

RECONNECTING ASIA

Mapping continental ambitions

[The Map](#)

[The Database](#)

[Analysis](#)

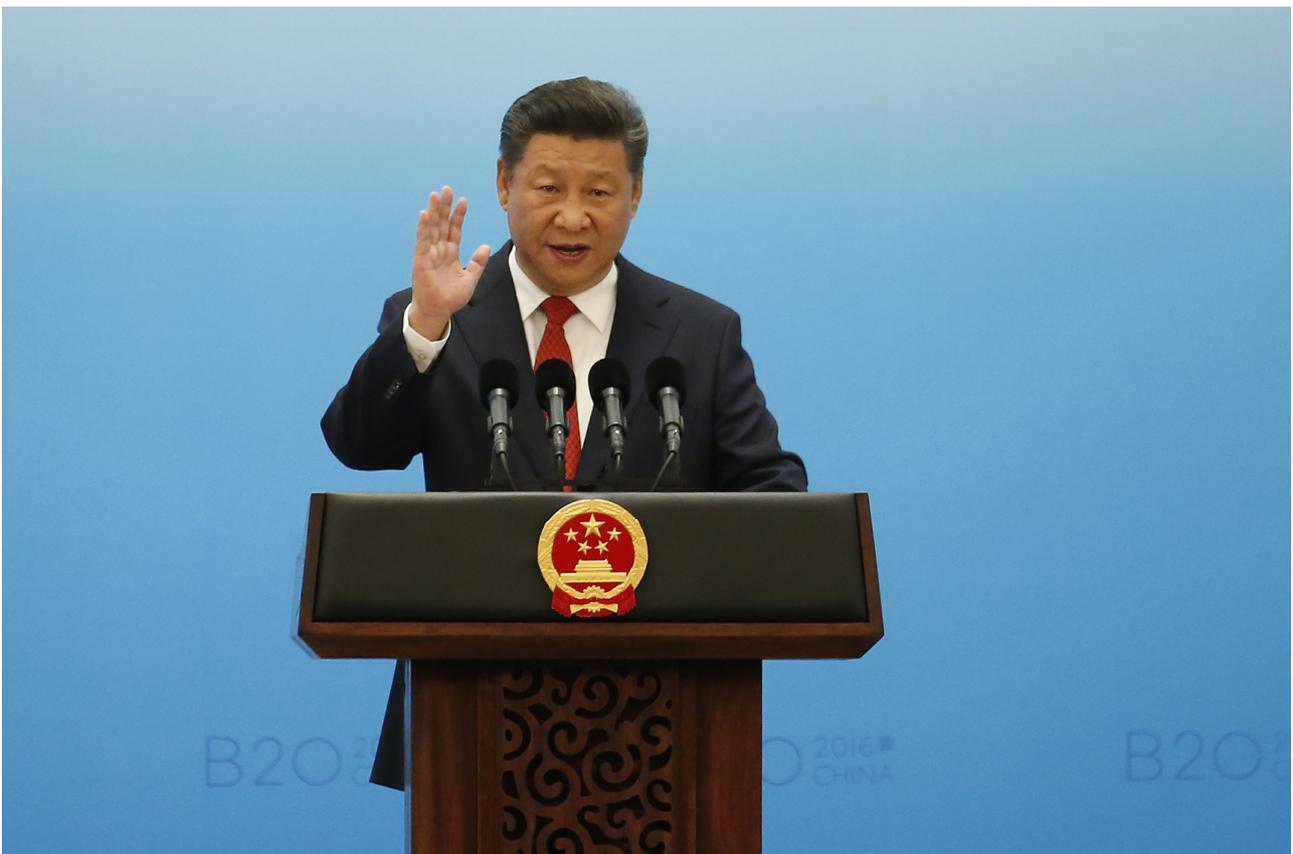
[About](#)

Analysis | Big Questions

A Silk Road for the Twenty-First Century?

A GOOD IDEA, BLOWN OUT OF PROPORTION

By Dr. Thomas Fingar 01 Nov. 2016



China's President Xi Jinping speaks during the opening ceremony of B20 Summit ahead of G20 Summit on September 3, 2016 in Hangzhou, China. (Photo by Aly Song - Pool/Getty Images)

THIS ESSAY IS A PART OF OUR BIG QUESTIONS SERIES.

Xi Jinping's 2013 call for China and the states of Central Asia to build a modern-day "Silk Road" to facilitate the movement of goods and people between Europe and Asia is a good idea that has been blown out of proportion by a variety of Chinese and non-Chinese commentators. Viewed from any perspective, the existing regional infrastructure is woefully inadequate and an obstacle to greater prosperity, economic integration, and political change. Many of the proposed projects will be delayed or never built, but those that are will transform the region.

Geopolitical Considerations. Geography and geopolitics explain, in part, the current pattern of roads, railroads, pipelines, and other regional infrastructure. They also help explain why countries seek to change the current situation. By the time railroads and internal combustion engines began to transform other inland regions, Central Asia had been incorporated into the Russian empire and its Soviet successor. For political and economic reasons, infrastructure projects were designed to strengthen dependence on Moscow and impede options for interaction with Asia and Europe. The now independent countries of Central Asia are eager to complement existing routes in order to reduce dependence on Russia, expand economic opportunities, and establish links to China, South Asia, and Europe that will counterbalance Russia's current advantages. China, in particular, wants to use infrastructure development to increase Beijing's influence and to constrain that of Russia and India, among others.

Economic Considerations. Infrastructure is a public good that is usually constructed by governments because only governments have the broad interests and access to funding required to undertake the construction of roads, bridges, power grids, and the like. The need is great, but given the distances involved, the demographics of Central Asian states, and the alternatives available, governments in the region would find it difficult to obtain funding or amortize more than a limited number of projects on their own. Many proposed projects might never be economically viable, so if they are to be built, they must promise economic and/or geopolitical benefits to external actors. In the case of Central Asia, the key external actor is China, which seems willing to commit substantial funds in order to gain access to hydrocarbons, metals, minerals, and markets; to expand economic opportunities for people living in its frontier regions; and to increase its political profile and influence in a region Beijing considers important for security and stability reasons.

Beijing's reasons for promoting infrastructure development through the so-called "One Belt, One Road" initiative include, in addition to those noted above, desire to use external projects to sop up some of China's excess capacity to produce, cement, steel, and construction equipment and maintain employment in these industries and the construction sector, and to make better use of foreign exchange reserves that it does not want to repatriate for fear of fueling inflation. When Xi made his initial proposal, it was widely assumed that China would "pay" for projects through some combination of grants and concessionary loans in exchange for access and, possibly, recipient country endorsement of Beijing's position on certain international issues. Establishment of the Asian Infrastructure Investment Bank (AIIB), substantial drawdown of China's foreign exchange holdings, and the prospect of difficulty obtaining repayment from African countries that over-borrowed from China when commodity prices were high now make it appear that China will use the cover of multilateral lending to reduce the risk of default. That would constrain the number of projects undertaken.

Developmental Considerations. Infrastructure can be enormously beneficial, but only if projects are well chosen and well executed. Prestige and make-work projects may add little to long-term growth or deeper integration into production or supply chains, but well-conceived projects can jumpstart local economies, facilitate economies of scale, and enhance prosperity and quality of life. Economic viability is one consideration, but so too are environmental impact and opportunity costs. Given systemic problems such as corruption and capacity limitations, one cannot assume that all projects undertaken in the region will be optimized for long term and spin-off benefits. "Good" projects will create synergies and generate benefits that enhance prosperity, regional integration, and overall capacity. "Bad" projects will have the opposite effects.

What to Expect. What actually happens over the next decade or more is likely to be considerably less extensive or consequential than predicted by over-enthusiastic boosters and those who forecast benefits to China at the expense of the United States and the West more broadly. Local impacts—within and among the countries of Central Asia—are likely to be more significant than the impact on countries at the eastern and western ends of the "New Silk Road." Most commercial traffic and most people moving between Europe and Asia will continue to move by sea and air respectively, but regional and sub-regional integration and prosperity could increase substantially. Prosperity and other dimensions of modernization will change societies (e.g., they will become better educated, better informed, more urbanized, and more demanding) and this will transform the political landscape. The future Eurasia will look more like an upgraded version of the present than a restoration of the past.

Dr. Thomas Fingar is the Shorenstein APARC Distinguished Fellow in the Freeman Spogli Institute for International Studies at Stanford University

Tags

 PREVIOUS SUU KYI TO PUSH FOR JAPAN I...