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ASIA PACIFIC ECONOMIC COOPERATION AS AN INSTRUMENT OF PROMOTING THE BELT AND ROAD INITIATIVE

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ABSTRACT

The paper examines the Asia Pacific Economic Cooperation as a tool to achieving the Belt and Road Initiative. It also analyses some of the objectives of the OBOR of investment in infrastructure and the desire to build a shared future for mankind. The adopts the library literature for data generation and findings show that the BRI is a Chinese grand strategy to combat the US primacy in the global political and economic arena by eliminating unipolar dominance in the world and provide an enabling environment for multilateralism. The paper concludes that the Belt and Road is not only a global-level initiative. It is the sum of the sub-national, national and regional projects of many countries at the global level. The paper recommends that China should try to make the project inclusive and Africa should make sure that it fully benefits from the project in both investment and execution.

Keywords: Asia; Pacific; Economic; Cooperation; Instrument; Belt and Road Initiative

INTRODUCTION

China's Belt and Road Initiative (BRI) is a development strategy which aims to build connectivity and co-operation across six main economic corridors encompassing China and: Mongolia and Russia; Eurasian countries; Central and West Asia; Pakistan; other countries of the Indian sub-continent; and Indochina. It also aims to strengthen Beijing's economic leadership through a vast program of infrastructure building throughout China's neighboring regions. Many foreign policy analysts view this initiative largely through a geopolitical lens, seeing it as Beijing's attempt to gain political leverage over its neighbors. Importantly, China's investments through

infrastructural development have impacted positively on countries involved. The major feature of China's Belt and Road Initiative is mutual benefit, which also helps to develop markets for China's products in the long term and to alleviate industrial excess capacity in the short term. This research examines the impact of Asia Pacific Economic Corporation in the attainment of China's Belt and Road Initiative. This study applies the theoretical framework of liberalism.

At the end of 2013 Chinese President Xi Jinping announced one of China's most ambitious foreign policy and economic initiatives. He called for the building of a Silk Road Economic Belt and a 21st Century Maritime Silk Road, which is collectively referred to as One Belt One Road (OBOR). The One Belt One Road Initiative is what is presently known as the Belt and Road Initiative. Xi' Jinping's vision is an ambitious program of infrastructure building to connect China's less-developed border regions with neighboring countries. The Belt and Road Initiative (BRI) is arguably one of the largest development plans in modern history. On land, Beijing aims to connect the country's underdeveloped hinterland to Europe through Central Asia. This route has been dubbed the Silk Road Economic Belt. The second leg of Xi's plan is to build a 21st Century Maritime Silk Road connecting the fast-growing Southeast Asian region to China's southern provinces through ports and railways (Chu, 2017).

China's opening-up policy is fundamentally influenced by its overall foreign policy. China's diplomacy has been traditionally based on bilateral relations between sovereign states. Following the progress of liberalization and facilitation of trade and investment in the Asia-Pacific Economic Cooperation (APEC), the World Trade Organization (WTO) membership negotiations, and the Asian currency crisis in the 1990s, however, China's diplomacy entered a new field of economic diplomacy.³ Since economic diplomacy in general does not fit the bilateral relations, China has had little choice but to turn to multilateral international relations.

After the accession to the WTO, China has accelerated its opening up to the outside world and expressed its own view on the existing international economic order. Today, however, China is not aiming for a new international economic order as Maoist proposed in the 1970s. In addition to the fact that the People's Republic of China did not participate in the process of major international organizations and institutions building immediately after the World War II, it also had no choice but to adapt itself to the existing multilateral regimes after opening-up to the outside world. Thus, as China moves along the path of an economic superpower, it has a sense of unease with respect to the current multilateral regimes.

The Asia-Pacific Economic Cooperation (APEC) is a group of 21 economies located in the Asia Pacific region that are dedicated to achieving a shared prosperity through economic growth and free trade. Presently, the administration of APEC is under the Chairmanship of Jacinda Ardern, it has three official observers: The Association of Southeast Asian Nations Secretariat, the Pacific Economic Cooperation Council and the Pacific Economic Island Forum Secretariat. Officials from APEC economies convene every year, throughout the year, to discuss ways to facilitate trade and promote sustainable development across the region. During these meetings, everyone is equal: big and small economies work side-by-side to develop workable solutions to trade and investment barriers. The forum was formed in 1989 as an informal dialogue among government officials from 12 economies. Since then, its membership and scope has expanded. Today, APEC members make up a big part of the world. The member economies are home to around 2.8 billion people and represent one of the most valuable

economic regions. In 2016, APEC accounted for more than half of GDP and half of the world trade (Wang, 2018).

APEC ensures that goods, services, investment and people move easily across borders. Member economies learn from each other, align regulations, address standards and coordinate to create favorable business climates. As a result of APEC's work, economic growth in the region has doubled since 1989. And as the economy grows, it is an equally crucial part of APEC's mission to help everyone benefit from it. The people of the Asia-Pacific saw their per capita income rise threefold, lifting hundreds of millions out of poverty and creating a growing middle class in just over two decades. The following are the driving mission of APEC: (i) To promote trade and investment (ii) To improve living standards (iii) To support economic and technical cooperation among Asian countries (iv) To build a sustainable and secure economic growth.

APEC was formed to encourage a growing and prosperous regional economy through: (i) trade and investment liberalization and facilitation – at the border, across the border and behind the border (ii) reduced costs of cross-border trade to assist businesses (iii) economic and technical cooperation (iv) exchanges of best practice information on trade and investment (v) simplified regulatory and administrative processes (vi) improved institutional capacity to implement and take advantage of the benefits of trade and investment reform.

THEORETICAL FRAMEWORK

Theories are scientific devices used to analyze and examine social and political problems and issues. In the context of this research, Liberalism is used as the appropriate theoretical framework. Liberalism is a political and economic philosophical framework which allows for free trade, cooperation and interdependence among nations for its incalculable benefits (Sherriff, 2016). John Locke is one of the founding fathers of liberalism. Central to the arguments of liberal scholars is the desire to end monopolies, trade barriers and to promote free trade and marketization. This theory best explains integration and activities among countries in the Asian Pacific Region, because it upholds the idea of interdependence and cooperation among states. Through the liberalization of trade and economic activities, APEC facilitates China's Belt and Road Initiative in the region.

According to Haas, cited by Thanawat (2015), regional cooperation in one area would permeate to other areas and eventually be integrated as a whole. This means that there is need for trade and economic cooperation in stimulating closer region integration and economic development of the continent (Sheriff and Obiageli, 2016:22). The liberalization of trade within the Asian countries has in turn promoted and enabled China to formulate and maintain her Belt and Road Initiative.

FINDINGS AND DISCUSSION

The major role of APEC is to provide a formal mechanism to integrate regional economies and create a more open and cooperative environment for long-term development and prosperity. APEC membership gives China an opportunity to work together with other economies of the Asia Pacific region. APEC is also an important forum where China can voice what it wants and what it opposes. However, the major benefit for China is APEC's flexibility. China needs a gradual transition as it is a large developing country with very low per capita income, on

the difficult road from a planned economic system to a market system. China needs time and room to reform its economy, thus it wants APEC to move unilaterally and gradually.

However, APEC equally plays a major role in promoting the belt and road initiative through its policy of liberalization and cooperation. Economic and technical cooperation are the underlying features of APEC, strengthened by liberalization and facilitation of trade and investment. Liberalization is used by APEC to foster regional integration, economic interdependence and cooperation among Asian Countries. And in return, China has made continuous efforts to promote economic and technical cooperation in APEC.

Among the economies of Asian region, APEC does not place any mandate or pressure on its members to reduce trade and investment barriers. Yet the forces of 'peer pressure' can encourage and facilitate them to do so. China's actions in APEC are not just a reflection of this pressure. China uses APEC as an arena to show its willingness and determination to reform its economy and integrate itself into the regional and world economy. A significant step was taken in 1995 when President Jiang Zemin announced a 30 per cent tariff reduction on 4000 import items during the Osaka meeting, thus reducing China's average import tariff rate from 35.9 per cent to 23 per cent. A further reduction was announced in September 1997, before the APEC summit meeting in Vancouver, bringing the rate to 17 per cent (Smith, 2010).

China will certainly meet further pressures to speed up the reductions. There is a big gap between nominal and real implemented tariff levels, indicating strong potential for further reductions than those actually planned. Within 5 years of accession to the WTO, China will gradually carry out the transition from the examination and approval system of foreign trade to the registration system of foreign trade to enterprises. In the long term—from 2012 to 2020—China has, in compliance with the timetable for non-tariff elimination, completely abolish all non-tariff measures that are inconsistent with the WTO agreement. The problem is there is a big gap between China, the United States and the European Union (EU) in the timetable for reducing non-tariff measures in the negotiation for China's entry to WTO. Due to the difficulties of reform and transition—especially for state-owned enterprises—China wants to have a longer transitional period, on which its counterparts from developed countries do not agree.

BENEFIT OF THE BELT AND ROAD INITIATIVE

The BRI refers to a 'Silk Road Economic Belt' on the land, a 'Twenty-First Century Maritime Silk Road' on the sea, and more recently, through releasing its Arctic policy white paper, China also included a 'Polar Silk Road' into the initiative. Regarded as a hard dimension, through developing infrastructure projects on land and sea, the BRI is expected to lead to better connectivity, reduction in trade costs, creating single economic windows, free trade agreements, socio-cultural integration and other economic benefits (Jiao and Rihui, 1996).

Recently, scholars highlight that the BRI is a Chinese grand strategy to combat the US primacy in the global political and economic arena (Rolland 2017; Aoyama 2016). With regard to Central Asian countries, as they have been under the economic and political influence of Russia, the BRI projects challenge Russian hegemony in the region. Today, China has become the top investor and trade partner of the Central Asian states. Russia tries to balance the Chinese influence thanks to its long-term political, economic and military presence, and its historical

and cultural ties with the region, but its response to challenge China in its neighborhood (in South and Southeast Asia region) was not impressive due to the relatively limited investment capacity of Russia. It is worth noting that Russia has a technological, military and financial capacity and competence to become an important player in Africa where China is a principal player. Presently with the formation of the Belt and Road Initiative, China has become a leading country with strong economic ties with the African countries and other third world nations.

CONCLUSION AND RECOMMENDATIONS

Indeed, the Belt and Road is not only a global-level initiative. It is the sum of the sub-national, national and regional projects of many countries at the global level. It is unique in nature and has many goals. It is interrelated and interwoven with China's foreign policy, trade policy and development policy. The backbone of the BRI vision and mission has been developed by the China's long development and foreign policy experience. From that perspective, it is an extension of China's regional development strategies to a global level, sharing the development experiences of China with other countries while bringing mutual economic benefits (Summers, 2012). Furthermore, it was initiated by the provincial leaders' initiatives and lobbying. Energy security needs and the long-term strategic vision of China are strong engines and factors behind bringing the BRI to a global level. China should try to make the project inclusive and Africa should make sure that it fully benefits from the project in both investment and execution.

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