Blanco Pinto 2015）.

VI. CONCLUSION: OBOR AND THE RETURN OF GEOPOLITICS

The historical “Great Game” of imperial powers now has a revised set of players and geographical scope that includes but is far broader than Makinder’s Eurasian Heartland and even extends into Arctic regions. As we discussed at the beginning of this article, various analysts have characterized these developments as a “Return of Geopolitics”. Gone is the postwar era of assured United States hegemony and its presumed accompanying liberal economic and democratic political order. Indeed, although thus far more volatile and unpredictable than any US administration in recent history, the new Trump administration appears to be trending towards isolationism and only erratic engagement with its traditional allies and rivals in the international system. Europe too, facing Brexit and other internal strains, is in relative disarray. Russia after its Ukrainian aggression is “back” in terms of its resurgent ultra-nationalism and reconstructed imperial designs, while paradoxically experiencing a partially self-inflicted deep recession and pariah status in much of the West. China has enjoyed a meteoric peaceful economic rise that now seems to be transitioning to a

very uncertain "new normal",[12] even as Beijing is embarking on its bold OBOR strategy and threatening neighboring countries with forceful pursuit of its sweeping territorial claims in the South China and East China Seas.

China's amazing economic progress, its dramatic OBOR policy, and the elevation of its national RMB currency to SDR reserve status all confirm China's long-desired status as a leading global economic power. In fact, ironically, commentators at the recent Davos Economic Forum characterized China as the only remaining great power "grown-up" and defender of liberal globalization. This status further propels China into the aforementioned Great Game and "places" on the playing board where its major rivals—especially Russia and the United States--already have a strong presence and probably further designs. Classical realist analysts would no doubt predict a coming protracted struggle over competing national interests and perhaps even direct military confrontation, all the more dangerous because all parties have nuclear weapons. Yet, this article argues, there is every reason to try to prove the realists at least partially wrong, eschew violent outcomes, and explore "win-win" outcomes wherever they may exist.

For its part, Russia has long been concerned about relentless Chinese migration and settlement into eastern Siberia. More to the point here, Russia has also considered that its sphere of influence extends over resource-rich Central Asia, where indeed a number of the independent countries there were part of the Soviet Union. Today that history offers a reason both for and against closer ties with Moscow. Russia has made agreements with several Central Asian governments to build pipelines, which the Chinese have done as well. As we have noted, Russia to date has blocked the Shanghai Cooperation Association from undertaking major economic initiatives including the creation of the China-proposed SCO Development Bank. However, the geopolitical situation currently seems to be shifting as Russia post-Ukraine has found itself diplomatically estranged from the West and in severe economic recession because of sanctions and depressed oil and gas prices. As a result, Putin has drawn closer to Beijing and may feel obliged to trade some influence over Central Asia for the benefits of Chinese investment in the region and Russia itself (McBride 2015). There is even some speculation about a possible China-Russia anti-American alliance.

We have discussed the pre-OBOR story of U.S.-China relations in recent years, omitting frictions over human rights in China, Taiwan, Tibet, as well as Washington's often fruitless efforts to get China to support more constructive multilateral efforts. China (as noted), has given some self-interested support to UN peacekeeping, famously did not veto the UN Security Council resolution endorsing the first Gulf War, and has participated in the anti-pirate campaign off the coast of Africa. There has also been some recent encouraging

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註[12] A thoughtful recent assessment is Wolf 2016.

bilateral progress on environmental goals (now threatened by Trump's reversal of key Obama regulations) and cyberwarfare. However, it must be stressed that the top of U.S. foreign policy agenda with regard to China cannot help but continue to be trade and U.S. investment issues, the need for China's support in curbing North Korea's nuclear program, and looming threats to security in the South and East China seas—thus not primarily China's extension of influence through OBOR. Be that as it may, China's strategy in Central Asia does touch upon some U.S. perceived interests there, most of them at least related to the virtually hopeless task of stabilizing Afghanistan when and if the U.S. finally manages to disengage. Washington has been eager to see the emergence of a regional energy market, linked private-sector investments in Afghanistan and Pakistan, and the building of a proposed Turkmenistan-Afghanistan-Pakistan-India pipeline. In all of these matters there is potential for rivalry between the U.S. and China, but also for mutual benefits.

Interestingly, after its initial worries about the now-defunct TPP, China came to the official conclusion that the proposed agreement posed few risks and might even have had some positive aspects for China, not unlike China's membership in the WTO. For example, He Yafei (Vice Minister, Overseas Chinese Affairs Office of the State Council) observed that only limited trade transfer was likely to occur with TPP because 80 percent of TPP members' exports to the U.S. were already duty-free while an even larger percentage of China's manufactured goods have that status. "So, by and large, the TPP [would] mostly concern agricultural produce from the U.S., Japan, Canada and Australia." In He Yafei's (2015) view: "The TPP [would] mainly [have affected] China's medium and long-term domestic economic policy reforms. As a regional FTA, the TPP [put] more emphasis on "within border" policies and rules associated with trade like IPR protection, labor standards, environmental protection, and SOEs than "on border" trade barriers. Many [TPP rules] certainly [fell] within the purview of further reforms in China….These new standards…could also be opportunities for China to pursue." Much the same might be said of the innovative approaches even now taking shape in the AIIB, as a spur to improve performance at the World Bank and other IFIs, in addition to injecting needed investment into the target region (Yifan 2015). Already, as we have mentioned, the AIIB's advent obviously convinced the U.S. Congress finally to approve long-overdue IFI voting reforms. Although few clear or consistent foreign policy positions have as yet to emerge from the Trump Administration, there have even been rumors that Trump and his team might be starting to rethink US skepticism about the AIIB and in due course could decide to join (South China Morning Post 2017).

It may well be that just this sort of win-win thinking offers the best hope for improving constructive cooperation between the United States and China as the OBOR strategy proceeds in the years ahead. China's investments will extend its political influence and

potentially close off some economic sectors in particular countries to US investment. On the other hand, a rising tide of infrastructure development and other projects could generate ample opportunities for all concerned. That said, any positive forecasts will have to be abandoned should Washington initiate a full-scale trade war with China and/or if military confrontations escalate over North Korea or in the South or East China Seas.

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中國的一帶一路政策、中美關係和地緣政治回歸

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摘　要

中國 2013 年下旬所提出的「一帶一路」計劃（或戰略），是已堪稱全球最大經濟體的中國所提出一套大膽的新對外投資計畫。「一帶一路」旨在解決國內持續存在的問題，探索海外新興投資機會，推動中國在快速變化的地緣政治環境中成為全球力量。本文建議讀者避開任何地緣政治國際關係理論或方法假設。本文將試圖追蹤「一帶一路」的來路，解釋此政策是什麼或不是什麼，分析其優勢和局限性，並考慮其可能的未來。文章首先從「一帶一路」的出現和進展，仔細審查複雜的中國內外背景，以中國決策者、財政來源以及相關機構如新興亞洲基礎設施投資銀行，和到目前為止已批准的各個地區的項目來檢視該計畫。進一步將焦點集中於說明潛在挑戰，從中國自身經濟，政治制度和社會的弱點到東道國可能遇到的許多問題，這些挑戰威脅著「一帶一路」倡議的成功。文章的結論是，中國的「一帶一路」具有「回歸地緣政治」的可能，即將世界分為相互競爭的集團和勢力範圍的潛力，但這並不表示「一帶一路」應被視為具威脅性的主張。雙贏的結果仍是可能的，因為對基礎設施和其他項目的投資鼓勵增長，可能為所有人帶來更多的機會。

關鍵詞：一帶一路、中國、美國、地緣政治

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