

China's "One belt, one road" initiative transforms global supply chains

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China's "One belt, one road" (Belt & Road) initiative is transforming global supply chains, especially across Asia, the Middle East, and Europe, and also extending to Africa. The supply chain linkages are embodied in the Silk Road Economic Belt and New Maritime Silk Road. One key part of the initiative aims to propel economic development within Asia, a process never significantly supported by the countries of Asia or by external actors, especially in Europe and North America. The Asian Infrastructure Investment Bank (AIIB), which is organized like a typical multilateral development bank, is headed by an elite group of experienced financial and development executives. The "Bank" is the financing vehicle for achieving intergovernmental cooperation. It serves as enabler of the development process and expansion of infrastructure. This seed money supplements even larger sums from governments and private sector actors who will supply most of the capital. AIIB, however, participates in only a small share of the projects; funding sources are diverse. Key infrastructure components include railroads, highways, telecommunications (fiber-optic lines), ports, power plants, and dams. This infrastructure is being integrated by sea and by land. It opens a large territory within Asia (e.g., Siberia, Kazakhstan, Mongolia), previously inaccessible or with poor infrastructure, to resource development. Successful implementation of this initiative will accelerate Eurasian, Middle East, and African development and lead to greater economic integration and restructuring of global supply chains. Numerous projects in Asia, Europe, the Middle East, and Africa are already underway. China's strategy is to draw on the global financial expertise in London and Hong Kong to identify and organize the vast amounts of capital that will be needed for "Belt & Road" projects. These capital flows will contribute to the internationalization of the renminbi. Global companies need to plan their approaches to participate in the "Belt & Road" initiative and to develop supply chain strategies that leverage this dramatic restructuring of interconnectivity across Eurasia, the Middle East, and Africa.