

China Type Asian Economic System

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Abstract- China initiates the "One Belt One Road" (OBOR) expansion strategy which is composed of the Silk Road Economic Belt (SREB) and 21st Century Maritime Silk Road (21st CMSR) expansion sub-strategies, seeking to integrate the 27 countries (perhaps 65 ones around the world) along the lines of OBOR Asian economic system with a demography of 4.4 billion, \$US 21-trillion- dollar giant market into China type Asian economic system via the OBOR expansion strategy. On the one hand, China can exert itself in giving full play in the following advantageous areas such as the construction of infrastructure, high-speed railway, nuclear energy, industrial manufacturing, e-commerce, military manufacturing, etc.; on the other hand, China can also shift its surplus production capacity, capital, technology as well as labor-intensive industries into establishing China type Asian economic system so that China's dream for interconnectivity, common prosperity and rise of Asia comes true finally.

General Terms- As for the initiative of China type Asian economic system, its scope and impact extend from the western side reaching the Europe, Africa economic circles to the eastern side linking South America economic circles, both land and sea routes form a completely closed loop model of economic development, it is believed to be the longest and most potential economic corridor with 85.5% demography of humans all over the world. OBOR is parallel to TPP (Trans-Pacific Partnership) and TTIP (Transatlantic Trade and Investment Partnership) as the third global pole to set pace for economic cooperation and development.

Keywords- OBOR (One Belt One Road) Asian Economic System; Silk Road Economic Belt (SREB); 21st Century Maritime Silk Road (21st CMSR).

1. EXPANSION STRATEGY FOR OBOR ASIAN ECONOMIC SYSTEM

1.1 Definition of OBOR Asian Economic System

The OBOR strategy encompasses a kind of expansion strategy that China pursues, China has become the world's 2nd largest economic entity with over \$10-trillion-dollar GDP and the world's largest trading entity with imports and exports of \$ 4.16 trillion US dollars. The rise of China must undergo the expansion strategy for long-term or short-term periods, because only the growth strategy, by nature, enables China to constantly expand Chinese economies of scale so that China turns out to be a big country from a less competitive China.

China first widely pushes its own OBOR Asian economic system expansion strategy which is composed of the Silk Road Economic Belt (SREB) and 21st Century Maritime Silk Road (21st CMSR) sub-strategies, namely:
OBOR = SREB + 21st CMSR,



Fig. 1—the close loop of SREB & 21ST CMSR.

Source: weixin zhanluezhongheng, 28/01/2015

Hereinafter referred to as the OBOR Asian Economic System expansion strategy in this article. Among them, the Silk Road Economic Belt (SREB) strategy is to cover

the areas from the Southeast Asia, Central Asia and Middle East countries which they assimilate finally together as a regional economic entity to lead to Europe, forming a trend of Eurasian Economic Integration. Whereas, the 21st Century Maritime Silk Road (21ST CMSR) strategy is to connect China with Asia, Africa and Europe continents in where the demography occupies 85.5% of humans. OBOR can eventually form a closed loop on both land and sea routes.

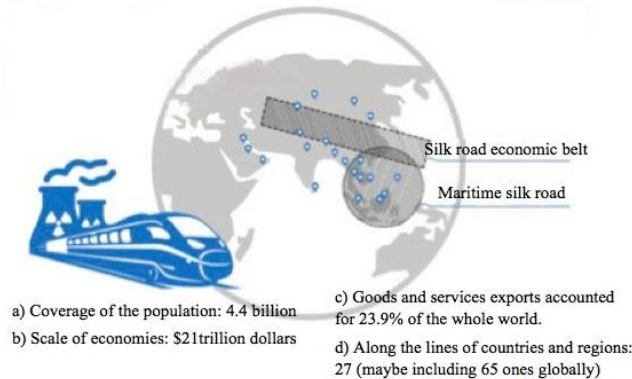


Fig. 2--The world's 2nd economic entity & 1st trading entity.

Source: Shen Zewei, Official Media: White Horse v Vision, 07/11/2014

Preliminarily estimating, there would be 27 countries (maybe involved 65 ones around the world) along the lines of OBOR Asian economic system with the total population of about 4.4 billion, accounting for 63% of the world's population; the total economy about \$21 trillion. US dollars, taking up about 29% of the total global economy. Within the OBOR Asian economic system, China has domestic 23 provinces, municipalities directly under central government and autonomous regions that have started a comprehensive OBOR deployment: the Silk Road Economic Belt (SREB) contains 6 provinces and autonomous regions in N.W. China, 5 provinces and autonomous regions in S. W. China; the 21st Century Maritime Silk Road (21ST CMSR) involves 8 coastal provinces and municipalities in S. E. China; together with other 4 provinces involved in OBOR Asian economic system construction.

1.2 Economy and Trade on Land Route

In September of 2013, China President Xi Jinping proposed to jointly construct the Silk Road Economic Belt (SREB) at Nazarbayev University, Kazakhstan, it is a new regional economic development derived from the concept of the ancient Silk Road which was ever a land passage on where Envoy Zhang Qian (the Western Han Dynasty, 202 BC to AD 9, viz. 2,217 years ago) went on mission to the western regions from Changan (now Shanxi Xi'an) as starting point, to the Guanzhong Plain, Hexi Corridor, Tarim Basin and Central Asian areas such as Transoxiana and Greater Iran between the Syr Darya River and Oxus River, and finally reached the Mediterranean countries.

1.3 Economy and Trade on Sea Route

To build 21st CMSR, in October of 2013, While China President Xi Jinping paid a visit to the ASEAN countries and proposed this program. Ever since the Qin and Han Dynasty (221 BC to AD 221, viz. 2,236 years ago) opened the China ancient Maritime Silk Road on where it has always been an important bridge between the East and West economic and cultural exchanges, and since ancient times, in particular, the Southeast Asian regions have always played an important hub role on SREB. The 21st CMSR strategic partners include not only ASEAN, point leading line, line leading plane, but also enhance exchanges in the countries and regions along the lines of OBOR, it will communicate with ASEAN, South Asia, West Asia, North Africa, Europe and other major economic market chains so as to work out the expansion strategy facing the South China sea, Pacific and India Oceans strategically cooperated economic belt as well as to develop a long-term goal of integrating economy and trade into Asia, Europe and Africa. [2]

OBOR Asian economic system expansion strategy is parallel to forge ahead in 27 countries along the lines of OBOR in the following steps: national infrastructure interconnection, industry financial cooperation, construction of mechanism and platform, acceleration of implementing the free trade areas, deep economic cooperation and trade, enhancement of exchanges and cooperation in the field of safety, founding the Asian infrastructure investment bank, construction of fundamental culture, priority to the development of sea interconnection and intercommunication. China will join hands in creating a regional prosperity strategy in port shipping, ocean energy, economy and trade, science and technology innovation, ecological environment and other fields, and promote the policy communication, road intercommunication, trade flow, the circulation of money and people interconnection.

1.4 Context of OBOR Asian Economic System

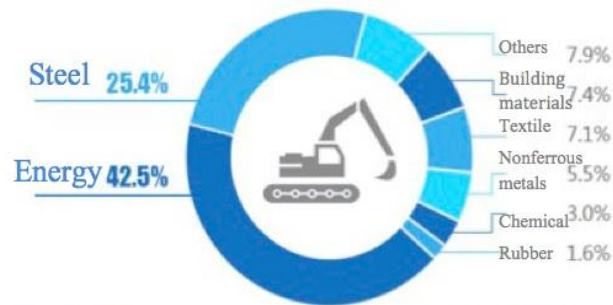
1.4.1 International Context:

As the world economic recovery grows weak, the monetary policy of developed economies lies under differentiation, the economy of many countries may face difficulties, there needs a new economic point of growth and new economic locomotive to drive the world economy. It is China that takes this opportunity to integrate China strategy and policy into OBOR Asian economic system, there will be conducive to almost all countries of the Asian economic system and APEC in a bit to achieve the multi-win situations.

China formulated a lot of strategies to promote regional economic integration, including the SREB, 21ST CMSR, Bangladesh-China-India-Myanmar economic corridor, China-Brazil economic corridor, Northeast Asia economic integration, etc. Among these strategies, each of them centers on the regional economic integration, is based on national strategy of China as well as in line with the

strategic interests of almost all members of Asia, Pacific Ocean and Europe.

1.4.2 Domestic Context



Therefore, China overseas production transfer brooks no delay!

Fig. 3--China overcapacity percentages distribution.

Source: businesssohu.com, 07/11/2014.

OBOR Asian economic system serves as an important, long-term national development expansion strategy which is to solve several strategic problems such as China excess capacity market, resources acquisition, strategic depth, strengthening trade development, national security and trade dominance, etc. China excess capacity caused plenty of problems on economic operations, through the OBOR Asian economic system, it is a very good means to open up new export market. China has both excess capacity and excess foreign exchange assets; whereas, the emerging markets and less developed countries still lack the construction of infrastructure, China makes full use of foreign exchange reserves as driving global growth capital, at the same time, the China capital output drives excess capacity to be digested abroad.

2. CHINA ALL-ROUND DOMESTIC DEPLOYMENT FOR OBOR ASIAN ECONOMIC SYSTEM

OBOR Asian economic system includes 23 provinces, municipalities and autonomous regions at home.

2.1 Deployment for SREB

2.1.1 6 Provinces and Autonomous Regions in Northwest China

- a) Xinjiang autonomous region location: Xinjiang will rely on the geographical advantages, deepen exchanges and cooperation with neighboring countries and regions, form the SREB important transportation hub, logistics and trade and cultural center of science and technology and create SREB core areas as well. Node cities: Urumqi and Kashi.
- b) Qinghai province location: Qinghai is building strategic channel, and is a fulcrum and the humanities exchange center, SREB enables Qinghai to become the main position opening to the West China and promote the economic development as the province's new growth pole. Node cities: Xining, Haidong and Golmud.

c) Gansu province location: Gansu is to build the SREB golden section, an important gateway and sub-regional cooperation strategy base for construction of China's opening to the West China. Node cities: Lanzhou, Yinchuan, Jiuquan, Dunhuang and Jiayuguan.

d) Shaanxi province location: Shaanxi Province will focus on the construction of the SREB fulcrum in a bit to form an important hub opening to the West China. Node city: Xi'an.

e) Ningxia autonomous region location: Ningxia will further build the strategic fulcrum of SREB under the national OBOR Asian economic system strategy.

f) Inner Mongolia Autonomous Region location: Inner Mongolia is to be incorporated into the SREB construction scope, to establish a bridgehead opening to North China.

2.1.2 1 Municipality, 4 Provinces and Autonomous Regions in Southwest China

- a) Chongqing municipality location: Chongqing will be built into the western hub of the Yangtze River Economic belt.
- b) Sichuan province location: Sichuan is to build an important transportation hub and economic hinterland to implement the OBOR Asian economic system strategy. Node city: Chengdu
- c) Yunnan province location: Yunnan is to become the OBOR Asian economic system strategic fulcrum and communication channel hub to the South and Southeast Asian countries.
- d) Tibet autonomous region location: Tibet will construct the South Asia high channel as an important region, an important annulus for BCIM economic corridor, and directly promote the construction of economic zone around Himalaya.
- e) Guangxi autonomous region location: Guangxi will set up an important gateway organically linking OBOR Asian economic system and opening to the Southwest and South China as a new strategic fulcrum of development.

2.2 Deployment for 21st CMSR

8 Coastal Municipalities and Provinces in Southeast China.

- a) Shanghai municipality location: Shanghai will exert a far-reaching influence on the national strategic level of Two Belts One Road, that is to say, the Yangtze River Economic Belt, SREB and 21st CMSR. The Yangtze River Delta economy involves Shanghai, Jiangsu, Hubei, Chongqing, other 9 provinces and 2 municipalities, and the SREB is to broaden the western region of China and west countries, the 21st CMSR is to further extend to China and 10 ASEAN countries.
- b) Tianjin municipality location: Tianjin is to operate the business of shipping vessels as well as the related financing lease, to enhance the ability to integrate the resources of Tianjin and Binhai New Area, and to play a leading role in developing the Beijing-Tianjin-Hebei regional economy.

- c) Jiangsu province location: Jiangsu will construct the OBOR Asian economic system new pattern of converging node. Node cities: Xuzhou and Lianyungang.
- d) Zhejiang Province location: Zhejiang will create and drive the trial zones of economy and trade cooperation for OBOR Asian economic system strategy, trial zone of the On-Line Silk Road, trade and logistics hub area; and lay plans on land and sea routes, erect a new pattern which would be reciprocal between east and west, and connected each other from north to south. Node cities: Hangzhou, Ningbo and Wenzhou.
- e) Fujian province location: Fujian is to create an important hub of interconnection construction linking OBOR Asian economic system, the front platform for trade and economic cooperation and cultural exchanges of 21st CMSR. Node cities: Xiamen, Zhangzhou, Quanzhou and Fuzhou.
- f) Guangdong province location: Guangdong will strive to build the 21st CMSR bridgehead for Guangdong has been playing a vital role of both the ancient Silk Road on the sea and piloting area of China reform and opening up. Node cities: Guangzhou, Shenzhen, Zhanjiang and Shantou.
- g) Hainan province location: Hainan is to create a portal strategic fulcrum for 21st CMSR, it is situated closely around the two main national bases of natural resources development service guarantee and sea rescue in South China Sea. Node cities: Haikou and Sanya.
- h) Shandong province location: Shandong will be an important area along the lines of OBOR Asian economic system of maritime strategic fulcrum and new Eurasian Continental Bridge Economic corridor. Node cities: Rizhao, Qingdao and Tantai.

2.3 Deployment for Integrating 4 Provinces and Autonomous Regions into SREB and 21st CMSR.

- 4 Provinces and autonomous regions integrated locations:
 - a. Heilongjiang province is to build the SREB on land and sea routes, and provide the eastern China coastal regions, Japan, Korea and North America with cross-border transport on both land and sea routes.
 - b. Henan province will put forward the construction of the Eurasian bulk commodity trade and logistics, the Silk Road culture exchange, energy storage trading centers; strengthen the supportive role in the construction of the SREB strategy, create the strategic core hinterland of OBOR Asian economic system, and play a greater role in serving the central China as well as the overall rise of China. Node city: Zhengzhou
 - c. Hubei province is to deeply assimilate into the OBOR Asian economic system, strengthen cooperation in trade and investment with Europe, the United States, Hong Kong and Macao developed entities. Node city: Wuhan.
 - d. Liaoning province will establish a seaport area of the Eurasia Bridge in OBOR Asian economic system, it is an annulus for China-Mongolia-Russia economic corridor and

important platform for the coastal economic belt involved in OBOR Asian economic system. Node city: Dalian

2.4 China International Deployment for OBOR Asian Economic System

The Silk Road international economic areas cover Southeast Asian, Central Asian, Middle East countries and regions.

China has become the major trading partner of the 5 Central Asian countries: Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Tajikistan, of which China is the second largest trading partner of Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan, respectively.

Under China preferential government loans and assistance, Chinese enterprises undertake the road, telecommunications, electricity and other infrastructure projects in the central Asia. The China-Kyrgyzstan-Uzbekistan highway, Tajikistan-Uzbekistan road, and transmission line within Tajikistan, etc., a number of economic cooperation projects have been successfully started and actively implemented. With the continuous improvement of the regional infrastructure, in these Asian regions, the networks connected with energy, transportation, telecommunications, etc. have already shown the contour.

The Shanghai Cooperation Organization, SCO In April of 1996, the five leaders China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan met in Shanghai. Since then, the "Shanghai Five" meeting mechanism has been established formally. The member countries: China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan; observers: Iran, Pakistan, Afghanistan, Mongolia and India; dialogue partners: Sri Lanka, Belarus and Turkey; guest participants: Turkmenistan, the Commonwealth of Independent States and Asean.

3. FINANCING SOURCE FOR OBOR ASIAN ECONOMIC SYSTEM



Fig. 4--\$639 billion US dollars (4 trillion CNY) Capital Output (1) Source: businesssohu.com, 07/11/2014.

3.1 Asia Infrastructure Investment Bank (AIIB)

It is a regional financial institution created and proposed by China in October of 2014, the main business is to aid the construction of infrastructure of countries amidst Asia-Pacific regions, it will be headquarters-based in Beijing with legal fund \$100billion US dollars, preliminary funds paid in \$50million US dollars by China, accounting for 50%. Apart from China, there have been altogether 46 countries to be willing to join AIIB as of March 31st, 2015, including Bangladesh, Brunei, Kampuchea, South Korea, India, Indonesia, China, Jordan, Kazakhstan, Kuwait, Laos, Maldives, Malaysia, Mongolia, Burma, Nepal, New Zealand, Pakistan, Philippines, Oman, Qatar, Saudi Arabia, Kyrgyzstan, Thailand, Singapore, Sri Lanka, Uzbekistan, Vietnam, Georgia, Luxemburg, UK, Swiss, Turkey, Tajikistan, Australia, Egypt, Brazil, Germany, Denmark, Italy, France, Austria, Holland, Russia, Finland, Norway as its intended founding members, etc., of which there are 30 founding ones already.

3.2 The Silk Road Fund (SRF)

SRF is an open fund created and proposed by China in November of 2014, China would contribute \$40billion US dollars. The Silk Road Fund will provide the infrastructure construction, resources development, industrial cooperation and other related projects along the lines of countries in OBOR Asian economic system with financing and investing support.

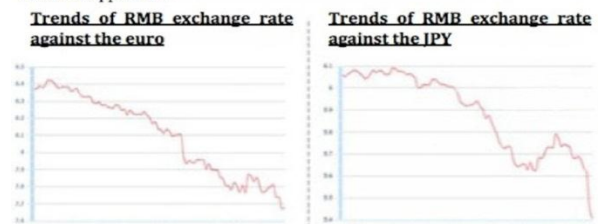
The relationships between Asia infrastructure investment bank (AIIB) and Silk Road Fund (SRF) and other global/regional multilateral development banks are complementary rather than substitutes for each other, AIIB and SRF will run on the current international economic and financial order.

3.3 The SCO National Development Bank

China commitment at the SCO summit would supply Central Asia with a loan of \$10billion US dollars, and also the National Development Bank led by China is to carry out the credit and amount of financing scale that has exceeded \$50billion US dollars, mainly used for Central Asia railway, highway, cable, crude oil and gas pipelines as well as other infrastructure construction.

B. To go towards developed countries

Directed to China, money is to walk out; for rich countries, China is to maintain value and appreciate.



As shown in Figure: in June 1m. euro can be exchanged for 8.4 m. CNY, but in November 5th only changed to 7.7m. CNY, the currency exchanges difference 0.7m. euro. If in June it conducted the convertibility of RMB, it would maintain the value and appreciate. Similarly, the JP yen will do the same as euro.

Fig. 5--\$639 billion US dollars (4 trillion CNY) Capital Output (2) Source: businesssohu.com, 07/11/2014.

3.4 The BRICs Development Bank.

In July of 2014, China, Brazil, Russia, India and South Africa in Brazil, Fortaleza signed an agreement to found the BRICs Development Bank and the BRICs contingency reserve arrangements, headquartered in China Shanghai. Development Bank of start-up capital is \$50billion US dollars, each member state is to provide \$10billion US dollars within 7 years, and they will invest \$100billion US dollars in the bank. The reserve fund totals \$100billion US dollars, of which China shall contribute \$41billion US dollars, Russia, Brazil and India will provide \$18billion US dollars, respectively; whereas South Africa shall provide the remaining \$5billion US dollars[3]. The function of BRICs development bank shall be in charge of the BRIC countries and other countries in the construction of infrastructure investment projects, expanding overseas interests of BRIC countries; and the foreign exchange reserve fund shall be responsible for the funding of capital outflows, the debt crisis and other financial emergencies in the member states.

4. ENERGY RESOURCES OF OBOR ASIAN ECONOMIC SYSTEM

China oil, gas and mineral resources depending on overseas export exceeds 50% or more, these key resources are mainly imported through the coastal sea route to China, and the import channel is relatively single.

The Middle East and Africa are still the future important source of China's oil imports. Transport is dependent on the waterways, especially through the Malacca strait.

OBOR Asian economic system will add lots of effective land and maritime resource channels into China, that is, Sino-Central Asian, Sino-Myanmar, Sino-Russian oil and gas pipelines and offshore liquefied natural gas (LNG) import channels, these 4 oil-gas channels attach an importance to the diversification of acquiring resources.

4.1 Sino-Central Asian Natural Gas Channel

The Sino-Central Asian gas pipeline is designed for an annual gas transmission capacity of 30b.-40b. m³. From the end of 2009 to 2013, it has accumulated the transmission with the natural gas about 60b.m³, equivalent to a half of the total gas yield in 2010. The three China - Central Asian gas pipelines A, B and C all pass through Kazakhstan via Huoerguosi entry port of Xinjiang autonomous region into China, while gas line D bypasses Kazakhstan via Tajikistan and Uzbekistan. To take energy security into considerations is the reason why different path has been chosen. After gas line D is completed in 2016, the total design transport capacity of 4 Sino-Central Asian gas pipelines will reach 85b. m³ / year.

4.2 Sino-Kazakhstan Crude Oil Pipeline (Kazakhstan Caspian Sea Atyrau-China Xinjiang Alashankou)

The Sino-Kazakhstan crude oil pipeline totals 2,798 km. Since the official opening in 2006, the overall planning is an annual transportation capacity of 20 million tons. It has

become a big energy artery linking China with the Caspian Sea, and until now Kazakhstan has accumulated a transport about 50m.tons of crude oil to China.

4.3 Sino-Myanmar Oil and Gas Channel (Myanmar Sittwe - China Kunming & Chongqing)

The Sino-Myanmar oil and gas pipeline amounts to 2,402 km distant, the preliminary design of oil and gas pipeline's capacity is designed for an annual transport 22million tons of crude oil and 12billion m³ natural gas. The oil and gas pipelines are generally parallel one from Myanmar Sittwe Kyaukpyu and Mudd island port which is a deep water port built by China in the Bengal bay from where oil-gas pipelines extend to Kunming and Chongqing, China. Here, the oil mostly from the West Asia and Africa will be injected into a pipeline with a Myanmar/China section length of 771 km. and 1,631 km., respectively; investment of about \$2billion US dollars. In July 28th, 2013, the Sino-Myanmar oil-gas pipelines were put into effect.

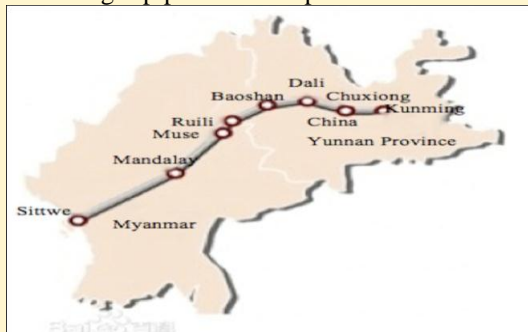


Fig. 6--The Sino-Myanmar oil and gas pipeline

The construction of Sino-Myanmar oil-gas pipelines enable China to ease the degree of dependence on oil and gas imports from Africa and Middle East via the Malacca Strait through where 80%-95% of China imported oil used to pass. There has been more than 250million tons of foreign oil demand each year in China. The Malacca Strait with a length of about 1,080 km is an international waterway communicating the Pacific Ocean with India Ocean. Singapore is located in the Malacca Strait throat position, and also a USA ally with a United States military base. [4]

In March of 2014, the China-ASEAN cooperation preparing group of Kra canal of Thailand Isthmus began operation, planning to cut Kra canal 100 km in length and attempting to communicate India Ocean with Gulf of Thailand. The Kra canal will be one of Asia's largest artificial canals. After having been opened, the trade between the ASEAN FTA and the rest of the world will no longer pass through the Malacca Strait. Compared with the original Malacca route, the linear sea route will be shortened for 1,000 km range and save the shipping and time costs for freight logistics in the ASEAN FTA. [5]

4.4 Sino-Russian Oil Channel (Russia Far East Skovorodino-China Heilongjiang Daqing)

The Sino-Russian oil pipeline is a China branch belonging to the East Siberia - Pacific oil pipeline from the Russian

Far East Skovorodino oil offtake station to the Daqing oil station, the total length of about 1,000 km, it was completed and put into production in October 31st, 2010 as planned, and the contract period would last for 20 years. According to a "loan for oil" deal reached between the two countries from January of 2011 to 2030, China will receive 300,000 barrels/day, the total supply would arrive at 300million tons.

4.5 The Sino-Russian East Natural Gas Channel (Heilongjiang Heihe city to Shanghai municipality)

According to the preliminary design of China Petro, China trunk section of the Sino-Russian east natural gas pipeline stops at Baihe Town terminal station, Qingpu District of Shanghai municipality, the pipeline length totals 3,342 km. From the 2018 year onwards, Russia is to supply China with gas through Sino-Russian east natural gas pipeline, the transmission capacity of gas will be increased year by year, eventually reach 38billion m³/year, the accumulative total contract period will be 30 years, the total contract value \$400billion US dollars. CNPC said, "The Sino-Russian east pipeline is expected to start the construction of China section in the first half of 2015, striving to be completed in 2018."

4.6 The Sino-Russian West Natural Gas Channel

In addition, the 2nd Sino-Russian natural gas transportation line (west pipeline) is also brewing, the Russian west natural gas supply can reach 30billion m³ / year, plus the east Russia 38billion m³, China's natural gas future supply is expected to reach nearly 70billion m³/year.

4.7 China Offshore Liquefied Natural Gas (LNG) Channel

The source of China's LNG imports has been expanded to nearly 10 countries. LNG from Qatar accounted for 35% of total imports, Qatar has become China's largest LNG source of imports; LNG imported from Australia took up 20% of China's total imports, its proportion dropped sharply. Along with the Indonesia, Malaysia LNG output growth in recent years, China's imports from Southeast Asia also rise significantly, LNG imports from African countries show a rapid growth trend.

China's imports of liquefied natural gas projects were started officially in 1995. The LNG projects built already, under construction or planning to be built are mainly distributed in Guangdong, Fujian, Shanghai, Zhejiang, Hainan, Jiangsu, Shandong, Liaoning, Tianjin, etc., the southeast coastal areas have become China's largest bases of importing LNG.

5. TRADE DOMINANCE WITHIN REGIONAL ECONOMIES

Under the circumstances of a slowdown in China's economic growth, industrial structure optimization and economic transition, China is about to build 4 major experimental free trade zones as a national development strategy synergetic to that of OBOR Asia economic

system, it has become an important driving factor for the future 10-year economic growth of China, really urging the construction of international economy, finance, trade, construction and shipping centers. Thus, China may control the international trade dominance and right to price and allocate resources.[6]

5.1 China Experimental Free-Trade Zones, FTZ

- a. China (Shanghai) experimental free trade zone consists of the following three sub-zones: the Lujiazui financial district, Jinqiao manufacturing industry district and Zhang Jiang high tech district with an area of 120.72km². The experiment of Shanghai FTZ exerts a far-reaching influence on the national strategic level of Two Belts One Road, viz, the Yangtze River Economic Belt, SREB and 21st CMSR. The Yangtze River Delta economy involves Shanghai, Jiangsu, Hubei, Chongqing, other 9 provinces and 2 municipalities, and the SREB is to broaden the western region of China and west countries, the 21st CMSR is to more extend to China and 10 ASEAN countries.
- b. China (Guangdong) experimental free trade zone is composed of the following three sub-zones: Guangzhou Nansha, Shenzhen Qianhai Shekou and Zhuhai Hengqin with an area of 116.2 km². Guangdong Experimental FTZ will boast its regional advantages adjacent to Hong Kong and Macao, and create some social, legal, governance and business environments up to standards of Hong Kong and Macao so that foreign investors might feel that investment in Guangdong exactly the same as in Hong Kong/Macau FTA. Doing so enables Guangdong FTZ to become a free trade zone with international standards test. At the same time, Guangdong is also a big home-town province of Overseas Chinese, and with the humanistic links for a long-term from generation to generation along the lines of OBOR Asian economic system countries and regions, this advantage will be rather conducive to combine Guangdong and the 21st CMSR expansion strategy well.
- c. China (Fujian) experimental free trade zone includes the following three sub-zones: Fuzhou, Xiamen and Pingtan with an area of 118.04 km². Fujian FTZ is to play a piece of card "the Cross-Strait Economic Integration." If the Taiwan free economic zone and Fujian FTZ dock one another and engage a cross-strait integration of free economic zone, then a pull effect on Taiwan local economy will be very obvious.
- d. China (Tianjin) experimental free trade zone comprises the following sub-zones: Tianjin port, Tianjin airport and Binhai New Area central business with an area of 119.9 km². The main advantage of Tianjin FTZ is to operate the business of shipping vessels as well as the related financing lease, to enhance the ability to integrate the resources of Tianjin and Binhai New Area, and to play a leading

role in developing the Beijing-Tianjin-Hebei regional economy.

5.2 China-ASEAN Free Trade Area, CAFTA

The CAFTA is a free trade area established by China and 10 ASEAN nations. In 1991, a China-ASEAN dialogue began. Then in 1996, China became an all-round dialogue partner of ASEAN, the FTA was officially started in January 1st, 2010. Ever since the completion of FTA, the China and ASEAN trade accounted for 13% of the world trade, the CAFTA became a big economic entity covering 11 countries, 1.9b.of demography, \$6 t.US dollars of GDP, and also is currently the world's most populous, largest FTA among developing countries.

5.3 China-Japan-ROK FTA, CJRFTA

This idea of China-Japan-South Korea free trade area was presented at the China-Japan-ROK leaders' summit in 2002. On the assumption, as China, Japan and South Korea are three big countries in East Asia, their GDP volume has reached \$15 trillion US dollars, accounting for 20% of global GDP and 90% of GDP in East Asia, respectively; it has been more than the EU, but the volume of trade among the three countries account for only less than 20% of total amount of foreign trade of them. The establishment of CJRFTA will gradually realize the free exchanges of goods, people and capital, and urge the China, Japan and South Korea industrial restructuring and economic development. The China, Japan and South Korea Northeast Asia Logistics Information Service Network (NEALNET) was formally founded. At present, a trio-country logistics information sharing service interface has been successfully opened, trio-pilot ports such as China Ningbo port and Zhoushan port, Japan Tokyo- Yokohama port and South Korea Busan port have basically realized the interconnecting and jointly sharing the shipping dynamic information.

6. EXPANSION STRATEGY FOR INTERNATIONALIZING RMB YUAN

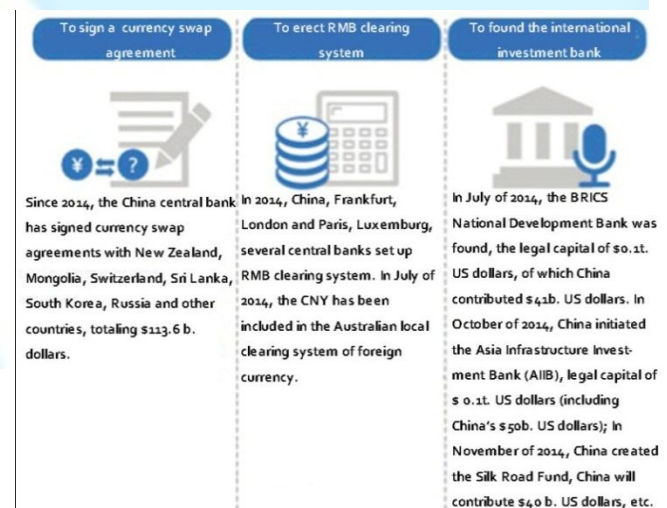


Fig. 7—promoting the process of internationalization of the RMB! Source: businesssohu.com, 07/11/2014.

In perspective of trading currency, the degree of RMB internationalization remains still low. In 2013, China's import and export trade performed about 5.3% transactions with the denominated RMB yuan. Other countries considering China outside of the bilateral trade and less use of RMB yuan, at present the RMB yuan viewed as a currency in the international trade currency in which the share is about 0.6%. While the dollar, euro as an international trade currency in which their ratios keep as high as 48.1% and 28.9%, respectively. The FED continues the QE monetary policy so that the weak dollar is no longer able to bear the "anchor" of the international monetary system alone, there has been for the time being a global rise of "de-dollarizing" wave.

This provides China with great opportunities to promote RMB internationalization expansion strategy. The ultimate goal of the RMB internationalization is to realize the circulation outside and play the role of the international currency functions such as a means of measuring value, circulation, payment and storage. To strengthen the monetary cooperation with the countries along the lines of OBOR Asian economic system, expand the cross-border use of RMB Yuan, it can realize the RMB globalization deployment through RMB radiation effect on the countries along the lines of OBOR Asian economic system. On borrowing the opportunity for de-dollarizing in some oil producing countries, it is key for China to promote the oil transactions with RMB currency settlements in the Middle East countries so as to speed up founding the "Petroleum Yuan" system.

7. ESCORTING FOR OBOR ASIAN ECONOMIC SYSTEM

According to American General, Alfred Mahan (1840 - 1914), thoughts of sea power say this way, "The merchant fleet is the basis of maritime military forces; the sea power determines that of the state, he who effectively controls the sea can become a powerful country in the world." But today China starts the 21ST CMSR strategy and puts forward the state policy of exploring and managing oceans strategically as well as founding the oceanic power. Until now, China again puts forward the development of 21st CMSR. China thinks to obtain a foothold in the oceans of the world, and also faces the more complicated situations than that of land extending. If the sovereignty of the Diaoyu Islands, Philippines and Vietnam could be capricious, then China's sea power will also sound vulnerable.

In addition, China hopes to achieve the Eurasian continental economic contacts via the Central Asian bond. At present, USA military bases amount to 13 ones in Central Asia, Russia 4 ones, the American objective is to control the heartland, and then do the world, while Russia expects to achieve a geopolitical breakthrough for thousands of years, namely, opening up a channel reaching the India Ocean. In Central Asia, some Turkistan countries in where experiencing more turbulent situations, terrorist

forces more rampant, and the ethnic splitting forces guided by the Xinjiang leading independence elements remain very active.



Fig. 8—USA and Russia military bases in Turkestan countries. Source: weixin zhanluezhongheng, 10/12/2015.

This is the geopolitical reality facing OBOR Asian economic system, i.e., China is taking a very big security risk. Therefore, China must create its own ocean-going navy and overseas military air/land bases in order to ensure safety and develop OBOR Asian economic system.

8. COOPERATIVE DOMAINS OF OBOR ASIAN ECONOMIC SYSTEM

The countries along the lines of OBOR Asian economic system are able to engage the cooperative development in the following fields: high-speed railway, nuclear power, military manufacturing, transportation, post and telecommunications, textile, food, pharmaceuticals, chemicals, agricultural products processing, production of consumer goods, machinery manufacturing and other industries in where to be invested, and the development of cooperation will also be carried out in agriculture, desert control, solar energy, environmental protection, etc.

8.1 China High-Speed Railway, HSR



Fig. 9-- Reserved for cross-sea tunnel outlet to Taiwan.

As stipulated in China railway provisions, the high-speed railway (HSR) refers to the design of running at more than 250 km²/h (including reserves), and the early operating at more than 200 km²/h passenger dedicated line (PDL).

In 2004, China high-speed railway construction began from China railway and long-term program for HSR, of which the first real line was the Beijing-Tianjin Intercity HSR put into operation in August 1st, 2008 at 350 km / h.

As of December 28th, 2014, China HSR operated for a total mileage of over 16,000 km, basically molded the "Four Vertical and Four Horizontal" trunk. China HSR operating mileage takes up about 50% of the world HRS mileage in which China is ranked 1st.

China Ministry of Railway ever proposed the construction of two HSRs linking mainland with Taiwan.

a. The Beijing-Taiwan HSR (Beijing - Fuzhou section, called Jing-Fu HSR): Beijing - Bengbu - Chaohu - Tongling - Hefei - Jixi - Mt. Huangshan - Shangrao - Mt. Wuyi - Nanping - Fuzhou - Taipei, and the coastal city Putian set aside for cross-sea tunnel exit to Taiwan. (The program "Fuzhou through the Taiwan Strait tunnel to Taipei" lies at the unilateral idea stage of mainland).

b. The Kunming-Taiwan HSR (Kunming - Xiamen section, called Kun-Xia HSR): Kunming - Guiyang -

Guilin - Chenzhou - Ganzhou - Longyan - Xiamen - Kaohsiung, Zhangzhou and Quanzhou Xiaocuo port keep reserved for cross-sea tunnel outlet to Taiwan. (The Xiamen-Kaohsiung section the same as that of Beijing-Taiwan HSR will not be implemented until both sides of the Taiwan Straits reach a common agreement).

8.2 China Nuclear Power

China nuclear power started from self-design and construction of the first Qinshan nuclear power plant with an installed capacity of 300,000 KW, up till now, three nuclear power bases such as Zhejiang, Guangdong Dayawan and Jiangsu Tianwan have been built. As of the end of August, 2013, a total of 17 units have been put into commercial operation with the total installed capacity of 14.75m.KW

China Nuclear Power Statistics Table for China Mainland

NP Plant Name		Reactor Type	Rated Power (MW)	Operation Date	Operation Unit
Qinshan Phase-I		PWR	310	04/01/1994	China NP Gr.
Qinshan Phase-II	Unit No.1	PWR(CNP650)	2×650	04/15/2002	China NP Gr.
	Unit No.2			05/03/2004	
Qinshan-III	Unit No.1	PWR(CANDU6)	2×700	12/31/2002	China NP Gr.
	Unit No.2			07/24/2003	
Dayawan	Unit No.1	PWR (M310)	2×983.8	02/01/1994	China NP Gr. (Guangdong)
	Unit No.2			05/06/1994	
Ling Ao Phase-I	Unit No.2	PWR (CPR1000)	2×990.3	05/28/2002	China NP Gr. (Guangdong)
				01/08/2003	
Tianwan Phase-I	Unit No.1	PWR (VVER)	2×1060	05/17/2007	China NP Gr. (Guangdong)
	Unit No.2			08/16/2007	
Ling Ao Phase-II	Unit No.3	PWR (CPR1000)	1080	09/20/2010	China NP Gr. (Guangdong)
	Unit No.4		1080	08/07/2011	China NP Gr. (Guangdong)
Qinshan Phase-II Expansion	Unit No.1	PWR(CNP650)	2×650	10/21/2010	China NP Gr.
	Unit No.2			04/08/2012	
Ningde NPS	Unit No.1	PWR (CPR1000)	1089	04/18/2013	China NP Gr. (Guangdong)
Hongyanhe NPS	Unit No.1	PWR (CPR1000)	1118.79	06/06/2013	China NP Gr. (Guangdong)
Total			14745.99		
Source: Nuclear Power Operation Information Network of China Nuclear Industry Association.					

8.3 China Military Manufacturing

a) Shenyang J-31

Shenyang J-31 is the 4th generation, twins-engine, mid-sized stealth fighter developed by Shen Fei Industry Gr. Co. (Shenyang Aircraft Industry Gr. Co., China Aviation Industry Corp., abbr. Shen Fei; Russian standard of the 5th

generation). It adopts the twins-engine, single seat, fixed-double-inclined vertical tail and mussels type inlet. If J -31 export once achieved, it will become the quite competitive product in the market of medium developed countries or less together with the 3rd generation fighter product.

b) Raptor J-10



Fig. 10—China Nuclear Power Station (NPS) Distribution Diagram

Raptor J-10 is the single-engine, all-weather, multi-function, a canard aerodynamic and medium fighter developed by Chengdu Aircraft Industrial Gr., although it has the same advanced performance as F-16, the Raptor J-10 fighter price will be worth between \$25m. - 40m. US dollars in the international market. Recently, the United States sold an F-16 fighter at a price of \$60m. US dollars to Chile.

c) China Type 054 Frigate

China Type 054 frigate is a medium-sized warship with tonnage suitability and good economy, although the performance of firepower and speed is lower than that of domestic new destroyers, it is more suitable for mass production. Surely, the warship technology tends to be mature, its multi-purpose ability is good, and the warship weapons for air- defense, anti-warship are up to the world first-class standard. And the warship has a helicopter hangar large enough to meet the various tasks.

And so on.

9. SUGGESTIONS FOR OBOR ASIAN ECONOMIC SYSTEM EXPANSION STRATEGY

9.1 Strengthening the Policy Communication

The countries along the lines of OBOR Asian economic system may communicate on the economic development strategy; while differences reserved so as to seek common ground, in line with the principle of consultation, it is to jointly work out the plans and measures to promote regional cooperation, and open "green lights" for the regional economic integration at levels of policy and law.

9.2 Enhancing Interconnectivity of Road and Waterway

The Shanghai Cooperation Organization (SCO) is negotiating a traffic facilitation agreement which shall be signed and implemented as soon as possible, transport channels will be opened from the Pacific Ocean to Baltic

Sea in the near future. China is willing to work with all parties to actively explore the feasibility of improving cross-border transportation infrastructure, and gradually form a transportation network connecting East, West and South Asia so as to provide the economic development of all countries and personnel exchanges with convenience. China and the ASEAN shall exert efforts in cooperation for digging the Kra canal as soon as possible so as to build a sea passage through India Ocean and the Gulf of Thailand.

9.3 Strengthening Free Trade

There are nearly 4.4 b. demography, \$21t. US dollars market size in 27 countries and regions along the lines of OBOR Asian economic system, the potential in market, cooperation, trade and investment remains unique and big. All parties should be to facilitate the market, cooperation, trade and investment issues to be discussed, make appropriate arrangements for them, eliminate trade barriers, reduce trade and investment costs, improve the speed and quality of regional economic cycles as well as achieve mutual benefits and multi-win situations.

9.4 Strengthening the Circulation of RMB

China, Russia and other countries have not only had good cooperation in local currency settlements and made gratifying achievements, but accumulated rich experiences. It is necessary to promote these good practices. If all the countries achieve the currency exchange and settlements under current and capital accounts, it can greatly reduce the cost of circulation, enhance the ability to resist financial risks and improve the international competitiveness of the local economy.

9.5 Increasing People Intercommunication

The diplomatic relations between country and country lie in the intimacy between people and people. To do a good job in the above-said fields of cooperation, the peoples of all countries must support and strengthen the friendly exchanges among them, only if we enhance mutual understanding and traditional friendship, and can we lay a solid foundation for public opinion and social foundation for the developing the regional cooperation.

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