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# China in Asia: What is behind the new silk roads?

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**Alice Ekman**

*July 2015*



This study has been realized within the partnership between the French Institute of International Relations (Ifri) and OCP Policy Center

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Some elements of analysis of this present research paper have first been published in French in the following article: A. Ekman, « La Chine en Asie: quels objectifs sous Xi Jinping », *Note de l'Ifri, mars 2015*. This paper was handed in May 2015, based on data up to this month.

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ISBN : 978-2-36567-425-6  
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- “The Distinctive Features of China's Middle Classes”, *Asie.Visions*, n° 69, juin 2014.
- “La vision chinoise du Maghreb”, in Thierry Pairault et Fatiha Talahite (dir.), *Chine-Algérie. Une relation singulière en Afrique*, Riveneuve Éditions, 2014.

# Executive Summary

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- The Asia-Pacific region is now more than ever a priority for China's foreign policy. The combined economic, energy and security interests concentrated in the region are of key importance for Beijing.
- China is trying to consolidate its regional power status through proactive diplomacy with all its neighbors. On the one hand it is reinforcing its economic diplomacy (with particular emphasis on building transport infrastructure) in a soft, flexible and often seductive manner. On the other hand China is maintaining a firm position on territorial and border disputes and is increasingly showing its strength, particularly in the East and South China Seas.
- This two-pronged regional approach – soft and firm – is not new and had already begun under Hu Jintao. It is clear, however, that since the 18th Communist Party congress in November 2012, Xi Jinping has sought to accelerate the consolidation of China's economic presence and geostrategic base in the Asia-Pacific region.
- This change in pace must be understood in the wider context of fiercer competition between China and the United States in the region as a whole. China wants to limit American influence in this zone in a number of areas – military, economic, financial, institutional, among others – and to become the agenda-setter in Asia and beyond.
- At the moment, China remains relatively isolated in Asia. Chinese initiatives in the China Seas and wider uncertainties about Beijing's true ambitions in the region tend to benefit the United States and Japan, who are strengthening their links with several neighboring countries, which are alarmed by China's rising power.
- However, a Chinese regional strategy is slowly being formed and could emerge progressively during Xi Jinping's term of office (which started in 2012 and is scheduled to end in 2022), if Beijing succeeds in using its economic attractiveness to build a wider

sphere of geopolitical influence. This will partly depend on the ability of China's central government to coordinate its foreign policy on a regional scale and its ability to communicate with its neighbors, but also on evolutions of the economic context, both at national and regional level.

- The “One Belt, One Road” – China's core economic diplomacy project – remains very flexible. The path of the roads, the list of countries involved and the areas of cooperation concerned remain unclear both within and outside China. The details of the project are likely to evolve according to market opportunities, as the central government is currently setting the general guidelines in hopes that major Chinese and foreign companies, as well as foreign governments, will claim ownership of the concept and adapt their strategies following these guidelines.
- This ‘slow-forming’ regional strategy, the foundations of which are currently being built by Xi, gives China time to consolidate its regional position step by step. More confident than ever, China's diplomacy is active in every direction, adopting a pragmatic, economic-oriented approach. The economic and geopolitical impact of such proactiveness will remain to be seen over the next few years – in particular, there is a risk that as Chinese economic diplomacy extends its reach; it will clash with the economic presence of other major regional players (notably Russia in central Asia, Japan in South-East Asia, and India in the Indian Ocean and South Asia). Nonetheless, the strategic weight of the “One Belt, One Road” framework should not be overlooked given the strong financial and brainstorming support Beijing is currently allocating to it.

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## Introduction

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Today, Asia has outstripped other zones to become the chief focus of Chinese foreign policy. Clearly, since the 18th Communist Party congress in November 2012, Beijing has been attempting to develop a more proactive diplomacy in the region and has been raising its game as it rolls this policy out. The main lines of the policy had already been drawn by the end of Hu Jintao's term of office. Under Xi Jinping, work conferences,<sup>1</sup> bilateral meetings, declarations – whether of good intentions or of firmness – and economic cooperation projects have followed each other more rapidly than under the previous administration. This doesn't mean that the rest of the world isn't important for China. Beijing now pays close attention to most international conflicts (in Syria, and more recently in Ukraine) and takes part in security/peacekeeping operations far away from Asia (Chinese peacekeeping troops in Mali, participation in anti-piracy operations off the coast of Somalia, etc.). But the recent trend shows that China's efforts today are aimed first and foremost at trying to consolidate its status as a regional power. On the basis of formal and informal discussions with Chinese researchers and analysts,<sup>2</sup> as well as detailed analysis of recent, open-source official documents<sup>3</sup> and press articles, this study identifies the main principles of Beijing's

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<sup>1</sup> In October 2013 an extraordinary conference on “peripheral” or “neighborhood” diplomacy took place (*Peripheral Diplomatic Work Conference*) under the chairmanship of Xi Jinping. It was the first high-level conference on this theme ever held in China, and the first major foreign policy meeting since the “Foreign Policy Work Conference” in 2006. In contrast to the earlier conference, which had dealt with foreign policy challenges in the broad sense, the 2013 conference concentrated on the geographical area closest to China.

<sup>2</sup> Formal and informal discussions with Chinese researchers and analysts in Beijing, Shanghai, Paris and Brussels, in 2013-2015.

<sup>3</sup> Among these documents: “Vision and Actions on jointly building silk road economic belt and 21st-century maritime silk road”, jointly published by the National Development and Reform Commission (NDRC), the Ministry of Foreign Affairs (MFA) and the Ministry of Commerce (MOFCOM), on March 29, 2015. Referred below, and throughout the text, as the “Action Plan of the NDRC”.

consolidation strategy and the way it has been applied in several areas in the region over the last two years, from Central Asia to South-East Asia.



## Full-scale consolidation of China's regional policy

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The Chinese leadership has been interested in the idea of a “neighborhood policy” for many years. The term was already in use at the beginning of the Hu era (2002-2012), when many of Beijing’s research institutes and experts devoted their efforts to considering how this policy should be formulated<sup>4</sup>. But it is clear that since Xi became President of the People’s Republic of China in March 2013, Chinese diplomacy has been more proactive in the region. Throughout their many visits to neighboring countries during 2013<sup>5</sup> and 2014, China’s leaders have reiterated two concepts, both presented as the new tenets of this regional policy: the “Silk Road economic belt” and the “maritime Silk Road” – later labeled by official institutions as “One Belt, One Road” – which would connect China and Europe via improved infrastructure and closer economic cooperation with its neighbors in Central and South-East Asia mainly.<sup>6</sup>

These concepts, announced by Beijing as national priorities and hammered home by Chinese participants at every subsequent international conference, cover a number of objectives, but first and foremost being domestic economic development.

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<sup>4</sup> For example, Chinese foreign policy and security researchers visiting Europe have frequently expressed an interest in the European Union’s “neighborhood policy”, a potential basis for comparison and source of influence for their work.

<sup>5</sup> Since entering office, the Chinese leaders have made a large number of foreign visits throughout the neighborhood: Russia, (which Xi visited as early as March 2013), Central Asia (Xi visited Turkmenistan, Kazakhstan, Uzbekistan and Kyrgyzstan in September 2013), South-East Asia (Xi visited Malaysia and Indonesia while Prime Minister Li Keqiang visited Vietnam, Thailand and Brunei in October 2013), and South Asia (Li visited India and Pakistan in May 2013).

<sup>6</sup> The state news agency Xinhua map published a map of One Belt, One Road in 2013 (in Chinese: <<http://www.xinhuanet.com/world/newsilkway/index.htm>>), but it appears that the routes have not yet been finalized, as different maps show slight variations. The “Action plan on the China-proposed Belt and Road Initiative”, released by Beijing in March 2015, with the aim to communicate more detailed information, did not provide more precise information on the paths of these routes.

## Opening up China's poor provinces

China's relations with its neighbors are chiefly guided by economic considerations. More so than in the past, Chinese leaders must reduce the development inequalities that exist in their territory; these have deepened since Deng Xiaoping launched the era of reform and opening up in 1978, and decades later, Hu Jintao (2002-2012) was unable to come to grips with them either. The priority is to develop the poor provinces in the west and center of the country, starting with those beset by deep ethnic tensions (including Xinjiang and Tibet). The development model based on opening up of the coastal cities by the sea – special economic zones launched by Deng – cannot be used in these remote inland provinces. Consequently, Beijing hopes to open up the poor provinces over land, with a two-pronged approach: promoting a transfer of industry from the eastern provinces to the interior, and encouraging cross-border trade. The most striking example is the southern province of Yunnan, which has gradually, under Hu Jintao, become an economic bridge to South-East Asia, especially the Greater Mekong sub-region.<sup>7</sup>

This cross border regional economic integration policy already existed under Hu, but Xi seems to want to consolidate it very rapidly by establishing new “corridors” or “trade routes” in practically every possible direction beyond China's borders. For example, a project for an economic corridor between China and Pakistan was announced during the Pakistani President's visit to Beijing in February 2014, after Prime Minister Li Keqiang had suggested the idea during a visit to Pakistan in May 2013. At the same time China also suggested developing a corridor between Bangladesh, China, India and Myanmar,<sup>8</sup> in the wider context of constructing its planned Silk Road economic belt. And more recently, the Action Plan issued in March 2015 by the NDRC also mentioned the establishment of “China-Russia-Mongolia”, “China-Central Asia-West Asia” and “China-Indochina” economic corridors.<sup>9</sup>

If the Chinese government's top priority remains to open up the comparatively poor and remote provinces of the western and central parts of the country, other, more developed, parts of the country are also concerned by the “new silk roads” project. The Action Plan lists all the regions and cities to be involved in the project

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<sup>7</sup> A term popularized by the Asian Development Bank, and which includes Yunnan and Guangxi provinces as well as Vietnam, Cambodia, Laos and Myanmar.

<sup>8</sup> According to *Xinhua*, the state news agency, December 20, 2013.

<sup>9</sup> Action Plan of the NDRC, *Op. Cit.*

in a surprisingly comprehensive manner.<sup>10</sup> Focus is logically on Xinjiang province<sup>11</sup> and other provinces from the northwestern and northeastern regions, on Yunnan province and other provinces from the southwestern region, but also on the richer coastal regions: the plan calls for the building of a “Guangdong – Hong-Kong – Macao Big Bay Area” and the strengthening of port construction of 15 coastal cities including Shanghai and Guangzhou, as well as smaller cities.<sup>12</sup> The wealthy Fujian province is also identified as a “core area” of the maritime silk road. Following this guidelines, provincial governments are currently looking for ways to integrate their own economic plans with this national plan shaped in Beijing.<sup>13</sup> But this is not an easy task, as central plans do not always bode well for the region’s development,<sup>14</sup> and that provincial governments are currently undergoing significant and often disturbing reorganization of their leadership and missions under the anti-corruption campaign (see “*Advantages and limitations of China’s regional approach*” below).

### **Concentration of economic, energy and security interests in the region**

China’s regional policy is also guided by energy considerations. Xi’s visits to the four Central Asian countries in September 2013 were aimed at strengthening cooperation on energy and security matters. China, the world’s largest oil importer with an increasing appetite for natural gas as well, is constantly trying to diversify its energy supply sources. The objective is to limit the country’s dependence on the Middle East and Africa, on maritime chokepoints and on politically unstable zones where China has already made considerable but risky

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<sup>10</sup> In Part VI of the Action Plan: “China’s Regions in Pursuing Opening-Up”.

<sup>11</sup> “We should make good use of Xinjiang’s geographic advantages (...)”, in Part IV. “China Regions in Pursuing Opening-Up”. Action Plan of the NDRC, *Op. Cit.*

<sup>12</sup> In Part VI of the Action Plan, “China’s Regions in Pursuing Opening-Up”, sub-part “Coastal regions, and Hong Kong, Macao and Taiwan”.

<sup>13</sup> See “Chinese Provinces Aim to Find Their Place Along New Silk Road”, Nathan Beauchamp-Mustafaga, The Jamestown Foundation, China Brief, Volume XV, Issue 10, May 15, 2015. In this aim, some provinces, such as Fujian, are creating and funding their own Maritime Silk Road Fund. (1.6 billion US\$ in the case of Fujian).

<sup>14</sup> For this reason, several northeastern provinces for instance are currently exploring opening up and trade opportunities inside but also and mainly outside the new silk road projects. See on this: “Chinese Provinces Aim to Find Their Place Along New Silk Road”, Nathan Beauchamp-Mustafaga, The Jamestown Foundation, China Brief, Volume XV, Issue 10, May 15, 2015.

investments. Russia remains one of China's chief suppliers of oil and holds a huge potential for gas – as evidenced by the 400 billion US dollar supply contract signed by both countries in May 2014 to deliver gas from Eastern Siberia, and a framework agreement signed in November 2014 to develop a second gas supply route from Western Siberia to Xinjiang. At the same time, Chinese energy companies such as CNPC (China National Petroleum Corporation) are looking to expand projects in Central Asia (Kazakhstan and Turkmenistan in particular), which has become a significant energy supplier for China. A gas pipeline from Turkmenistan through Uzbekistan and Kazakhstan came into service in 2009 and currently supplies over half of China's imported natural gas. The plan is to expand the pipeline and double the amount of gas imported along this route within the next five years. Meanwhile, oil first began to flow to China from Kazakhstan via pipeline in 2006, and there are plans to expand these deliveries with supplies from Caspian Sea oilfields at some point in the future. A gas pipeline linking offshore gas fields in Myanmar to Yunnan province was completed in 2013, and runs parallel with an oil pipeline that is to serve as an alternative transit route for crude oil arriving from the Middle East and Africa.

China's regional policy is also defined according to ethnic policy and security considerations. Strengthening its relationship with Kazakhstan, Kyrgyzstan and Tajikistan, three countries which share a border with China's restive Xinjiang province, is fundamental for Beijing both for economic reasons – Xinjiang remains a relatively poor province – and for ethnic policy reasons – Beijing has long considered that growth must be guaranteed in the province as a precondition of "social harmony". The Chinese government is hoping to strengthen cooperation with Central Asia and Russia in order to prevent acts of terrorism, which have increased very significantly over the last two years in China.<sup>15</sup> In addition, Central and South Asia are zones to which Beijing pays particular attention, given the changing security challenges on China's western borders, and particularly the withdrawal of NATO troops from Afghanistan at the end of 2014.

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<sup>15</sup> In spring 2014 murderous attacks took place in several provinces. These were attributed by the Chinese government to Uighur militants: suicide attacks at Kunming station in Yunnan in March (31 killed and 143 injured, according to official figures), at Urumqi station in Xinjiang in April (3 killed and 79 injured) – while President Xi was visiting the province –, and then at a market in the same city (43 killed) in May, and a knife attack at Canton's main station (6 injured), also in May, to name but a few.

## **Immediate priority: development of infrastructure**

On the ground, the development of infrastructure in the region appears to be the guiding framework of China's "One Belt, One Road" plan. Since Xi arrived, the emphasis at every meeting between Chinese leaders and their regional counterparts is on "interconnectivity" and building cross-border infrastructure projects; Chinese investment is growing very rapidly in this sector.<sup>16</sup> Both bilateral and multilateral building projects are likely to develop even more rapidly in Asia in the next few years, as China develops new financing instruments (the Asian Infrastructure Investment Bank – AIIB, the Silk Road Fund, etc.) and recapitalizes its major policy banks (such as the China Development Bank) for the specific purpose of funding regional infrastructure projects.

For Beijing, this rapid infrastructure development plan has several objectives. First and foremost, China wishes to strengthen cross-regional infrastructure and communications networks (ports, roads and railways) which could in due course facilitate exchanges within the region and, most importantly, bring Chinese goods to the European markets over land, an alternative route that is faster than by sea.

There is already a direct link for rail freight, inaugurated in May 2013,<sup>17</sup> connecting China with Poland and Germany – an average journey lasts 16 days, which is three weeks less than the sea route from China's eastern provinces.<sup>18</sup> There is also a more difficult project for the longer term, namely the construction of high speed transcontinental railway lines between China and Europe. At the same time there are an increasing number of construction or

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<sup>16</sup> For instance, recent contracts include a 1.4 billion dollar project in Sri Lanka for constructing a port and developing Colombo's port, signed in September 2014; an airport extension project in the Maldives worth several hundred million dollars, which was also signed in September 2014 with a Chinese construction firm, among many other projects.

<sup>17</sup> The 11,179 km Chongqing-Xinjiang-Europe International Railway linking Chongqing, Lanzhou, and Urumqi in China and passing through Russia, Belarus and Poland before its terminus in Duisbourg, Germany.

<sup>18</sup> According to *China Daily*, "Challenging Times on High-speed Silk Road", July 12, 2014. Nonetheless, it is noteworthy that at the present time, the transport of goods by rail remains much more costly than by sea.

improvement projects for the rail network that connects western China with Russia and Central Asia.<sup>19</sup>

Furthermore, China is also establishing its own network of ports.<sup>20</sup> Chinese firms are increasingly involved in projects for building this kind of infrastructure abroad (Pakistan, Sri Lanka, Bangladesh, among other countries) and these projects are presented as a priority for the “new maritime Silk Road”.<sup>21</sup> China is well aware that this deployment of transport infrastructure is gradually strengthening the country’s logistical capabilities, which could eventually become a sound geostrategic base.

Expanding oil and gas pipeline networks, as noted above, and other energy infrastructure, mainly towards Central Asia, have also been incorporated into China’s broader silk road strategy.

In addition, Beijing also pushes for the development of telecommunications infrastructure in the region, an element that has tended to be overlooked so far. The Action Plan of the NDRC clearly calls for the “construction of cross-border optical cables, plan transcontinental submarine optical cable projects and improve spatial (satellite) information passageways.”<sup>22</sup>

Last but not least, in addition to investing in transport, telecommunication and energy infrastructure, Beijing is also attempting to export its model for industrial parks, with for instance Chinese projects for building zones of this kind in India,<sup>23</sup> Belarus

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<sup>19</sup> For example, the numerous projects currently proposed include a protocol agreement signed in October 2014 for a high-speed train linking Beijing and Moscow for an estimated cost of \$230 billion, construction of a 213 kilometer express route between Kashgar (Xinjiang province) and Irkeshtam (Kyrgyzstan) for \$660 million, etc.

<sup>20</sup> This has led a Dutch researcher to consider that by selecting the ports it considers as strategic (on the route of the new maritime Silk Road) and given the global weight of Chinese exports in maritime trade, there is a risk that Beijing’s strategy will have a massive influence on the effects of the growth of major cargo ports like Rotterdam and their dependent national economies. He considers that the fact that a cargo port does or does not figure on the new Silk Roads defined by China could have a direct impact on a port’s “life expectancy”. Interview, Beijing, July 2014.

<sup>21</sup> *Xinhua*, April 16, 2014.

<sup>22</sup> “Vision and Actions on jointly building silk road economic belt and 21st-century maritime silk road”, jointly published by the National Development and Reform Commission (NDRC), the Ministry of Foreign Affairs (MFA) and the Ministry of Commerce (MOFCOM), on March 29, 2015.

<sup>23</sup> China is planning to build two industrial parks there: one centred on energy installations in the state of Gujarat and the other on automotive parts in Maharashtra. Patrick de Jacquelot, “India and China want to build an industrial partnership” (“L’Inde et la Chine veulent bâtir un partenariat industriel”), *Les Echos*, September 21, 2014.

(“China-Belarus industrial park”, near Minsk), and Kazakstan (“Kazakhstan-China Agricultural scientific and industrial park of the Silk Road”,<sup>24</sup> in the Zhambyl region), and calls for the same type of project in Sri Lanka<sup>25</sup> as well as other countries in the region. This is not a new idea; China has already tried to export this type of industrial zone to other parts of the world (to Egypt,<sup>26</sup> for example): but under Xi the drive seems to be stronger, despite the uncertainty regarding the efficiency and attractiveness of such zones, which are being built in great numbers in China but not always profitable.

More globally, drawing on its experience on the African continent, Beijing is attempting to reproduce the “infrastructure in exchange for privileged access to raw materials” model on the Asian continent, in the developing countries in Central, South and South-East Asia (see *previous section*).

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<sup>24</sup> Official name. Presented in official communications as the “creation of modern and innovative scientific and industrial zones, and environmentally friendly crop and livestock production.”, Kazinform, April 23, 2015

<sup>25</sup> For instance, at his meeting with the Sri Lankan President on September 16, 2014, Xi declared that he “was encouraging Chinese firms to become more involved in constructing industrial parks and special economic zones, as well as in infrastructure projects in Sri Lanka”. *Xinhua*, September 17, 2014.

<sup>26</sup> Where in the summer of 2009 the Chinese group TEDA, based in Tianjin, had gained a contract to develop part of the special economic zone of the north-west Gulf of Suez. On this subject see F. Nicolas, “The Chinese and Indian economic presence in the Maghreb” (“La Présence économique chinoise et indienne au Maghreb”), *Note de l’Ifri*, 2010.

## Hard and soft: China's two-pronged regional policy

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Although there are many motivations behind the "One Belt, One Road", it should primarily be understood as an economic project. It illustrates Beijing's desire to strengthen and accelerate the deployment of its economic diplomacy throughout the region. The Chinese leadership is giving a clear indication of its desire to "strengthen trade and investment" between China and its neighbors in all sectors – not just infrastructure – and is calling for the creation of new cross-border free trade zones. During the course of visits to South-East Asia, Xi Jinping and Li Keqiang announced that they wanted to see the volume of trade with the ASEAN countries increase rapidly to 1 trillion dollars by 2020 (against 400 billion in 2012).

At the same time, this strategy of strengthening economic cooperation within the region is not accompanied by a more conciliatory attitude on Beijing's part towards certain maritime or border disputes. The Chinese President's visit to India in mid-September 2014 demonstrates this ambivalence: while Xi Jinping and Narendra Modi were meeting to strengthen economic cooperation between the two countries, and although China was promising, notably, to invest more than \$20 billion in infrastructure<sup>27</sup> and industry in India, a border incident occurred, on China's initiative.<sup>28</sup> It can be interpreted as a sign that Beijing has absolutely no intention of granting concessions, addressed to a new Indian Prime Minister who had just signed extensive economic and defense agreements with Japan and who was also about to visit the United States to strengthen cooperation in the same areas.

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<sup>27</sup> In particular, Beijing intends to modernize the railway line between Chennai, Bangalore and Mysore so that it can be used for semi-high speed trains. Patrick de Jacquilot, *op. cit.*

<sup>28</sup> Incursion by Chinese soldiers into a zone in Ladakh (northern India) claimed by both countries.



## **China reaffirms its territorial claims**

While conducting its rather soft, “good neighborhood” diplomacy, guided by concerns which are chiefly economic in nature, China is simultaneously asserting its territorial claims in the region with increased firmness, and most of all in the East and South China Seas. Not content with giving as good as it gets in response to its neighbors’ initiatives, declarations and positions – such as the Japanese government’s purchase of part of the disputed Diaoyu (Senkaku) Islands in the East China Sea in September 2012 – China is also taking initiative. Thus in November 2013, Beijing declared an Air Defense Identification Zone (ADIZ) over the East China Sea. More recently, in May 2014, China installed an oil rig<sup>29</sup> in the South China Sea in waters which Vietnam considers an integral part of its exclusive economic zone, and over the last 18 months has undergone an island reclamation program in waters also claimed by the Philippines. These unilateral initiatives, often viewed by neighboring countries as a form of provocation, have increased in number since 2010 and contrast with the reactive – or “low profile” – tradition of Chinese foreign policy inherited from Deng Xiaoping, and which still prevailed at the beginning of Hu Jintao’s term of office.

These initiatives are partly attributable to China’s rise and the consequential change in the balance of power in the Asia-Pacific region. Since the global economic and financial crisis of 2008-2009, which China resisted relatively easily, relations between the regional players have changed and a new balance is yet to be established. The dominant view in Beijing is that the current context favors an increase in China’s economic attractiveness and overall influence and that the time is right to seize opportunities<sup>30</sup> and assert its status as a regional power. In official language this assertion is presented as a just return to China’s proper place in the world. Consequently Xi introduced the concept of “renewal of the Chinese nation”,<sup>31</sup> which refers to the country’s international prestige under the most prosperous dynasties. Furthermore, there are many in Beijing who

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<sup>29</sup> Giant HD-981 oil rig belonging to the Chinese state company CNOOC, unilaterally installed off the Paracel Islands, which both China and Vietnam claim as their own, and then protected by about sixty Chinese coastguard vessels. It was removed in July 2014.

<sup>30</sup> For example, at a conference in October 2013 Xi mentioned this “period of strategic opportunities for China’s development”, *Xinhua*, October 26, 2013.

<sup>31</sup> Xi’s speech in October 2013 included the following: “The strategic objective of China’s diplomacy with its neighbors is to serve the cause of renewal of the Chinese nation”.

consider that under Deng Xiaoping or Jiang Zemin China had previously granted its neighbors too many concessions, at a time when the country lacked the resources to conduct the foreign policy it deserves.

## ***Regional competition between China and the United States***

Although recent declarations and initiatives on the part of the Chinese leadership indicate that it is first of all seeking recognition of China's status as a power, the objectives of China's regional policy remain ambiguous at the moment. One thing is certain: the changes described above are part of the growing competition between China and the United States in Asia-Pacific. Since Xi Jinping came to power, Beijing has been attempting to establish a new power balance with Washington in the region. Chinese leaders frequently refer to the notion of a "new type of relationship between major powers",<sup>32</sup> which implies the establishment of a relationship with the United States on an equal footing.

On the ground, this means continuing to challenge the United States' political and economic influence, even to the extent of borrowing from some American foreign policy's concepts and trying to apply these faster than its rival. The "New Silk Road" plan, in fact, was first popularized in the modern context by the United States. Hillary Clinton mentioned it as early as 2011 in relation to post-war Afghanistan, explaining that Washington would encourage private investment in infrastructure (transport and energy), for the region as a whole. The ownership of the "new silk road" concept is not specifically American – references to the revival of the ancient silk road existed both inside and outside China in debates on economic regional integration for several decades - but Clinton's push for this concept certainly accelerated China's own push for it,<sup>33</sup> in an attempt to catch up with the United States' economic diplomacy plan in Asia.<sup>34</sup>

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<sup>32</sup> Or "new type of relationship between great countries", another formula used in official Chinese communications since 2014, to mitigate the potentially offensive nature of the initial expression.

<sup>33</sup> According to several interviews in Beijing with a Chinese researcher at a think tank specializing in security matters, in July 2014, and with a Pakistani researcher focusing on China, in September 2014.

<sup>34</sup> It seems that China is now trying to differentiate its initiative from the US one by now referring in official communication to the "One Belt One Road" (*yi dai yi lu*) instead of the the "New Silk Roads" initiatives as it used to do in 2013.

Sino-American rivalry takes several forms. Firstly, Beijing wishes to put an end to some of the military practices of the United States and their allies – notably military and surveillance exercises in the South China Sea close to the Chinese coast – and is attempting to strengthen its army's capabilities (asymmetric catch-up, since American capabilities still far exceed those of China). Secondly, commercial rivalry is growing. It can be seen in the various parallel negotiations in the region for free trade agreements: on the one hand the Trans-Pacific Partnership (TPP), an ambitious free trade agreement project often presented by Beijing as an American measure to “contain” China; and on the other hand the Regional Comprehensive Economic Partnership (RCEP) including the ASEAN countries, the three countries of North-East Asia (China, South Korea and Japan), and also Australia, New Zealand and India. Generally speaking China is attempting to negotiate free trade agreements with as many countries as possible throughout the world, but seems to be concentrating its efforts on bilateral negotiations with neighbors. Sino-American rivalry is also monetary: today there is direct competition in Asia between using the dollar or the yuan (RMB), as China attempts to progressively impose its currency as the dominant one in region. Beijing is hoping to be in a position to sign the majority of future contracts with its neighbors (such as Russia) in local currency, avoiding the extra cost of a dollar transaction.

Lastly, Beijing has started competing with Washington over regional institutions. Not only is China attempting to strengthen its participation in the existing regional institutions and forums such as ASEAN + 3 or APEC, but it is also creating or breathing new life into some regional organizations and forums within which China could play a leading role, such as the AIIB, or the Conference on Interaction and Confidence Building Measures in Asia (CICA), whose twenty or so participants include Russia and Iran, but not the United States or Japan. China, which for the last two years has been the president of CICA, is actively working to make this institution better known, is hoping to make it a more influential structure for regional cooperation on security matters. At CICA's 4th conference in May 2014, Xi acknowledged the existence of American interests in Asia, and Washington's right to play a part in the region, but made a clear appeal for the Asians to resolve their own problems in the region “themselves”.<sup>35</sup> With this in mind, the Chinese leadership and media

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<sup>35</sup> “Security problems in Asia must be resolved by the Asians themselves, since they are capable of achieving regional peace and stability through cooperation”. Xi Jinping, cited by *Xinhua*, 21 May 2014.

are increasingly emphasizing that a “community of common destiny<sup>36</sup>” must be built in Asia, in which the United States would not be a partner. On a wider scale, today Beijing is calling for a rethinking and even a re-evaluation of the legitimacy of certain standards and institutions established by the “western” powers, as well as of the western powers’ engagement in the region.

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<sup>36</sup> Emphasized for instance by Liu Zhenmin, Vice Foreign Minister, in “Forging the Asian Community of Common Destiny Together”, *China International Studies*, March-April 2014.

## China's emerging regional strategy

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Some analysts fear the emergence of a hegemonic China, in view of its moves in the China Seas, the rapid increase and modernization of its defense capabilities,<sup>37</sup> and because Xi is advocating the advent of an army “capable of fighting and winning” wars and a “strong Navy”.<sup>38</sup> In Beijing, the majority of officials and researchers affiliated to state or Party institutions explain that there is no fundamental split between Hu's and Xi's regional policies, and that Chinese initiatives must be understood in the light of a changed regional context, as a reaction to the American rebalancing (or “pivot”) in Asia-Pacific and to the “Japanese provocation” evident since Prime Minister Shinzo Abe came to power.<sup>39</sup> Many observers point to the “nationalization” of the disputed Diaoyu/Senkaku Islands as a turning point in the geopolitical situation in North-East Asia.<sup>40</sup>

In reality, it is hard to grasp China's regional “strategy” at present, since that policy is still being formulated<sup>41</sup>. For several years Chinese think tanks have been reflecting on the exact principles of a “neighborhood” policy. Today, these think tanks as well as key central institutions like the National Development and Reform Commission (NDRC) are now brainstorming even more actively on these

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<sup>37</sup> Over the last twenty years Chinese military expenditure has risen continuously (officially +12.2% in 2014 compared to 2013). In particular, China is trying to catch up with the United States by investing in asymmetric combat capabilities.

<sup>38</sup> Xi had emphasized these objectives during his many visits to military bases in the months immediately following his investiture.

<sup>39</sup> Notably the repeated visits by member of the Japanese government to the controversial shrine at Yasukuni, perceived as provocative by the Chinese.

<sup>40</sup> Interviews in Beijing and Paris in 2013 and 2014.

<sup>41</sup> For example, the route of the new maritime Silk Road, although already pre-mapped by the Chinese government, has not been finalized. In April 2014 its final destination still appeared to be under consideration: “Southwest China's Yunnan Province and Guangxi Zhuang Autonomous Region are strong options for being one end of the route”, *Xinhua*, “China Accelerates Planning to Re-connect Maritime Silk Road”, April 16, 2014.

questions under the framework of the “One Belt, One Road”,<sup>42</sup> but these strategic reflections have not yet reached a conclusion and there is no clear-cut consensus on the mechanism for putting the principles into practice.

China's neighbors, particularly the “smallest” ones, seem to be giving a generally positive welcome to the “One Belt, One Road” plan and the opportunities they could generate, but they are impatient to learn what the actual mechanisms<sup>43</sup> and concrete outcomes will be.

There also remain differing viewpoints in China with regard to the type of relationship which should be adopted with the United States. Some analysts support a “soft” competitive game within a stronger framework of cooperation and understanding,<sup>44</sup> given the economic interdependence between the two powers, whereas others support a more entrenched rivalry. In actual fact China is not in a position to rival the United States on the ground, since the latter clearly retains strategic and military superiority in the region. More widely, there are differences of opinion between Chinese strategists about the architecture of the new power balance on a global scale: should it be based on a bipolar balance dominated by rivalry between China and the United States, or on a multipolar balance in which developed and emerging players would take a growing share? China does not have a global consensual vision of the regional or world balance of the future. Official speeches call for the development of a multipolar world, but on the ground, the competition with the United States in the region could prefigure a bipolar world order dominated by the two largest economic powers.

It is also difficult to see an integrated regional strategy emerging, since the Chinese institutions which would be capable of formulating it are currently being restructured or just being created (such as the Leading Small Group in charge of the supervision of the

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<sup>42</sup> Informal discussions with Chinese researchers at Ifri, Paris and in Beijing, September 2014 – June 2015.

<sup>43</sup> Interview with the head of a Kyrgyzstan think tank in Beijing, September 2014. Interviews with several analysts from Indian and Pakistani think tanks, Beijing and Paris, September-December 2014.

<sup>44</sup> See, for example, Zhai Kun (a researcher at the China Institute of Contemporary International Relations, CICIR), *China's Neighborhood Diplomacy in 2014*, February 19, 2014, available at: <[www.chinausfocus.com/foreign-policy/chinas-neighborhood-diplomacy-in-2014/](http://www.chinausfocus.com/foreign-policy/chinas-neighborhood-diplomacy-in-2014/)>, a position confirmed during an interview in Beijing in July 2014. For an example of these differences of opinion see F. Godement “What to do about the neighbors: a CICIR round table” (“Que faire avec les voisins : une table ronde du CICIR”), *China Analysis, Les Nouvelles de Chine*, n° 47, February 2014.

“One Belt, One Road” plan). Numerous institutions are stakeholders in the decision-making process for foreign and security policy and they are not very well coordinated so far.<sup>45</sup> This institutional landscape complicates this process and complicates strategic planning to an even greater extent. Today Beijing is trying to simplify it, both in offices and on the ground, with the creation of a National Security Council (NSC), for example, or by merging maritime agencies under the joint authority of the Ministry of Public Safety and the State Oceanic Administration.

Xi Jinping is simultaneously attempting to strengthen his presidential power by placing himself at the head of numerous institutions with a coordinating role (including the NSC), and emphasizing his desire to develop strategic planning in the foreign policy field. In particular, he speaks of “coordinating the diplomatic work<sup>46</sup>” and refers to the concept of “top level design”, namely the formulation of a long-term, high-level (presidential) strategic vision, to complement the short-term trial and error approach which has characterized Chinese diplomacy until now. In view of these announcements there will probably be an improvement in the planning and coordination capability for Chinese foreign policy, and this could facilitate the formulation of Chinese strategy in the region. But inevitably, this process will take time, given the extent of the intended institutional restructuring and the resistance from the relevant bureaucracies.

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<sup>45</sup> A coordination problem between civil and military institutions, but also between the ministries and the Party, between the ministries themselves, and yet more players.

<sup>46</sup> “The situation requires us to be consistent with our age and more active in planning diplomatic strategy and conducting diplomatic work”. Xi at the *Peripheral Diplomatic Work Conference*, Beijing, October 25, 2013, *Xinhua*, October 26, 2013.

## Advantages and limitations of China's regional approach

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The power balance in the region is changing, and numerous tension points in which China is directly involved are concentrated in East Asia – the Korean peninsula, territorial disputes in the East and South China Seas, Hong Kong, Taiwan, to name but a few<sup>47</sup>. The context is not merely complicated but is also changing: Beijing is not the only player in the region whose regional policy is still not clearly defined. The established powers like the United States or Japan are themselves in the process of adjusting their strategies, and many countries in South-East Asia seem to want to avoid having to choose between a definite rapprochement with the United States or with China. The readjustment is also difficult to carry out given the lack of coordination between the main regional players: between China on one side and the United States and its allies on the other, but also between the United States and its allies themselves.

The lack of an integrated strategy can constitute an advantage in the current context. The relative ambiguity of China's precise objectives in the region thwarts strategic thinking in the other countries: it gives rise to rumors – for example, about the probable announcement of an ADIZ over the South China Sea, after the zone over the East China Sea was announced in November 2013 – or creates an element of surprise – as when the HD-981 oil rig was installed in May 2014 in the disputed waters of the South China Sea – which briefly destabilized China's neighbors. Between the regional presence of the United States and that of Russia – which is displaying renewed interest in East Asia – China seems to be clearing itself a path in its own fashion, pragmatically, and creeping into this overcrowded space as opportunities present themselves. While the

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<sup>47</sup> In actual fact, China has to confront a large number of security challenges in the region. In addition to the main tension points, Beijing has to manage its relations with an extended neighborhood – China shares a border with 14 countries, without counting maritime neighbors - which is very diverse in nature, and presents very diverse challenges. China has peaceful relations with some of its neighbors, very tense relations with others, and ambiguous relations with many of them, such as India, with whom trade is growing in spite of latent military tension.



structure of the region is changing, some Chinese initiatives in the China Seas can thus be perceived as a way of testing the limits of the American presence and the existing alliances in Asia-Pacific, according to how each player reacts; while some countries – like Japan – remain unsure of the extent of America's rebalancing in the region.

Moreover, this approach gives the Chinese leadership time to consolidate China's regional position step by step. Today, Xi seems to be laying the foundation of a slow-forming regional strategy that will gradually emerge throughout his term of office (2012-2022) and that should bear fruit in the long term by 2050, which will be the 100th anniversary of the creation of the People's Republic of China (1949), a date that the Party has set as the deadline for achieving a series of socio-economic objectives (consolidation of the middle class, development of a social security system, etc.) and accomplishing the famous official objective of the "renewal of the Chinese nation".

More generally, China is aware that it is relatively isolated in terms of political and security cooperation in Asia-Pacific. Beijing's drive to strengthen its regional economic diplomacy is based on this observation and on the hypothesis that stronger economic influence will eventually translate into political influence<sup>48</sup>.

So far, Chinese policies, whether in relation to economic development or security, appear to have been formulated in parallel, but separately. In due course the Chinese leadership may intend to use economic leverage to resolve a number of regional disputes in a manner favorable to Chinese interests. Nonetheless there is no guarantee that economic dependence will necessarily mitigate territorial tensions fanned by differing interpretations of history and persistent nationalism<sup>49</sup>, both in China and in neighboring countries. The strong economic interdependence within the region is so far of limited assistance in tempering this rising nationalist claims. Quite the reverse – at the present time such claims seem to be increasing in intensity in most countries in the region, irrespective of their strong economic ties<sup>50</sup>.

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<sup>48</sup> According to a hypothesis which is common currency in Beijing, time is on China's side, given the country's growth rate – which remains high – and the eventual influence of its economic attractiveness on political affairs (Interviews, Beijing, 2013-2014).

<sup>49</sup> See, on this subject, C. Pajon and A. Ekman, "Nationalism in China and Japan and Implications for Bilateral Relations", *Asie. Visions*, n° 74, March 2015.

<sup>50</sup> Also emphasized by F. Godement, "China on Asia's Mind", European Council on Foreign Relations, *Policy Brief*, September 2014.

There are also drawbacks associated with the lack of a coordinated strategy so far. The immediate risk is that China is sending contradictory signals to its neighbors. Recent moves in 2013-2014 in the China Seas bolster the “China threat” thesis, widely held in some countries in the region, and which tend to carry more weight in the context of rapid development of Beijing’s military capabilities. These contradictory signals run the risk of encouraging the development of anti-Chinese positions and feelings, not just among the leaders of neighboring countries but also among the populations of these countries, with the emergence of anti-Chinese demonstrations such as those observed in Vietnam in May 2014. China, acknowledging this situation, is now attempting to reassure its neighbors, with official declarations issued during visits laying out the message that it is not tempted by hegemony<sup>51</sup> and that its objective remains “peaceful development”. However, doubts remain about Beijing’s ambitions in the region, and to a certain extent these benefit the United States, with some south-east Asian countries taking the precaution of building closer ties with Washington.

Another potential limitation of China’s emerging regional strategy is related to the fact that Central Asia is becoming an increasingly “cluttered” zone – notably with China, Russia, and the United States – and that rivalry for influence is likely to intensify as Beijing deploys its ambitious economic policy in the region. In the face of this argument China is attempting to explain that its approach is an accommodating one in which each neighbor contributes so that all may benefit.<sup>52</sup> In practice, in the longer term, these initiatives, which are designed to strengthen Beijing’s regional influence, risk placing China in competition with its neighbors’ regional presence and influence,<sup>53</sup> and China might then have to make some choices. Russia, for example, did not give such an enthusiastic welcome to the concept of the “New Silk Roads” when they were first introduced. It was over a year later, in the joint communiqué signed in the wake of

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<sup>51</sup> See, for instance, the interview which Li Keqiang gave to the south Asian media on October 8, 2013, in which he declared that “China will never follow the previous logic consisting of ‘seeking hegemony after becoming strong’”. *Xinhua*, October 9, 2013 full English text available at: <<http://english.peopledaily.com.cn/90883/8419106.html>>.

<sup>52</sup> Interviews with Chinese researchers affiliated to a government think tank, closed meeting, Paris, Ifri, September 2014.

<sup>53</sup> Thus some articles in the official Chinese press refer to China’s new regional policy in more competitive terms: “This mutually beneficial economic and trade cooperation has helped large numbers of China’s neighbours to remedy their excessive dependence on American and European countries”. *Xinhua*, “Win-win diplomacy will bring more advantages to the neighbouring countries”, November 3, 2013.

the gas supply agreement in May 2014 that Moscow was willing for the first time to acknowledge their existence<sup>54</sup>. Competition between China and Russia in Asia may intensify as these concepts are implemented, even though energy and economic cooperation between the two countries are increasingly rapidly in the context of the Ukraine crisis<sup>55</sup>, and China is now communicating on the 'new silk roads' in a more accommodating way with Russia. Moscow may remain suspicious about China's 'new silk roads' plan for various reasons<sup>56</sup>: because it may compete with Russia's Eurasian Economic Union, because it may generate a "railway competition" between China and Russia, and in broader terms, because it may reduce Russia's economic and overall influence in the Central Asian region.

India, on its side, has not fully jumped into the silk road project so far. Debates and opposition arise among both India's academic and political spheres. Some government officials and politicians are today calling for the launched of an India-driven 'cotton route' to counter China's silk road.<sup>57</sup> Competition between China and India in the India Ocean is likely to increase as India's Prime Minister Modi hopes to raise his country's influence in the maritime neighborhood, and as China's maritime silk road is also designed to pass through this region.

At the same time, it is equally probable that the rivalry between China and Japan will intensify in South-East Asia, as Tokyo has been implementing a strategy of diversifying its investments in the region for several years, and as Beijing intensifies its investments and various infrastructure construction projects as fast as possible.

Moreover, the success of the "One Belt, One Road" plan also depends on the ability of China and its partners in the project, to ensure that these trade routes are secure. Developing "the free movement of goods, services and people<sup>58</sup>" from China to Europe – one of the routes' ambitious objectives, announced by the Chinese

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<sup>54</sup> Underlined by the official Chinese media in these terms: "Russia spoke highly of the Silk Road Economic Belt initiative proposed by China". *People's Daily* and *Xinhua*, *op. cit.*

<sup>55</sup> "China hopes that bilateral trade with Russia will reach \$200 billion by 2020", *Xinhua*, November 2013.

<sup>56</sup> According to several CICIR researchers, in oral presentations made to European researchers, Beijing, March 2015.

<sup>57</sup> "To counter China's Silk Road, India is Working on Cotton Route", *The Economic Times*, March 23th, 2015.

<sup>58</sup> *Xinhua*, November 3, 2013.

leadership – represents a challenge on a grand scale, given the instability in Central Asia, which has to confront countless security challenges (mafia networks, terrorist organizations) in a changing context – particularly since NATO troops were withdrawn from Afghanistan at the end of 2014. Ensuring the security of the roads might be a particularly difficult task in several countries that have responded positively to China's plan. For instance, in Pakistan, debates currently emerge regarding the location of several silk road-related construction projects, for economic but also security reasons. At the end of April 2015, agreements worth more than US\$ 28 billion were signed under the "China-Pakistan Economic Corridor" initiative, aiming to establish a trade link between Gwadar, Balochistan, in south Pakistan to Kashghar, Xinjiang, in west China. But nationalist militancy in Balochistan might represent a significant, violent threat to the corridor project, as Baloch groups have regularly targeted Chinese nationals and projects to repel foreign investment.<sup>59</sup> In response, the Pakistani military has agreed to set aside 10,000 soldiers to protect Chinese nationals working on the corridor projects, but workers are likely to remain targets for kidnappings as the construction projects develop.<sup>60</sup>

"One Belt, One Road" plan may also face obstacles in its implementation given the current domestic context of the anti-corruption campaign in China. The general guidelines of the plan are conceived of and planned by the central government in Beijing, but it is up to provincial governments as well as major local companies to find concrete ways to implement the plan and seize opportunities (and bypass obstacles) on the ground. However, many of these local institutions are currently unable to operate in a swift and efficient manner, as they are undergoing significant restructuring in the framework of the anti-corruption campaign.<sup>61</sup> And many central and

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<sup>59</sup> Asad Ali, "Strategic incentives for China likely to dampen concerns over unrest risks along economic corridor in Pakistan", IHS Jane's Intelligence Review, April 21, 2015.

<sup>60</sup> Ibid.

<sup>61</sup> The large scale anti-corruption campaign – launched by Xi Jinping in 2013 and still on-going - is leading to a disruption of bureaucratic life and a reorganization of leadership of many Party and government institutions as well as state-owned enterprises (SOEs). So far, more than one-third of China's provinces have lost at least one member of their senior party leadership to corruption inquiries. Some provinces, such as Shaanxi, have lost the majority of their party leadership and are waiting for new appointments (according to The Economist, "The Devil, or Mr Wang", March 28, 2015). SOEs controlling key areas of the economy, such as the energy sector, are also largely targeted by the anti-corruption campaign. For instance, CNPC has lost a significant amount of senior executives. In general terms, most provinces are now in need of personnel after colleagues have been removed as a result of the

local officials, as well as executives of SOEs, fear being investigated and avoid taking initiatives in the present context.<sup>62</sup> Such fear and limited amount of initiatives as a result is likely to slow down the implementation of the "One Belt, One Road" in the coming months and years, as long as the anti-corruption campaign is taking place.

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anti-corruption campaign, and are struggling to conduct their usual tasks with limited personnel.

<sup>62</sup> According to a July 2014 report of the Chinese magazine Caixin, almost two-thirds of local officials surveyed during the anti-corruption campaign were reluctant to take decisions for fear of "doing something wrong". Many of them stated that "whatever can be delayed will be delayed."

## Conclusion – China’s confidence in setting the regional agenda

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In view of the importance attached to the “One Belt, One Road” plan by the Chinese government, the very significant funding, brainstorming and public relations structures supporting it, and the first infrastructure realizations on the ground, the plan should not be overlooked and its economic and geopolitical impact must be accurately assessed over the next few years. Without a shadow of a doubt, the plan that China has been announcing for now more two years with immense vigor should no longer be viewed as declarations of intent aimed at some of its neighbors but instead as the framing of an emerging, ambitious strategy to enhance China’s economic and political influence in all directions across the whole Asia-Pacific region and beyond. China does not shy away from stating the global ambitions of the “One Belt, One Road” plan in its official declarations: “The plan is expected to change the world political and economic landscape through development of countries along the routes, most of which are eager for fresh growth.”<sup>63</sup> And targeted figures are equally ambitious: reaching an annual trade volume between China and countries concerned by the roads “will surpass US\$ 2.5 trillion in a decade or so”, Xi declared last March.<sup>64</sup>

More specific details regarding the mechanisms for implementing the plan are likely to be announced progressively in the course of forthcoming regional meetings. The Action Plan issued by the NDRC in March 2015 can be considered as the first in-depth explanation of the projects. It provides additional information on China’s methodology for developing its silk road projects, confirming the very flexible approach of Beijing, which hopes to benefit from other countries’ support and ideas by welcoming them on board in an

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<sup>63</sup> “China’s Belt and Road: connecting the world”, Xinhua, March 28, 2015. Also analyzed by Shannon Tiezzi, “Where is China’s Silk Road Actually Going?”, *The Diplomat*, March 30, 2015.

<sup>64</sup> At the Boao forum in Hainan on March 29, 2015, and as reported by Xinhua news agency; “Xi meets entrepreneurs, promising more opportunities in China”, Xinhua, March 29, 2015.

accommodating manner at this early brainstorming stage of the projects. At the moment, China actively lobbies and communicates in the aim to package this unilateral initiative as a multilateral one, accepted by all parties concerned.<sup>65</sup> Beijing does so as it is fully aware that some neighboring countries have been reluctant, or only welcomed the initiatives in a timid way (Russia, India, among others) and may be wary that the initiative is China's attempt to assert regional leadership.

Although ambiguities remain on the concrete content of the "One Belt, One Road" plan, which at the moment focuses mainly on large-scale infrastructure development, this plan should not be underestimated, as Beijing is not only pushing for transport infrastructure such as ports, airports, railways or roads, but also of energy infrastructure (pipelines), telecommunications infrastructure and industrial parks in all possible directions and locations.

Ambiguities also remain regarding the exact path of the two roads on the map. For instance, it is unclear which "core cities" or hubs the "Silk Road Economic Belt" is supposed to reach in the Middle East – a region officially crossed by the Belt. As a matter of fact, official Chinese experts of the region, as well as others currently working on silk road implementation options, do not have the answer. "It will be up to the market to identify them", emphasized one analyst.<sup>66</sup> Ambiguities will probably persist for several years, and 'surprise' deals will probably be concluded on the way, as Beijing sees the silk roads as a constant work in progress and a framework for seizing opportunities as they emerge. Meanwhile, China will probably continue to deploy both charm offensives and displays of firmness towards its neighbors, since at present the country does not appear to have the institutional or operational resources, nor the political will to formulate a coordinated economic and security strategy for the whole of this vast, complex zone. Although ambivalence does have some strategic advantages in a region which is currently in disarray, sending contradictory signals could, over time, intensify distrust from neighbors, fed by a war of communication which extends beyond the region. Beijing is well aware of this. Although China will probably undertake further public diplomacy

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<sup>65</sup> "The programs of development will be open and inclusive, not exclusive. They will be a real chorus comprising all countries along the routes, not a solo for China itself," Xi Jinping, 2015 Boao Forum. Xinhua, 28 March 2015. The state news agency also insists that the development is a "pluralistic and open process of flexible cooperation."

<sup>66</sup> Informal discussion, Middle East analyst, state affiliated security think tank, Beijing, February 2015.

efforts in order to reassure its neighbors, it will not necessarily adjust the basis of its regional policy, which is guided by a strong, pragmatic confidence in the long-term geopolitical effect of economic attractiveness. This confidence has increased sharply since the comparatively good resistance of the Chinese economy to the 2008-2009 global economic and financial crisis, and has not eroded so far with the slight slow-down of China's growth rate to around 7%. On the contrary, it has continued to increase with the positive reception of several countries to China's "new silk roads" plan, including countries with relatively close ties with the US - such as Indonesia – whose diplomacy now spontaneously evokes China's new silk roads, stating – after Chinese diplomats - that they are in line with Indonesia's own national concept of 'maritime axis'.<sup>67</sup>

In addition, the success of the AIIB (at least considering that 57 founding members joined this Chinese initiative) will likely reinforce China's confidence in its own institution building skills and its ability to reshape global governance mechanisms and set the agenda. In this context, China will probably multiply and diversify initiatives in all areas – institutional, financial, economic, etc. – and continue to consolidate its position as a regional institution and agenda setter. Only a significant change in the domestic economic context – and especially a net slowdown in growth – would alter Chinese diplomacy's current energy, enthusiasm and overall confidence in its own initiatives.

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<sup>67</sup> "They [the Chinese] asked to link the idea of a maritime axis and the 21st century Maritime Silk Road, (...) I reckon so long as the principle of sovereignty is safeguarded and the people benefit, we can work together." Indonesian President Joko Widodo said after meeting with Chinese foreign minister Wang Yi in November 2014, according to The Strait Times, "Indonesia's 'key in China's vision of Maritime Silk Road', by Zakir Hussain, November 4, 2015.