

Silk Road and Post-2015 Development Agenda

Sergey Lukonin

Director, Center for Economic and Political Studies of China, Russian Academy of Sciences, Primakov Institute of World Economy & International Relations (IMEMO)

Dear colleagues! First of all, let me thank the organizers of such an important event for the opportunity to make a short report.

In my speech I would like to make a kind of outlook of possible image of the Silk Road economic belt in 15 years ahead. Of course in case of its successful realization.

1. By 2030, the Silk Road economic belt will be implemented with some limitations. During the project realization net of the bilateral free trade agreements and free trade zones will be developed, however, the single integration space will not be created.

2. However, even a limited implementation of the project by 2030 will lead to significant changes, both at the level of global and at the level of China's national economy.

3. At the level of China's economy, the following positive results are possible.

- The criticality level of excess capacity problem will be decreased by creating an additional demand for the Chinese industry products within the implementation of major infrastructure projects in Central Asia, EAEU, Eastern Europe and the Caucasus.

- China's GDP growth will be supported by meeting the demand for the Chinese industry products also within the implementation of major infrastructure projects.

- An additional driver for the increasing of Chinese high-tech products output will be created, its share in the total volume of Chinese export will increase due to the expansion in demand in major infrastructure projects.

- The inland areas of China will be developed by re-industrialization and the creation of new industries with a marketing focus on the Central Asian countries, EAEU, Eastern Europe and the Caucasus.

- The number of internal migrants will be reduced by the development of inland provinces.

- China will not become an absolute innovation leader, but some breakthroughs in applied science in the areas of energy saving, software, and communications can be made.

- Efficiency of Chinese business will be improved within the implementation of Silk Road projects in a truly international environment.

4. In general, by 2030 economic and geographical orientation of China will be fixed. The character of the provincial industry, its structure and direction of export will be fixed in accordance with the created transport and economic corridors.

- North-East and North – economic corridor China-Mongolia-Russia (it is a part of Chinese Silk Road and the possible Mongolian Steppe Road), with a primary focus on the Russian Far East and Mongolia.

- Northwest – Silk Road economic belt with a primary focus on the Central Asian countries, Russia, Eastern Europe and beyond.

- West - economic corridor China-Pakistan.
- Southwest-economic corridor China-Myanmar-Bangladesh-India and the area FTA ASEAN - China.
- East – Maritime Silk Road of XXI century with a primary focus on Asia-Pacific countries (FTZ with South Korea, China, the potential FTZ China-Japan-South Korea).

5. As part of the economic and geographical regionalization of China its internal globalization will be developed. Advanced SEZ will expand and absorb neighboring areas and provinces, industrial rings will interpenetrate, intersect and merge each other. Megacities and mega agglomeration will be developed.

The probable interregional structure could be: megacities - industrial ring - a direction of the Silk Road - regional FTAs area - the global economy.

6. At the level of the global economy, the following results are possible.

- Changes in the corporate map of the region. Following the Chinese FDI during the implementation of the economic Belt Chinese multinational corporations, small and medium business will enter the region. Such companies will follow the leader of the project (infrastructure building), providing consulting, trade, technology, engineering, software and other support.
- International use of the yuan will increase. Yuan will become one of the major currencies of the Silk Road area, but it does not take the place of dollar or euro.
- Improvement of transport infrastructure in the regions will create conditions for economic development and thus political stability and living conditions for ordinary people will be improved.
- Potential of the military conflict will be reduced. Belt implementation will limit the potential of the aggressive behavior of the Belt-countries in defending its interests, as this jeopardizes the implementation of the whole project. Confrontation of the competing countries will decrease, however, competition of the business will increase.

7. Possible contradictions. The implementation of such megaproject is impossible without contradictions. Such positive results cannot be achieved without solving the existing contradictions and conflicts that could arise in the future.

- The main challenges in the implementation of the Silk Road economic belt are following.
- The use of national equipment. Contradictions are possible between the industrialized countries in the use of national equipment and national standards within the implementation of the Belt segments.
- Financing of the projects. There is a possibility of shortage of finance for the Belt full implementation. Number of projects is increasing, and their effectiveness is questionable.
- Effectiveness of the projects. The construction of the facility is only one question – it is necessary to understand who will maintain and finance its further work. Whether the project self-sustaining.
- The best practice. Within the implementation of the project, Chinese companies need to demonstrate the best practices in social responsibility, environmental protection and compliance with national laws and so on.
- Security and stability is a key factor in the successful implementation of the project. China needs to show good will and always look for compromises in all areas. Aggressive defense of the interests is unacceptable.

8. To resolve a large part of the contradictions, it is desirable:

- To engage companies from other countries for the project implementation.
- To create industrial consortiums with foreign companies for the project implementation.
- To involve foreign investment funds for project financing.
- To consider the interests of neighbors in the project - that is, to build a project not on a bilateral but on a multilateral basis.

9. In general, the Silk Road economic belt will contribute to China's interest in maintaining good relations with its neighbors and the countries participating in the project, as China is interested in a demonstration of good will for the successful implementation of the project. The Silk Road area will not seek the rigid supranational regulation, at the same time its implementation will contribute to the interpenetration of national economies.

The structure of the economic belt will remain flexible on the basis of project financing and further regulatory convergence of individual countries. Implementation of the economic belt in case of effective negotiation process with the participating countries will be the driver, not only for the Chinese economy, but also for the countries participating in the project.