One Belt, One Road: Opportunities and Challenges for Australia

“China”, Napoleon once remarked, “is like a sleeping lion. Let her sleep, for when she awakens she will shake the world.”

Introduction

In 2013 in a speech delivered in Astana, Kazakhstan, China’s President Xi Jinping outlined an ambitious project for transforming large parts of Asia and Africa. He used the term yi dai, yi lu which translates as ‘one belt, one road’ (OBOR). It was immediately referred to in the media as the ‘new silk roads,’ an allusion to the ancient silk roads, a network of connections that linked continents and oceans along which people, ideas and goods flowed from China to Europe. More recently the terminology has changed again and the preferred nomenclature of the Chinese is Belt and Road Initiative (BRI).

Although their origins can be traced back 2000 years, the term ‘Silk Road’ was a relatively recent coinage, being first used by a German geographer Ferdinand von Richthofen in 1877. As Peter Frankopen points out in his important book, the Carthaginian elite wore Chinese silks, wealthy Iranians used Provencal pottery, and Indian spices were found in Roman cuisine. All of this and much more, including the spread of science, philosophy and religion was evidence of the cross-fertilization of ideas across disparate cultures.

Xi’s concept is at least as ambitious and in important ways, likely to have major geopolitical impacts upon not only the 100 or so countries that have already joined the venture, but upon the whole basis of the post World War 2 political framework. Not all nations, including Australia, have fully grasped or understood the implications of this seismic shift. I will return to this aspect below.

The Scope of OBOR.

As may be seen from the map below, OBOR is far from being ‘one’ of anything. There are three main rail routes linking China with Europe: a northern route via Mongolia and Russia, a central route and a southern route.

There are additional sub-routes, for example through Laos, Thailand and Malaysia to Singapore. There is a separate project known as the China-Pakistan Economic Corridor (CPEC). This project alone is a $50 billion multi-infrastructure development, of roads, high-speed rail and fibre optic linkages, terminating in Gwadar on the Arabian Sea coast of Pakistan. That port is already under Chinese control. CPEC also illustrates the diplomatic balancing act that OBOR requires in that the routes traverse Pakistan controlled Kashmir, an issue of some sensitivity to India.

It is this Indian sensitivity that was the main reason that India failed to take part in the recent (May 2017) OBOR conference in Beijing. Malcolm Sainsbury in a recent article in Crikey describes India as “loathing” China but for the reasons set out below that is an absurd description, as indeed is the title of his article.
One of CPEC’s main benefits is that it provides China with a land route for the importation of oil, bypassing the vulnerabilities of the Malacca Strait through which 80% of China’s current oil imports flow. The Malacca Strait is the object of an annual United States-Australia naval exercise, Operation Talisman Sabre, one of whose primary objectives is to practice the blockading of the Malacca Strait. It is but one example of where Australia’s military alliance and the associated exercises are in fundamental conflict with its trading and, it is argued, long term strategic interests.

Sainsbury’s article cited above refers to Chinese “aggression.” When one considers that the United States has more than 400 military bases encircling China, including several with nuclear weapons, and currently has three aircraft carrier groups operating nearby, flies nuclear armed bombers close to Chinese territorial waters, and along with Australia engages in provocative naval exercises, the finger of aggression is clearly originating elsewhere than China.

OBOR also has a maritime component. As again may be seen from the map, the linkages go to Indonesia in the southeast, and via the Indian Ocean and Sri Lanka to the East Coast of Africa, and thence north via the Mediterranean to Athens and Venice. The latter city is also an important rail hub for one of the trans-Eurasian rail links. Athens’ port of Piraeus is already owned and operated by a Chinese company.

One small part of the African project has been the construction of a rail link between Mombasa and Nairobi, due to be opened in June 2017. It was built by China because no one else was interested. It is the first rail line outside China to be built to Chinese standards, which are world leaders. Another is the construction of a Singapore sized city on the outskirts of Cairo with a similar high-tech future.

Rail freight links are already operating between China and Europe. There are now regular departures from China via the Central Asian steppes to London, Madrid, Duisburg and Lyon. They traverse that distance in 17 days, which is at least twice as fast as sea freight. More significantly, the rail will be upgraded to take high-speed trains that will traverse the distance in only four days. Australia was invited to join the maritime link via the use of the Chinese leased port of Darwin. Notwithstanding the government’s ‘Developing Northern Australia’ initiative, no progress has been made. Talks between Chinese and Australian representatives have been going on since October 2015. In March 2017 however, when Chinese Premier Li Keqiang was visiting Australia, the government announced that it would not be proceeding with any formal association with OBOR at this time.

Prior to Mr Li’s visit the issue of Australian involvement in OBOR was discussed at Cabinet level. According to a report in The Australian, Cabinet received only an oral report from Foreign Minister Julie Bishop. That such a crucial subject on the eve of a visit from the Chinese Premier should not even have a departmental briefing paper is astounding enough. That The Australian should report that the failure of Australia to sign up to OBOR was because “there was no evidence that signing up had tangible benefits” is even more astounding. If this represents an ‘agile and innovative government’ that was promised when Turnbull became Prime Minister, then those terms clearly need redefining in the Australian context.

Laurenceson suggests that American pressure was most likely to have been the determinative factor in Australia’s refusal to do what more than 100 countries have already done, and take the opportunity to become part of the world’s greatest infrastructure project. There is no western initiated alternative.

Other Linkages

OBOR dies not exist in isolation. A series of other developments are linked to OBOR’s future plans. The most important of these are three other groupings; BRICS, SCO and the EAEU.

BRICS (Brazil, Russia, India, China and South Africa) was formed in 2001 by the first four named countries with South Africa joining in 2010. All five countries are members of the G20 group of nations, have a combined population of 3.6 billion people, (40% of the world’s total) and a combined GDP of $16.6 trillion (22% of the world’s total).

In July 2014 they formed the BRICS Development Bank with a starting capital of $100 billion. In March 2014 the BRICS Foreign Ministers “noted with concern” a recent media statement by Australian Foreign Minister Julie Bishop suggesting that Russia might be barred from attending the G20 summit scheduled for November 2014 in Brisbane because of Russia’s alleged annexation of Crimea.

The BRICS Foreign Minister’s statement said“the escalation of hostile language, sanctions and counter sanctions...does not contribute to a sustainable and peaceful solution, according to international law.” Bishop’s ill-considered intervention was followed to an even more notorious threat from the then Prime Minister Tony Abbott to
Even more important than BRICS was the formation of the Shanghai Cooperation Organisation (SCO) in April 1996. It currently has eight members (China, Russia, four Central Asian republics and India and Pakistan who joined in June 2017), four observer States, one of whom, Iran is likely to have full membership in 2018, and six ‘dialogue partners’ all strategically located on the Eurasian land mass (with the exception of Sri Lanka.)

Iran is of particular significance in this and other contexts. A measure of its growing importance to China is that Presidents Xi and Rouhani signed bilateral trade deals worth $600 billion when Xi visited Iran in 2016.

SCO is a political, military and economic organisation, which will play an increasingly important role in the security issues facing many parts of Eurasia. One illustration of this is Afghanistan, an observer State in the SCO, asking Russia for military assistance in the face of the stalemate in Afghanistan, after more than 15 years of US and Australian occupation of that country. That assistance will most likely be provided via the Collective Security Treaty Organisation (CSTO), which is the security arrangement linked to the SCO.

Afganistan is also a signatory to the OBOR project, and as an important source of the rare earth minerals vital in modern technology as well as having significant gas reserves, is potentially a valuable member of the OBOR project. Its prospects with OBOR and SCO will certainly be better than as a failed narco state, which is its current position following decades of occupation and war.

The third important grouping in this context is the Eurasian Economic Union (EAEU) formed in January 2015, with five member states (Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia).

EAEU is primarily an economic union, although it has members common to OBOR, BRICS and the SCO. Several major contracts between China and its members have been signed, and future agreements relating to economic cooperation, security and currency exchange arrangements were signed at the recent (May 2017) Beijing OBOR conference.

It is a feature common to all three organisations that trading arrangements between them are increasingly being conducted in their own currencies, bypassing the medium of the US dollar. This single factor alone will seriously affect the dollar’s previous dominance and with it the ability of the United States to exercise economic and political influence throughout the world. It is one of the most important reasons for American hostility to these rapidly changing manifestations of the shift in geopolitical power, and the nervousness of countries like Australia, seemingly unable to formulate a coherent policy response.

The CPEC was noted above as an important component of the OBOR developments. Another one is the North-South Transport Corridor, (NSTC) a 7200km multi-mode network of rail and maritime links, extending from Mumbai in India to Moscow, via Iran and Azerbaijan.

It was first used in test runs in 2014 and in April of this year there were further shipments of containers to verify that it was all working smoothly. The pivotal role of Iran in OBOR, SCO and NSTC is significant. Despite the American led sanctions (not lifted after the so-called nuclear deal in 2015) and threats of military attack by Saudi Arabia and the US as well as long standing asymmetrical warfare being waged against it, Iran is destined to fulfill an even more central role. It has recently signed security deals with both Russia and China that should discourage overt attacks.

Potential Issues With OBOR

None of this is to suggest that there are not potential problems with OBOR and its related developments. The projects will need to meet international environmental impact obligations; have regard to the human rights of individuals affected by their land being damaged or resumed; and meet obligations under the International Covenant on Economic, Social and Cultural Rights that China signed in 2001.

A project of the scale of OBOR will inevitably have legal disputes. Not all of the country’s participating have effective legal systems. There are issues of corruption, access to the Courts, a transparent consultation process and an effective mechanism for the resolution of investor-State disputes. One of the significant defects of the Trans Pacific Partnership agreement, manifestly an anti-Chinese pact, was the seriously flawed dispute resolution procedures, which had the ability to override sovereign governments without an effective appeal mechanism.

The greatest obstacle that China faces is western suspicion of its motives. This is encapsulated in an opinion piece in...
the Australian by Paul Dibb, emeritus professor at ANU’s Strategic & Defence Studies Centre.

Dibb casts scorn on anyone other than those willing to depict China as “belligerent, assertive and self-interested.” That Xi in his speech at the Beijing OBOR conference in May 2017 was seeking a peaceful and cooperative framework for mutually beneficial progress was, to Dibb, “straight out of the Cold War propaganda lexicon.”

China’s declared intention of not following the old way of geopolitical games and gunboat diplomacy was to Dibb clearly unbelievable. That Xi would claim that China would “have no intention to interfere in other countries internal affairs, export our own social system and model of development, and impose our will on others” Dibb finds “the most incredible of all.”

If there is any example of “incredible” behaviour it is the West’s constant reiteration of phrases such as “rules based order” and the “rule of law” when their own history is an emphatic rejection of any such concepts when applied to the conduct of international affairs.

Dibb grew up in a world where the behaviour he expects from the Chinese was the dominant ethos of the past three hundred years, except that it was perpetrated by the European colonial powers and since World War 2, by the Americans. The worst criticism that Dibb can muster to criticize the Trump administration is its “isolationist and protectionist” tendencies.

It is not China that has bombed, invaded, occupied, destroyed and overthrown the governments of more than 70 countries since the end of World War 2, killing more than 30 million people in the process. If history is any guide, it is highly unlikely that China will change the pattern of the past 2000 years of its history and suddenly seek to adopt that worst characteristics of western behaviour.

A much more balanced appraisal of China’s ambitions is found in Hugh White’s argument that China “wants to consolidate its position at the centre of global supply and manufacturing networks.” China’s ambition “to take the lead in coming decades in developing key technologies, and setting global standards, including the critical elements of infrastructure like high speed rail and data networks.” As important elements of OBOR already demonstrate, China manifestly does lead the world. Its growing strategic and economic links to Russia referred to above in a number of contexts, provide a real opportunity for the emergence of a multi-polar world.

As Pepe Escobar notes, this explicit fundamental challenge to American hegemony and dreams of full spectrum dominance is not being calmly accepted by the United States. He describes it as ‘blood on the tracks of the New Silk Road and the current American engineered chaos in Syria, Yemen, Qatar and elsewhere are manifestations of the threshing of a disintegrating empire.

Professor David Vines of Oxford University, whom Dibb selectively misquotes, acknowledges that there are risks with OBOR, but, he says, “it offers a huge opportunity. It is clear what we should do. We should welcome the initiative with open arms and engage with it.” Vines saw the two main risks as being whether China’s policy will be inclusive or exclusive; and other countries’ suspicions toward China.

A key misunderstanding about OBOR is that it is prescriptive in nature. As Professor Kerry Brown pointed out, “it is more accurately conceived as an opportunity for other countries to answer the question of what they want from China and how they would like to engage with it.”

**Implications for Australia**

Despite its current unwillingness to do so, that is the question that Australia must address, and soon. Its current policy stance of blind adherence to whatever misadventure the Americans pursue next does not reflect either the realities of our current trade, or the shifting centre of geopolitical influence in the 21st century. Just as a map demonstrates our geographical location, so too do the trade figures show that the overwhelming focus is on Asia in general and China in particular.

One of the significant features of the infrastructure developments that are an integral part of OBOR, SCO, BRICS and the EAEU is that they are aimed at providing China with exactly the same resources that have fuelled Australia’s prosperity over the past 50 years.

Given a choice between accessing iron ore, uranium, natural gas, coal, copper, zinc and a multitude of other minerals by high-speed rail or pipeline from friendly neighbouring countries; or taking the same commodities from a country that openly threatens China in word and deed; what would the rational policy maker choose?
The economic consequences for Australia of a withdrawal of Chinese goodwill and purchasing power would be catastrophic. Australia needs to recognise that the old world order is passing rapidly. It can choose to accommodate the new world order as New Zealand has done, most recently by signing a Memorandum of Arrangement with Li Keqiang immediately after Australia refused the opportunity to do so.

Australia could do a lot worse than borrow from Confucius, a central figure in Chinese culture to this day. Confucius said, “He who wants success should enable others to succeed.”

Sending a junior Minister to the recent OBOR conference in Beijing, refusing the opportunities offered by Mr Li, and maintaining a barrage of ill-informed prejudicial public comment, is not a sign that Australia has even begun to grasp the changing realities of the new geopolitical world order.

*James O’Neill, an Australian-based Barrister at Law, exclusively for the online magazine “New Eastern Outlook”.*