

China Has More Development Initiatives Than Just *One Belt One Road*

By Anita Tang
October 11, 2017

One Belt One Road, also known as the Belt and Road Initiative, is a China-centric trading network and a global initiative spanning more than 68 countries and compassing 4.4 billion people. However, this is not China's only development initiative; the country has other national and regional initiatives in its overall development plan.

This analysis is not to provide you with details of each initiative but an overview of the big picture.

China's Open-door Reform in the turn of the 1970s, its Going Out Policy in the 2000s, and the *One Belt One Road* in the mid-2015, are all a part of the country's development process. From attracting foreign direct investment to the country, to investing overseas, to taking a bigger and a leadership role in global affairs, China is emerging itself into the global economy step-by-step.

To better understand China's current development initiatives, it is important gain some background on the Chinese Dream/China Dream.

According to the Party's theoretical journal, *Qiushi*, "the Chinese Dream is about Chinese prosperity, collective effort, socialism, and national glory." It is associated with the idea of a collective hope for restoring China's lost national greatness; it has ancient origins in Chinese literary and intellectual history.

China Dream is closely associated with Chinese President and General Secretary Xi Jinping, who began promoting this phrase as a slogan in a high-profile visit to the National Museum of China in November 2012. In May 2013, he advocated to the young people that they should "dare to dream, work assiduously to fulfill the dreams and contribute to the revitalization of the nation."

It is this set of personal and national ideals in the People's Republic of China and the Communist Party of China that provides a strong force behind China's current development initiatives – turning the “China Dream” slogan into great action.

One Belt One Road

One Belt One Road (OBOR) is a global initiative of China.

The Belt is the six land routes or the six corridors, and the Road is the sea route which is also known as the 21st Century Maritime Silk Road.

The six corridors of The Belt are the China-Mongolia-Russia Economic Corridor, from northern China to eastern Russia; the New Eurasian Land Bridge Economic Corridor, from western China to western Russia; the China-Central Asia-West Asia Economic Corridor, from western China to Turkey; the China-Pakistan Economic Corridor, from south-western China to Pakistan; the Bangladesh-China-India-Myanmar Economic Corridor, from southern China to Myanmar; the China-Indochina Peninsula Economic Corridor, from south China to Singapore. The Road extends from the Chinese coast through Singapore to the Mediterranean.

The old Silk Road has been about trading goods and sharing the best of rich historical and cultural heritage. *One Belt One Road* aims at improving communication, facilitating trade and enhancing cultural ties. It is a development strategy that underlines China's push to take a larger role in global affairs with a China-centric trading network.

Initially, people believe that China is using OBOR for the exporting of its over-capacity in raw materials and building infrastructure, setting up industrial parks and buying or securing long-term lease of ports. When we take a closer look, we can see that building the structure is only a short-term action; the long-term play is about opening more trade opportunities to countries along OBOR, providing investment opportunities to global investors, and exporting Chinese culture and power.

This China-led trading network offers great opportunities to countries within and outside of OBOR. For example, The Asian Infrastructure Investment Bank (AIIB), a China-initiated multilateral development bank that aims to support the building of infrastructure in the Asia-Pacific region, was founded and opened for business on January 16, 2016. At the end of September 2017, AIIB has 56 founding members – 37 regional and 19 non-regional – participating in its US\$100 billion capital subscription; there are also 24 prospective members, nine of which are regional and 15 non-regional. Chinese capital subscription to AIIB is just shy of 30%, followed by India and Russia.

As of September 4, 2017, AIIB has approved 28 projects with a total loan value of US\$3 billion+, some of which are co-financed with the Asian Development Bank.

Free Trade Zones

Developing free trade zone (FTZ) is a national initiative of China.

China's first FTZ was developed in Shanghai in August 2013. In April 2015, three other FTZs were developed: Tianjin, Guangdong and Fujian; and in August 2016, seven more: Liaoning, Henan, Zhejiang, Hubei, Chongqing, Sichuan and Shaanxi. Currently, there are 11 FTZs in China.

Free trade zones are an evolution of China's economic development: from industrial zones with low-cost land to attract investment, to special economic zones offering tax incentives for foreign investments and great independence on international trade activities, to the current free trade zones. Free trade zones are developed to explore policies for modernizing Chinese businesses and as a blueprint of further reform throughout China. Unlike other types of special economic zones, FTZs can experiment with financial models and attract investment.

For example, the negative list model, which states the sectors and businesses that are off limits to foreign investment, had an initial test run in Shanghai, Tianjin, Guangdong and Fujian, and later expanded to other FTZs. By Q1 of 2018, the practice will be introduced nationally.

Below listed are some benefits of a FTZ:

1. Procedures registering in a FTZ are much quicker and easier;
2. Less – or no – (import/export) taxes;
3. Easier conversion from RMB to foreign currencies;
4. Special customs monitoring system;
5. Detailed customs clearance is only needed in a later stage;
6. Faster custom clearances of goods;
7. No import tax when imported into the FTZ;
8. Bonded warehouses;
9. Broadening of investment horizons.

Distinctive Towns

Distinctive towns, sometimes referred to as featured towns, is another national initiative.

On July 18, 2016, China's National Development and Reform Commission, Ministry of Finance, and Ministry of Housing and Urban-Rural Development jointly issued a circular indicating that by 2020 the country will build around 1,000 towns with distinctive features in tourism, trade & logistics, modern manufacturing, education & technology, traditional culture, and livability.

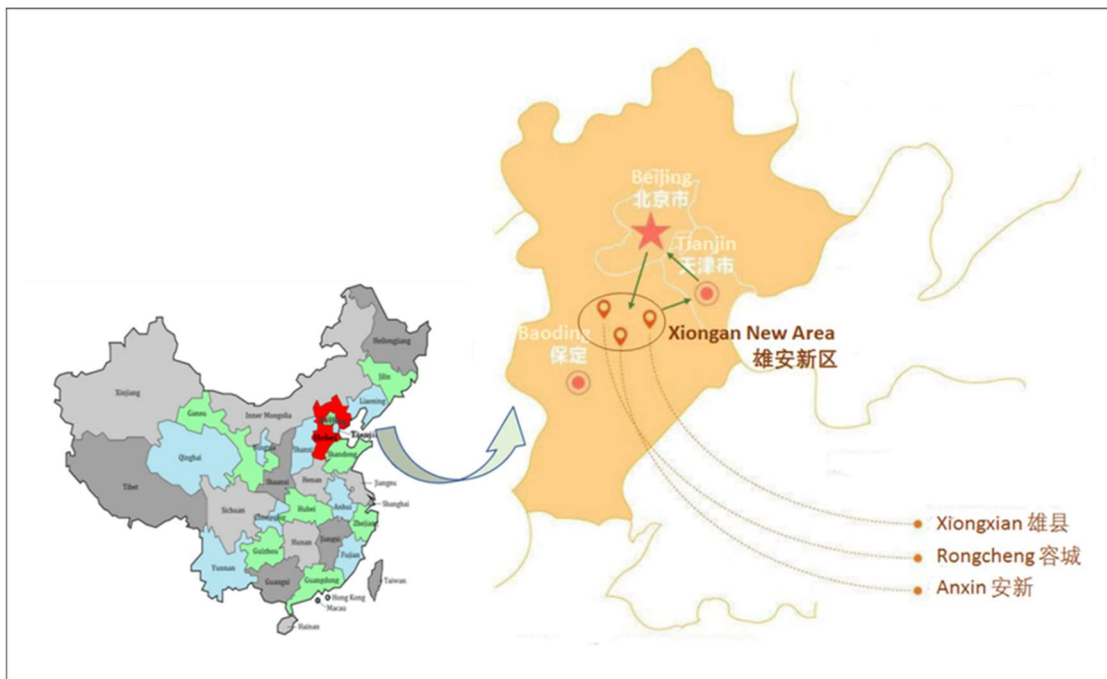
According to the circular, the construction of distinctive towns should follow local conditions and set the direction based on resource strength and development potential. The government should serve as a platform and service provider while allowing the market to play a leading role.

In short, the key factors making up a distinctive town are industry, city, people, and culture.

On October 14, 2016, the first list of 127 approved towns was issued, and on July 27, 2017, the second list of 276 approved towns was issued, confirming a total of 403 out of the planned 1,000 distinctive towns.

Zhejiang Province got a head start – its governor talked about featured towns as early as 2014. Having Alibaba group located in the province is also a plus. While a lot of other towns are focusing on tourism and in other areas, Zhejiang has a series of featured towns that are linked to each other and are very relevant to the province’s existing business architecture. Just to name of few: Wuzhen covering internet conference/network, Shannan focusing on fund, and Yu Keng dream town targeting the development of future technology.

It is likely that some distinctive towns will fail, while others will survive and some others, strive. Sustainability is key. For each of the strive-distinctive towns, it may become the core of some local economy, and possibly a driver of a regional economy.



Xiongan New Area

Xiongan New Area is a regional initiative of China.

Xiongan New Area, about 160 km south of Beijing, is “a significant historical and strategic choice” and “another new district with national implications following Shenzhen and Pudong,” *Xinhua* noted. Spanning over Xiongxian, Rongcheng and Anxin counties, the New Area will initially cover an area of 100 sq. km. but later expand to 2,000 sq. km., and would play a

central role in President Xi Jinping's plan to integrate the development of Beijing, Tianjin and Hebei.

Building the Xiongan New Area is to facilitate the capital functions of Beijing while absorbing part of the non-capital function. It is very clear that Beijing's role is the national capital. It will be the country's political center, cultural center, and center for international exchanges, and science and technology innovation. Other than Peking University and Tsinghua University, other universities will move outside of the capital. Xiongan New Area gives Tianjin and Hebei new lives and new positioning. The New Area will lead the development of northern China, and will have great potential to become an exemplary economic zone driven by reform and innovation.

As noted by a Pangoal Research Institute of Macro-Economics' report: "Xiongan New Area is also expected to guide the overhauling of the economic mechanism. The reform in previous new areas has been mostly 'opening-up-oriented', which is in line with the country's reform and opening-up practice over the past decades. Xiongan's mode may create a reform-driven model."

Greater Bay Area

The Greater Bay Area in south China is another regional initiative.

This regional city cluster in south China includes Hong Kong SAR, Macao SAR, and nine cities in Guangdong province, namely Guangzhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Huizhou, Jiangmen, and Zhaoqing. This Greater Bay Area of 56,500 sq. km. shares similar folk culture and Cantonese dialect. It involves some 67.5 million urban residents and US\$1.3 trillion GDP.

Each of the SARs and cities in the Greater Bay Area has its own functions and positioning. For example, Hong Kong is a global financial center and an international logistics hub, Shenzhen is China's technological innovation center and an important base for private enterprises, Dongguan is a global IT manufacturing location, Guangzhou is a center for Lingnan (Pearl River) culture and a center for heavy industry in south China, Zhongshan is a key base for white goods, Zhuhai is a south China tourism city, and Macao, the world's largest gaming center.

The Greater Bay Area is a deepened version of the Pearl River Delta and the Pan-Pearl River Delta development initiatives. It is a development force in southern China.

Summary

One Belt One Road, a global development initiative, is China's push to take a larger role in global affairs with a China-centric trading network.

The Free Trade Zones and Distinctive Towns are national development initiatives. FTZs act as a blueprint to further liberalize trade and the country's financial sector, and Distinctive Towns encourage people to think outside the box with a longer-term view to making it a driver of local or regional economy.

Xiongan New Area and Greater Bay Area are regional development initiatives. They are upgrades of development clusters in northern and southern China. We should expect to see same emerge along the Yangtze River Delta Economy Belt – development clusters in eastern and western China.