



# CHINA'S BELT & ROAD AND THE WORLD: COMPETING FORMS OF GLOBALIZATION

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# Executive Summary

## B&R: a systemic project

- B&R (China's "Belt & Road Initiative") is an unusual project in its methodology: it is constantly evolving.
- **Geographical and sectoral expansion** of the project has been observed since its launch six years ago.
- **Geographical expansion:** the Chinese project **far exceeds the scope of Eurasia**. It also encompasses Africa, Latin America, the South Pacific and the Arctic, among other areas. **Today, all countries are potentially part of B&R.**
- **Sectoral expansion:** the Chinese project goes well beyond the infrastructure sector. It also encompasses the **digital, space, culture, tourism, customs, police and legal sectors**, among others. **Today, all sectors are potentially part of B&R.**
- For China, B&R is a way **to internationalize its national priorities**. B&R increasingly appears as a vector for promoting the objectives referred to in the wide variety of Chinese planning documents.
- In this context, B&R's objectives are particularly ambitious and numerous, and it now appears more like a **strategic plan** than an "initiative".
- There has been an **expansion in the non-material dimension** of the Chinese project, particularly in recent years. In addition to physical infrastructure (roads, railways, ports, airports, submarine cables and other infrastructure), China is promoting non-material cooperation via B&R (norms & standards, logistics, data, e-commerce, etc.).
- By developing new infrastructure and standards, B&R is also a means to **eventually limit China's dependence on some foreign infrastructure and standards** (primarily US) and **enable China to better manage a wide variety of international flows** (of goods, data, people, money, etc.).

- China also sees its project as a platform for facilitating international interactions (multilateral as well as bilateral) and more generally as a tool for **restructuring global governance**. B&R would progressively shape a new global architecture and a new form of interaction between states.
- **China increasingly sees its project as a vector for promoting a new form of globalization.**

## Looking to the future: competing forms of globalization

- In this context, it is possible to anticipate the **emergence of two rival poles**, one led by the United States and the other by China, **each one with their own infrastructure networks** (road, air, maritime, space and communication – including submarine cables).
- The prospective analysis developed in this report considers the distinct possibility for the emergence of **two systems for managing transportation and exchanges**. Two systems of standards and two systems of international and regional institutions would also coexist.
- The emergence of two separate poles, which **would coexist without integrating**, is possible if the United States and China were less economically interdependent than they are today.
  - ➔ It is possible in the new context of a potentially protracted trade war –anticipating that China will reduce its economic presence in the United States (scarred by the case of Huawei and others, symbols of its current vulnerability to US economic sanctions) and vice versa – that each country will seek to reduce its vulnerability to the other, to progressively undertake economic “decoupling”.
- Hence, the polarization of international relations would create a new form of **competition between infrastructure networks, standards, international institutions,...** i.e. competition between two forms of globalization – one US-led, one China-led.
- Other countries, if not able to develop their own offer, would have the choice of these two major competing offers, guided by their political preferences, geographical proximity and economic vulnerability to one or other of the two countries.



- **Each of the two poles would have its own network of “friendly countries”. With the continued tensions between the US and China, the two networks would become more identifiable than they are today:** the United States and its allies on the one hand, China and its friends on the other.
- Countries friendly to China, recognizable as formally declared **“Belt & Road member”** countries (after signing Memorandums of Understanding and other agreements), would have **privileged access to infrastructure and services managed by China** – from the BeiDou satellite to the 5G networks or submarine cables developed by Huawei, for instance.
- Friends of China will also be more easily identified as they are more clearly aligned with Beijing’s position on various issues (on the South China Sea, Taiwan or Human Rights, for instance, or at the United Nations and other international organizations), more frequently participating in forums and summits organized by China and more frequently using official Chinese expressions (such as “Belt & Road Initiative”, “Community of Common Destiny”, “New Type of International Relations”, etc.)
- Although this **polarization is reminiscent of the Cold War**, a direct confrontation between two distinct “blocks” is unlikely. Given China’s desire to develop a flexible network of friendly countries, which may include an increasing number of countries that are allies of the United States, **the boundaries between the two poles are likely to be blurred** and constantly evolving.
- The United States and China would swing between **tolerated coexistence in some areas and more direct confrontation in areas** that either considers to be of strategic interest (Taiwan Strait, South China Sea, among others).
- This scenario is more likely if B&R develops with some success in the coming years.
- **Although it is unlikely that the Chinese government would abandon the project, a slowdown is possible** given the higher cost of investing in major infrastructure projects, the low return on investment, the failure of some projects for economic and/or security reasons, and the possible further slowing of Chinese economic growth. In particular, the evolution of the political context, in particular the reinforcement of Party discipline and the tightening of Party control over the state bureaucracy, which has led to a certain degree of over-cautiousness and risk-aversion on the part of central

and local officials, could indirectly slow the project's development and implementation by the Chinese authorities.

## A methodical approach to B&R

Whatever the scenario, **many countries, including France and other EU member states, already have an advanced level of understanding and analysis of China and the Chinese project**, which allows them to identify and respond to the main strategic issues related to B&R. Still, there remains a need to draw up a method adapted to the unusual nature of the Chinese project. **With regards to B&R, the method is as important as the content.**

- First recommended method: **avoid the use of the terms “Belt & Road Initiative”, “Silk Roads” and other general terms in an official capacity, and favor references to concrete and specifically identified projects and areas of cooperation.** This requirement for clarification is necessary as the content and location of the Chinese project continue to evolve and the **term B&R is a growing source of misunderstanding** in this context.
- Second recommended method: **take the non-material dimension of B&R fully into account** – it is as structuring as the material (infrastructure) dimension, and will continue to develop in the coming years (likely development of the normative, digital, arbitrational, financial and other dimensions of B&R in addition to physical infrastructure projects).
- Third recommended method: **take the “global governance” dimension of B&R fully into account.** B&R is also designed by Beijing as a new platform of interactions between states; China will probably continue to create other bilateral and multilateral cooperation mechanisms under the B&R label, which could eventually become summits and forums of reference intended to manage a variety of regional and global issues.

*For other recommended methods suggested in this report, see the “Recommendations” section.*

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# Introduction

The project known as the “Belt & Road Initiative” (or “Chinese New Silk Roads”, or “One Belt, One Road” – *referred to as “B&R” in this report*), launched in autumn 2013, is one of President Xi Jinping’s priorities. He has placed the concept at the heart of China’s domestic and foreign policy. The project could even remain relevant until 2050, the centenary of the People’s Republic of China (PRC) - major deadline for the Chinese Communist Party (CPC). Although the project raises concerns due to its geographical scale (more than “130 countries and international organizations” are supposed to be involved – according to the latest official statements) and sectoral reach (transportation, energy, telecommunications, finance, tourism, culture, digital, space, among many other sectors), it is mainly characterized by its methodology, which is uncommon. First, the concept was launched before its concrete content was defined, and China’s partners were and still are frequently encouraged to provide ideas to the Chinese government on how to make it concrete. Second, it is difficult to identify a project that has been launched by a state in recent decades with so much determination, and so much investment in its national and international promotion, and yet with so much ambiguity. Third, the project, which is constantly evolving, is promoted in accordance with communication and implementation methods usually used in China, but never on this scale internationally. Faced with the novel approach and speed with which the project has gained in awareness and importance, many foreign countries appear unsettled.

B&R methodology has been more scarcely analyzed than its content until now, but it is essential to analyze this unusual methodology so as to inform the strategic analysis of the countries that the Chinese project may involve, and to help them identify a suitable methodology for addressing and responding to it. In addition, B&R transport infrastructure projects have been the focus of many studies and reports, but the non-physical infrastructure projects of B&R (institutional, normative, digital, etc.) are still comparatively less taken into account. Still, it is essential to analyze them as they are currently developing and are, from Beijing’s perspective, as important as – if not more important than – the physical projects. These two areas of analysis are therefore significantly developed in the report.

## Objectives

The objective of this report is not to examine specific projects, which have been the subject of many previous publications – including by Ifri's research team<sup>1</sup> – nor to list the B&R projects at any given moment.<sup>2</sup> It is rather to analyze the approach developed by China during the last six years, since the project's launch. Although the Chinese project remains unclear in many respects, the analysis can now be refined given the time that has passed since its launch.

Therefore, this report provides some clarification regarding the Chinese approach – the objectives, but also the implementation methods and the general methodology used (see part “*Method and objectives*”) – in order to identify and analyze the risks and opportunities that it poses. Taking this methodology into account is particularly useful in understanding how foreign actors may respond, now and in the future, to B&R.

The French and European approach – those of governments as well as the private sector (“*The positions of France and the European Union*”) – as well as the reactions to B&R of key countries, such as the United States, Japan, India, Russia, Singapore and other southeastern Asian countries are also examined (“*Positions of key countries*”).

Based on this analysis, three scenarios for developing the Chinese project are established (“*Scenarios*”): 1) continuous development of B&R creating a new form of globalization, 2) continuous development of B&R clashing with other forms of globalization: return of international bipolarization, and 3) slowdown and decline of B&R. In conclusion, general recommendations (“*Recommendations*”) are made with regard to the most suitable approach to be adopted in view of the rollout of the Chinese project in the coming years, in accordance with the envisaged scenarios.

## Methodology

The scenarios are at the core of this report. The report was designed from the beginning as an ongoing exercise of reflection and forward-looking analysis, and was fueled by five brainstorming sessions<sup>3</sup> in Paris, which involved, in addition to the research team, various French actors directly

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1. A. Ekman, F. Nicolas and J. Seaman *et al.*, “Three Years of New Silk Roads: From Words to (Re)Action?”, *Études de l’Ifri*, Ifri, February 2017, available at: [www.ifri.org](http://www.ifri.org).

2. See for example, CSIS China Power “Interactive Map”, available at: <https://chinapower.csis.org> or Mercator Institute for China Studies “Interactive Map of the Belt & Road”, available at: [www.merics.org](http://www.merics.org).

3. The brainstorming sessions took place on February 23, 2017, May 4, 2017, October 17, 2017, February 14, 2018 and April 13, 2018.



affected by the Chinese project (representatives of different ministries and companies, in particular). These sessions served to discuss the issues and different perceptions held by the institutions represented.

The analysis was also developed based on the examination of Chinese publications on the subject (government action plans, news articles from the Xinhua News Agency, *think tank* articles and university publications). Most of all, the analysis is based on various field missions conducted in China during the period 2013-2018, and in other Asian countries and Europe during the period 2017-2018.<sup>4</sup> Particular attention has been paid to discussions with Chinese representatives on the one hand and European representatives on the other.

This report is designed as a brainstorming exercise in itself, seeking to identify the blind spots and possible developments of the Chinese project, and the issues of importance for foreign countries when responding to it. We hope that reading the report will raise new questions and encourage readers to continue their reflection in the same spirit as that which drove this work. The authors welcome questions and comments.<sup>5</sup>

We would like to thank the CSFRS (High Council for Strategic Education and Research – a French public institution) for their support, without which this report would not have been possible. We are also very grateful to all CSFRS members who have actively participated in the various brainstorming sessions over the past 20 months.

We wish you pleasant and fruitful reading!

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4. Field research conducted in Asia: China (mainly Beijing and Shanghai), Japan, India, South Korea, and several southeastern Asian countries (including Singapore, Malaysia, Indonesia, Thailand, Cambodia and Laos). In France: mainly Paris, Lyon, Marseilles, Metz. In Europe: mainly Brussels, London, Berlin, Rome, Madrid, The Hague, Warsaw.

<sup>5</sup> At the following address: [ekman@ifri.org](mailto:ekman@ifri.org)



# Belt & Road: method and objectives

The B&R project is a long-term plan and the latest fundamental concept in Chinese diplomacy, following others like the “Go Out Policy” (*zou chu qu*) launched by President Jiang Zemin in 1999 with the aim of promoting Chinese investment abroad.

However, B&R was launched in a context significantly different from that which dominated at the time of the “Go Out Policy”. China now has greater capacity to support such a concept and put it into practice. B&R is indeed more ambitious and has a more solid base, both financially and diplomatically, than the previous concepts launched by Chinese central government. The Chinese authorities’ ambition is to promote, via B&R, a **new form of globalization**.

Although the ambitions and methods differ, the Chinese government’s approach to rolling out B&R is relatively similar to the one it generally uses for its major national projects: emphasis on the concept, a **major communication campaign**, followed by a **coordinated approach** to implement it both in China and abroad. For the Chinese authorities, it is about – as in Deng Xiaoping’s time – “crossing the river by feeling for the stones”. This trial-and-error approach has resulted in a project that has been continually evolving and extending since its launch.

## A distinctive method

At least three aspects characterize the implementation of B&R by China:

- Highly coordinated communication
- A geographic expansion process
- A sectoral expansion process

### *Highly coordinated communication*

Since the launch of B&R, Beijing has undertaken an extensive publicity campaign to promote the project in China and abroad. The fact that the concept is now known and discussed in many foreign countries, including France, is considered as a success for Chinese public diplomacy, as China is increasingly looking to internationalize its concepts, ideas and standards.

The promotion of Chinese official discourse about B&R is supported by a specific combination of communication techniques: the traditional propaganda techniques inherited from the Soviet Union, along with more modern techniques developed by Chinese and international communication agencies. The Chinese communication strategy is developed and highly coordinated, supervised by the central authorities, and adjusted according to the country or target population. Although the strategy to promote B&R is centrally coordinated, its implementation involves a variety of distribution channels (media, universities/*think tanks*, companies, diaspora groups, etc) that hammer key messages home in different ways, each in their own way, but still consistent with the official line. **Such a coordinated communication effort resulted in the rapid spread of the “Belt and Road Initiative”** (*yidai yilu*, in Chinese) **abroad** shortly after its launch in autumn 2013. It should be noted that the naming of the concept itself has continually been adjusted over time by the Chinese authorities (in English, ranging from “New Silk Roads” to “One Belt, One Road”, and more recently “Belt & Road Initiative”) and could further change in the coming years.

Since the launch, Chinese officials have been ensuring that B&R is promoted internationally by using the language validated by the CPC.<sup>6</sup> These messages vary slightly depending on the target audience. For example, B&R is always presented as “complementary” to foreign strategies: to the European Union’s “Juncker Plan”, to Indonesia’s “Maritime Axis” and to the “Eurasian Economic Union” in Russia and Central Asia, etc.

**The framing of B&R communication has been much reinforced since the 19th CPC Congress** (October 2017). Increased harmonization of the discourse is noticeable both in national and international communication. In view of the importance of the project for the Chinese president and the CPC, B&R cannot be questioned – fully or partially – by Chinese officials and researchers at this point in time.<sup>7</sup>

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6. Among the key points most commonly heard by the Chinese discussion partners: B&R is an “initiative” (not a “strategy”); it’s “open/each country is welcome”; “mutually beneficial” (to China and other countries involved in the initiative); “complementary” to existing national plans or initiatives, and “economic in nature” (not a military or security strategy, according to the official communication).

7. Interviews and conversations with Chinese officials and researchers in Beijing, June 2018 in comparative perspective (taking previous conversations into account – 2013-2017 – with the same discussion partners).

## *A project in a geographic expansion phase*

Since its launch, the Chinese project has continued to expand, both geographically and in terms of the sectors involved. During the first project development phase (2013-2015), “some 65 countries”<sup>8</sup> were involved in B&R projects. More recent official statements confirm that now “more than 130 countries and international institutions have supported the initiative”.<sup>9</sup> Until now, the detailed list of these countries and organizations has not been published by the Chinese authorities, who continue to emphasize that “every country in the world is welcome to take part”. The phrase commonly used by the Chinese officials – “countries located along the New Silk Roads” – is itself fairly vague.

Among the recent and significant geographic expansions, at the beginning of 2018, a Polar Silk Road was announced: “China hopes to work with all parties to build a ‘Polar Silk Road’ through developing the Arctic shipping routes”.<sup>10</sup>

**Five years after its launch, the geographic scale of B&R remains uncertain:** the exact geographic location of the routes and hubs, and the complete list of participating countries and cities directly involved are continually evolving and, according to the Chinese authorities, are not intended to be set in stone.

Generally, China seems to be following and promoting the method abroad that it has used until now on its home territory: long-term planning of projects in general terms, focused around a key concept hammered home by all Chinese actors involved in the communication strategy. Although this method seems natural to the Chinese government, it is less so in the eyes of the French government or Brussels, which operate fundamentally differently. This **difference in methods** raises many difficulties for French and European actors (see the section “France’s and the European Union’s Positions”). Indeed, foreign partners were unable to understand what exactly B&R was, and are still unable to do so today, insofar as B&R was and remains a “work in progress”. The Chinese project is particularly difficult to monitor and analyze, because it is constantly evolving.<sup>11</sup>

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8. Xinhua News Agency and other official media, 2015- 2017.

9. Xinhua News Agency and other official media, 2018-2019.

10. “China’s Arctic Policy”, White Paper, published by the State Council Information Office of the People’s Republic of China, January 2018. It should be noted that this approach provides a favorable environment for enhancing Sino-Russian cooperation, illustrated by the future organization of a forum between the two states.

11. As, for example, the Senate report finds in its conclusion of a report about the Chinese project – a conclusion that begins with the following sentence: “We are coming to the end of this report, more

What is particularly interesting to note, in the origin of B&R, is that the brainstorming phase was launched in 2014, after the launch of the concept. The first year of the brainstorming process - during which the National Development and Reform Commission (NDRC) was very active - led to the publication of an “Action Plan” in March 2015.<sup>12</sup> This indicates that, between the end of 2013 and the start of 2015, the project was not defined in precise terms in China. Nevertheless, since the concept’s launch, the Chinese authorities have involved foreign actors in this brainstorming effort by organizing a multitude of conferences, events, and delegation visits on this topic, which were so many opportunities to bring together ideas, suggestions, questions and criticisms. These elements have fueled the development and adjustment of the B&R communication strategy abroad. This approach – which is still maintained today - has two advantages: to gather ideas and to obtain the support of foreign actors. Indeed, Chinese diplomacy hopes to convey the impression that B&R is not just a plan designed and imposed by China unilaterally, but really a common “initiative”.

The central government has acted as a supervisor for B&R and is relying on many institutions to implement the project on the ground. Out of these institutions, companies – and first and foremost state-owned companies – have been identified by the central government as the main implementers of B&R. They were asked to identify new projects and to develop concrete partnerships under the B&R label. Besides companies, local governments (provinces, cities, districts) have also been asked by the central government to implement B&R practically and to integrate it in their local development strategies. Under pressure from the central government, some of these institutions – already under intense pressure since the launch of the strict anti-corruption campaign five years ago - tend to label projects prior to 2013 as “B&R”. However, Beijing also expects concrete opportunities and projects to emerge from foreign, central and local companies and governments (see the section “France’s and the European Union’s Positions”).

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aware than ever that there can be no end. Each week, new quality publications appear on the New Silk Roads, each meeting is an opportunity to explore new dimensions of this Chinese strategy”, p. 119. Senate Information Report, “Pour la France, les nouvelles roues de la soie: simple label économique ou nouvel ordre mondial”, May 30 2018, available at: [www.senat.fr](http://www.senat.fr).

12. “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road”, Ministry of Foreign Affairs/Ministry of Commerce/NDRC, March 2015.

## *A project in sectoral expansion phase*

**Infrastructure development is undeniably at the heart of the Chinese project.** Since Xi Jinping succeeded to the presidency, the emphasis in official statements addressed to a foreign audience has been on “interconnectivity” and the construction of cross-border infrastructure projects. The action plan released by the NDRC in March 2015 highlights four main types of infrastructure: transportation (roads, railways, ports, airports, etc), energy (pipelines, refineries), telecommunications and special industrial zones. Although B&R is mainly associated with transportation infrastructure, it is important to keep in mind that three other types of infrastructure are also involved, and that this list is not comprehensive. To finance this infrastructure, China is developing new financial instruments (the Asian Infrastructure Investment Bank – AIIB, and the Silk Roads Fund among others – see “Focus 2: Financing B&R” below).

For Beijing, the plan for rapid development of infrastructure has several objectives. Most of this infrastructure is consistent with domestic economic objectives, particularly opening up the country’s poorest provinces, but also looking for new markets abroad for industries with overcapacity in China (cement, steel, coal, etc). Through the development of transportation infrastructure, China hopes to increase cross-border communication networks (ports, but also roads and railways) that could in the long run facilitate trade within the region, and above all, transport Chinese products to European markets by land, an alternative route faster than by sea. There is already a direct rail freight connection, which opened in May 2013, connecting China, Poland and Germany – a journey that lasts on average 16 days, which is three weeks less than by sea, with China’s eastern provinces as starting points. Several projects to improve rail networks connecting western China with Russia and Central Asia have already been developed. However, rail freight is more expensive than marine transportation, and, so far, many companies are reluctant to change their mode of transportation.

Meanwhile, China is in the process of establishing **its own network of ports**.<sup>13</sup> Chinese companies are increasing seaport infrastructure construction projects abroad (in Pakistan, Sri Lanka, Bangladesh and other countries). Investment in **energy infrastructure**, such as expanding oil

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13. The main official document on this topic is “Vision for Maritime Cooperation under the Belt and Road Initiative”, published on June 20, 2017 by Xinhua and other state media. Among the analyses relating to this topic: M. Duchâtel, A. Sheldon Duplaix, “Blue China: Navigating the Maritime Silk Road to Europe”, ECFR Policy Brief, April 2018; A. Ekman, “La Chine en Méditerranée: une puissance émergente” [China in the Mediterranean: An Emerging Presence], *Notes de l’Ifri*, Ifri, February 2018, available at: [www.ifri.org](http://www.ifri.org).

and gas pipeline networks or constructing new electric power plants or transmission capacity, is also an integral part of B&R. Beijing is also increasing the development of **telecommunications infrastructure** in the region. In addition, the NDRC's action plan clearly calls for "the installation of cross-border fiber optic cables, the planning of transcontinental, submarine fiber optic cable projects and the improvement of satellite information bandwidth".

Beijing is also encouraging the construction of "**industrial parks**" or "**economic cooperation zones**" abroad. The idea is not new. Chinese companies have already developed such zones (for example in Egypt<sup>14</sup>), but under Xi's leadership and as part of B&R, this objective has been reinforced despite uncertainties that affect the effectiveness, attractiveness and profitability of these zones. According to the Chinese Ministry of Commerce, 75 economic zones have been developed since the launch of B&R.<sup>15</sup> While this figure is difficult to verify, given the B&R relabeling of some projects prior to their launch, it highlights the Chinese authorities' desire to accelerate the construction of this type of zone in recent years.

The rapid increase in the construction of this type of zone, based on the model of those developed in China since the era of reform and openness launched by Deng Xiaoping, refers to the issue of China promoting a specific development model abroad. In fact, in agreeing to build such zones in their own country on their territory and investing heavily in infrastructure, these states, consciously or unconsciously, are moving toward a structuring of their economy that to some extent is fairly close to that promoted by China on its own territory. In this sense, **B&R can be considered as a vector for promoting an alternative economic development model**, different from that of France and other liberal economies.

### *Much more than just infrastructure*

For the Chinese authorities, infrastructure development is only one of the focuses of B&R. They have identified "five constituent pillars" of B&R, including several that extend beyond purely physical infrastructure.<sup>16</sup> Since 2013, other sectors have been added to the development of transportation

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14. Thus, the Program for China-Africa Cooperation in Economic and Social Development launched at the 3rd FOCAC summit in 2006 aimed to share the Chinese investment promotion experience with Africa, with Special Economic Zones as the main tool.

15. Xinhua, June 9, 2018 – figure also highlighted during a meeting between the research team and the NDRC in Beijing in June 2018.

16. These five pillars of B&R are, according to official statements: coordination in policy-making, interconnecting infrastructure, trade facilitation, financial integration, and human connections (unofficial translation – official terms in English: "policy coordination; facilities connectivity; unimpeded trade; financial integration; and people-to-people bonds").



infrastructure: new information and communication technologies, e-commerce,<sup>17</sup> finance,<sup>18</sup> space, tourism, legal, customs, police, education and culture, among others. Currently, **all sectors are potentially affected by B&R.**

With regard to the legal area, the Chinese Supreme Court decided on January 23, 2018 to create, among other initiatives,<sup>19</sup> three **international trade courts**. The Xian court will be responsible for the mainland Silk Road, Shenzhen for the maritime component, and Beijing will play a coordinating role. The Supreme Court has developed a plan (general framework) for promoting legal services and guarantees for the construction of B&R.<sup>20</sup> This plan underlines that Chinese courts must “follow the path of the socialist rule of law with Chinese characteristics” and consolidate this rule of law as the basis for B&R.<sup>21</sup> Differences in the legal systems could raise issues of interpretation and harmonization for the countries and companies involved in B&R.

The sectoral extension also includes culture, education and training, or media<sup>22</sup> – sectors that, given the Chinese government’s ambition to improve China’s image should not be neglected. Hence, Belt & Road-accredited university programs have been opened for foreign students promoting the Chinese political, economic and legal system.<sup>23</sup> The fields, like the examples, are numerous, and indicate that the non-physical dimension of B&R will continue to flourish in the coming years. As other evidence of this sectoral extension, China also wants to promote, via B&R, certain standards in the coming years (see “Focus 1: B&R” below).

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17. China wants to develop a “Digital Silk Road” and is particularly trying to make its mark in formulating international rules on cross-border e-commerce – with an initial conference on the topic on February 9 and 10, 2018.

18. Therefore, the efforts (already well-established) to encourage more intensive use of the yuan in trade with neighboring countries would help to internationalize the Chinese currency.

19. For example, the Supreme Court published in 2018 an encyclopedia of all the legal systems of the countries along the New Silk Roads.

20. See the official document on this topic published by the Supreme Court on June 16, 2015: “Opinions of the Supreme People’s Court on People’s Courts Providing Judicial Services and Guarantees for the Construction of the Belt and Road Initiative”, available at: <http://encmt.court.gov.cn>.

21. Unofficial translation. Exact official wording in English: “Chinese courts should be based on the reality of our country. They must unswervingly take the path of socialist rule of law with Chinese characteristics, engage in international cooperation and exchanges with the countries along the “Belt and Road”, and consolidate rule of law as the foundation of Belt and Road Initiative construction.”, *op. cit.*, available at: <http://encmt.court.gov.cn>.

22. See: <http://en.beltroadforum.com>.

23. Xinhua, “Chinese University Establishes Silk Road School”, May 23, 2018, available at: [www.xinhuanet.com](http://www.xinhuanet.com).

## B&R: a vector for internationalizing Chinese priorities

Currently, the list of the Chinese project's objectives is increasing as it expands, because, for Beijing, **B&R is a vector for generally internationalizing Chinese priorities**. They are at the same time economic, energy-related and geostrategic, and are unlimited, given the Chinese approach to internationalizing priorities. They are also as numerous as the priorities indicated in the various planning documents published by the Chinese government (five-year plans, "Made in China 2025", report of the 19<sup>th</sup> CPC Congress, etc.), and will logically increase in the coming years with the issue of new planning documents, since China is currently in the process of **aligning B&R with most of its existing foreign and domestic policy priorities**. Thus, taking documents about the Silk Roads<sup>24</sup> into account is not sufficient to understand and analyze B&R in all its dimensions. Other documents, not specifically referring to B&R, are equally enlightening, and are deemed by the Chinese authorities as relating to B&R. In fact, the Chinese authorities are increasingly, almost systematically, including a B&R paragraph in newly published planning documents, regardless of the subject or zone involved. Thus, documents not specifically about it, such as the Arctic White Paper, contain paragraphs on B&R.<sup>25</sup>

**The internationalization of Chinese priorities is done as part of what the Chinese authorities call "policy coordination" with countries along the Silk Roads.** In practical terms, "policy coordination", which is one of the "pillars" of B&R according to government documents and which is increasingly frequently referred to by Chinese officials, consists of setting up a series of bilateral and multilateral cooperation platforms dedicated to B&R with as many countries as possible. Hence, in recent years, the foundation of "B&R"-labeled bilateral committees has increased, where China's partner countries are encouraged to suggest ideas for concrete projects to develop the Chinese project.

"Policy coordination" is also done through other channels: organization of B&R forums, organization of high-level official visits, exchanges between political parties, and training programs encouraging countries to "learn

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24. Including the two most detailed currently available: "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road", Ministry of Foreign Affairs/Ministry of Commerce/NDRC, March 2015, and "Vision for Maritime Cooperation under the Belt and Road Initiative", State Oceanic Administration/NDRC, June 20, 2017, available at: [www.xinhuanet.com](http://www.xinhuanet.com).

25. "China's Arctic Policy", White Paper, published by the State Council Information Office of the People's Republic of China, in January 2018.

from the Chinese experience". All these channels are increasingly encouraged by the Chinese authorities, openly and under the B&R label.<sup>26</sup>

Whether bilaterally or multilaterally, the Chinese authorities consider B&R as a cooperation framework, where China can discuss the implementation of its projects. To this end, China encourages the countries involved with B&R to create "platforms" to coordinate political decisions and to identify projects.<sup>27</sup> Calls to this effect have been increasing in the last two years.<sup>28</sup> These coordination platforms are thought of as frameworks of interaction between governments, but also between governments and companies.<sup>29</sup> The creation of these new bilateral cooperation mechanisms has increased in recent years, from Asia<sup>30</sup> to Europe.<sup>31</sup>

**China considers "policy coordination" as a vector for both aligning its priorities and for aligning its official discourse.** In this way, China wants to promote its key official concepts to the countries it is coordinating with. More generally, there is a rapprochement between B&R and other key concepts and priorities of Chinese diplomacy, such as "the community of common destiny" or the "great revival of the Chinese nation". There is also a rapprochement between B&R and some arguments currently promoted by Chinese diplomacy. For example, the Chinese government presents B&R as a response to the "anti-globalization trend" that the world

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26. As a researcher at the China Institute for International Studies (CIIS), a *think tank* under the Ministry of Foreign Affairs, emphasized in February 2018. Extract from his public presentation on "policy coordination" with African countries as part of B&R: "Numerous 'policy coordination' channels: Summit diplomacy, high level of mutual visits among the officials; Party-to-Party exchanges between CPC and African Political Parties; Training programmes and workshops for African officials, professionals, media and think tank people, etc.; International conferences; China does not impose its political system and development model onto African countries; respecting African countries' independent choice of their own development path; encouraging African countries to learn Chinese experiences which are useful and beneficial to the development of Africa."

27. So, at the end of the Belt & Road Forum that China organized in Beijing in May 2017, several ministers of finance signed the following document: "We encourage countries along the routes to establish common platform(s) whereby countries in the region, while forging synergies of their development strategies and investment plans, map out strategies or plans for regional infrastructure development, formulate principles for identifying and prioritizing major projects, coordinate their supporting policies and financing arrangements, and share experiences on implementation." Guiding Principles on Financing the Development of the Belt and Road, available at: <http://wjb.mof.gov.cn>.

28. Hence, He Lifeng, Minister of the NDRC, said last May: "Economies related to the initiative need to strengthen policy coordination in order to see further progress in implementing the [Belt & Road] initiative." See "Policy coordination called crucial", Wang Yanfei, *China Daily*, May 15, 2017.

29. For example, He Lifeng stated: "Efforts include establishing concrete plans to implement the initiative and building platforms to bridge companies and states, the minister said".

30. For example, with Singapore or Japan, but also with the territory of Hong Kong.

31. Including several European Union countries, among them France.

is supposed to be facing currently, implicitly pointing to the United States'<sup>32</sup> failures.

Chinese diplomacy can be forceful in promoting its concepts and priorities, not hesitating to “redouble its efforts”. Some even consider that China has implemented an aggressive lobbying strategy.<sup>33</sup>

Generally, the pace of communications, requests and proposals of Chinese diplomacy is often difficult for foreign diplomats to follow; they sometimes show strain or even frustration when faced with this pace, and “give in” to some of the Chinese proposals considered as problematic, in a moment of relaxation or frustration.<sup>34</sup> Generally, the pace of initiatives launched by Chinese diplomacy forces many of its foreign partners to position themselves in response to it. It is likely that Chinese diplomacy will continue to increase “policy coordination” initiatives in the coming years, and more generally B&R initiatives – a positioning that characterizes the methodology of Chinese diplomacy under Xi Jinping.

The centralized and highly coordinated nature of the Chinese government leads to systematic formats and methods of cooperation in many countries, and potentially in all countries involved in B&R. For example, China has systematized the development of regional cooperation forums since the beginning of 2000s.<sup>35</sup> To a lesser extent, Chinese diplomacy is attempting to systematize another cooperation mechanism as part of B&R: that of cooperation in third countries, which affects France (cooperation with China in French-speaking Africa), but also exists with other countries (China-Spain cooperation in Latin America, China-Portugal cooperation in Brazil and Portuguese-speaking Africa, etc). Although this type of cooperation is widely promoted in Chinese official discourse and joint statements, there is a gap between the announcements and concrete achievements on the ground – at the moment, only a small number of concrete, successful projects can be identified.

Nevertheless, in terms of these developments and China's long-term planning to consolidate its power status, **B&R cannot be considered as**

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32. See Wang Yanfei, “Policy coordination called crucial”, *China Daily*, May 15, 2017.

33. Brainstorming as part of this research project with various official and unofficial French actors, Ifri, May 2017.

34. Accounts of diplomats from several EU countries, informal conversations and brainstorming, Paris-Brussels, 2016-2018.

35. Creation and duplication of a cooperation model by Chinese diplomacy in a number of regions: Forum on China-Africa Cooperation (created in 2000); China-Arab States Cooperation Forum (2004); China-Central and Eastern European Countries Cooperation – known as “16+1” (2012); China-Community of Latin American and Caribbean States Forum – known as “CELAC” (2015), and Lancang-Mekong River Cooperation (2015), among others. These Chinese regional forums now cover most regions of the globe, and are broken down and multiplied by sectors (healthcare, agriculture, tourism, culture, etc).

an “initiative”. It is more a “strategic plan”. It is unrealistic to assume that B&R is not supported by intense strategic thinking in Beijing, if only in terms of the amount of planning documents related to B&R drawn up in recent years.<sup>36</sup>

## B&R: a vector for restructuring global governance

“Policy coordination” is also developing in international organizations. Although B&R is above all a means of dealing with short-term economic problems (surplus production, economic downturn, etc), it is increasingly seen by Beijing as a tool to promote China’s ambitions for global governance (creating B&R satellite institutions such as the AIIB, and multilateral informal cooperation mechanisms of all kinds – such as annual high-level B&R forums, B&R platforms for arbitration of trade disputes, etc.). The official B&R action plan published in March 2015 explicitly calls for the creation of a “balanced regional economic cooperation architecture.” In China, discussions about ways to promote B&R’s “multilateral diplomacy” are emerging, and researchers have been made responsible for analyzing how B&R could help to promote the restructuring of global governance.

**The alignment of priorities involves harmonizing the agenda of an increasing number of multilateral meetings.** B&R was particularly highlighted during the G20 in Hangzhou in 2016, and generally the topic of infrastructure development has become, at the instigation of Chinese diplomacy, a key subject at G20 meetings that have been held since

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36. Thus, among the official documents listed on the official B&R website (<https://eng.yidaiyilu.gov.cn>), are the following: Arrangement on Supporting Hong Kong's Participation in the Belt and Road Construction, Action Plan on Belt and Road Standard Connectivity (2018-20), Vision for Maritime Cooperation under the Belt and Road Initiative, Initiative on Promoting Unimpeded Trade Cooperation along the Belt and Road, Vision and Actions on Energy Cooperation in Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road, Guiding Principles on Financing the Development of the Belt and Road, Joint communique of leaders round table of Belt and Road forum, The Belt and Road Ecological and Environmental Cooperation Plan, Vision And Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road, Report on Development of China's Outward Investment and Economic Cooperation, Ministry of Culture's Action Plan on Belt and Road Culture Development (2016-20), Guidance on Promoting Green Belt and Road, Education Action Plan for the Belt and Road Initiative, Building the Belt and Road: Concept, Practice and China's Contribution, Vision and Action on Jointly Promoting Agricultural Cooperation on the Belt and Road, Action Plan on Belt and Road Standard Connectivity (2015-17), Development Plan of China-Europe Freight Train Construction (2016-20), Action Plan on Development of Belt and Road Sports Tourism (2017-20), Opinions of the Supreme People's Court on people's courts providing judicial services and guarantees for the construction of the Belt and Road Initiative, Guidelines on Construction of China-Mongolia-Russia Economic Corridor, Special Plan on Advancing Cooperation of Science and Technology Innovation in the Belt and Road [...], “The Belt and Road’ Vision and Actions for Cooperation in Metrology”, among other documents.

then. More recently, at the last Shanghai Cooperation Organization (SCO) summit, held in June 2018 in Qingdao, the Chinese authorities called for links between SCO and B&R<sup>37</sup> to be increased. The Belt & Road summit in May 2017 in Beijing may be seen as China's desire to build a new multilateral cooperation mechanism based to a certain extent on the G20.

This dimension of global governance is becoming increasingly visible on the ground. B&R is indeed now presented by Chinese officials as a **multilateral “platform”** to bring together domestic and international actors from diverse spheres (business, government, civil service, *think tanks*, etc) and in different fields (construction, transportation, energy, telecommunications, etc). Insofar as summit diplomacy is one of the means currently used extensively in Beijing, China is organizing increasingly important large international forums both in and outside the country, including in Europe. It has already set up and hosted ministerial meetings under the B&R banner in 2015, 2016 and 2017, and is planning others for 2018-2019. Since B&R is designed as a project under development that can grow in very different directions, the potential for setting up B&R-related summits and cooperation mechanisms appears unlimited (they can be general or focus on specific industries – transportation infrastructure, energy, telecommunication cooperation – or regions – Europe, Central Asia, Southeast Asia, and now Africa).

Since flexibility is at the center of this project, China will probably not institutionalize B&R itself for both logistical and strategic reasons. Nevertheless, it will in all likelihood create more “satellite” mechanisms of informal cooperation or institutions like the AIIB. B&R is now at the heart of new networks and informal institutional networks that China is building on a regional and global scale.

## B&R: a vector for consolidating Chinese power

B&R is admittedly motivated by economic and commercial objectives, but also by **broader geopolitical objectives**: China now wishes to position itself as a **reference for the world**. Since Xi Jinping came to power, the Chinese government has been increasing initiatives to position itself as such and to consolidate China's power status in a growing number of areas (economic, military, diplomatic, energy, technological, space, etc<sup>38</sup>).

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37. Xinhua, “SCO in Closer Ties with Belt and Road Initiative”, June 9, 2018.

38. An idea developed more extensively in the article “La nouvelle puissance chinoise” [The New Chinese Power] published in *RAMSES 2019*, September 2018, Paris, Ifri/Dunod.

In the course of history, those countries that had the means to do so – that is to say, that had power status – sought to spread their worldview and their way of doing things. China is no exception. At least seven changes in the last five years show that Beijing is trying to position itself as a reference in the world:

- First, the emergence of an internationalist discourse. Increasingly, Xi Jinping refers to the “well-being of humanity”, to the “common good”, to the “development of all countries”, and more generally to the role that China must play for the good of the world as a whole.
- As part of this internationalist discourse, China is positioning itself, for example, in terms of being a model in economic development and governance. As, State Councilor Yang Jiechi emphasized in July 2017: “We must have firm confidence in the path, theories, system and culture of socialism with Chinese characteristics and share our governance experience with other countries”. Since Xi Jinping became president in 2013, China is increasingly seeking to promote a “Chinese solution” for the world and to establish itself as an ideological power.
- For this purpose, it uses communication tools and means of influence with a view to establishing itself as a linguistic, cultural, conceptual and intellectual power. It hopes to promote different standards from those promoted by the United States and the European Union in the international debate. Thus, Beijing is trying to internationalize some of its key official concepts and statements; the CPC traditionally attaches great importance to concepts in its functioning.
- Moving beyond these concepts, China is aiming to become a normative power. China has established a strategy to create new technical standards in very diverse sectors, hoping that they will progressively be established as reference standards for the world (see “Focus 1: B&R” below).
- The creation of these new standards is considered in the broader context of the emergence of a new form of globalization shaped by China, based on new trade routes (thanks to B&R) and developed through huge investment in flow management infrastructure (goods, energy, data/telecommunications, tourists, etc). China is trying to catch up with existing infrastructure networks (rail, port, energy, submarine cable networks, etc), hoping to reduce its dependence on infrastructure networks controlled by foreign companies and countries, and eventually duplicate these networks with its own, for its own use but also that of other countries.

- Added to a desire for normative power is a desire for structural power: it is about increasing China's capacity to set the rules of international economics and politics. Beijing is thus investing heavily in the restructuring of global governance, both by integrating into existing institutions and creating new ones. The ultimate objective is to better control or create structures affecting the behavior of other international actors, and in short to better control and adjust the international rules of the game inherited from Bretton Woods. Indeed, China may be considered as the country that now has the most ambitious and comprehensive global governance strategy – with set objectives for each of the forms of governance (economic, climate, cyber, security, etc).
- In this context, Xi Jinping is also promoting a relational approach to the concept of power. He has particularly called for China's diplomatic service to develop a "circle of friends" in Asia and worldwide. It is about placing the country at the center of interactions with the widest possible network of partner countries.

## Focus 1: B&R, a vector for promoting standards

Since 2015, China has included the development of technical standards<sup>39</sup> as a sphere of action for its B&R project. Less visible than the development of physical infrastructure or financial instruments, but nevertheless essential, standards form the basic components of connectivity, since they create a kind of common language that facilitates the interoperability of various goods, services, technologies and infrastructure. At the same time, controlling standards is an important economic and strategic issue: the standards creator is able to influence the direction that the development of a technology, market or other activity to be standardized will take.

As part of B&R, China is seeking to better coordinate the development of partner countries' standards with its own in many sectors, including transportation, energy infrastructure, telecommunications, *smart cities*, e-commerce, agriculture, finance and medicine (particularly Chinese medicine), among others. For the purposes of promoting the adoption of

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39. Generally, there are two types of standards: mandatory standards, in the form of regulations (treaty, act, decree, etc.) and voluntary or "technical" standards formulated on the basis of consensus between interested actors and published in the form of a reference document. Although the distinction is unclear in China's plans for B&R, the term "standards" here generally refers to voluntary standards, but the inclusion of obligatory standards cannot be excluded as part of the project. A technical standard is more specific, with precise technical specifications drawn up by an actor or a combination of actors. For a more comprehensive discussion of definitions, see: <https://normalisation.afnor.org>.



Chinese standards abroad, the Standardization Administration of China (SAC – the body responsible for coordinating Chinese standards) regularly prepares development plans as part of B&R.<sup>40</sup>

### *Chinese standards: support for China's economic transformation*

China is driven by three motives in the area of standardization: to respond to various major crises or challenges, especially environmental and health; to facilitate innovation and the Chinese economic transformation, and to support the competitiveness of Chinese economic actors and their integration in foreign markets, or even cornering of some of these markets. China hopes to support its economic development and transition to higher value-added industries through standardization, including emerging services and technologies.

For a long time, the Chinese government has been willing to take certain international standards into account to boost its development and facilitate the internationalization of its companies – and it still is in areas where it remains less competitive; for example, in environmental protection and the economics of aging (or so-called “silver economy”). However, its economic transition is pushing China to develop its own methods and technologies, based on its own standards, especially in the context of new industries described as “strategic”. Thus, the promotion of standards is now an integral part of China's major industrial strategies, including “Made in China 2025” and “Internet Plus” plans.

Several successes are already notable in areas that concern the B&R framework. First, **high-speed trains: China has managed to set itself apart by developing Chinese systems based on Chinese standards.** For example, out of the 254 standards incorporated in the last “Renaissance” EMU train, 84% are Chinese national standards.<sup>41</sup> The more China succeeds in exporting its trains, the more it will be able to export its standards. In the **energy** field, China has also made considerable progress; for example, in distribution networks. In keeping with B&R, it is promoting the development of cross-border<sup>42</sup> electricity networks based on ultra-high voltage (UHV) transmission lines and other technologies of which it controls

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40. Specifically, the “Action Plan to Connect One Belt, One Road through Standardization (2015-2017)” and the “Standards Connectivity Action Plan on Jointly Building the Belt and Road (2018-2020)”, available at: <https://eng.yidaiyilu.gov.cn>.

41. See at: [www.crrcgc.cc](http://www.crrcgc.cc).

42. J. Kyng and L. Hornby, “China Eyes Role as World's Power Supplier”, *The Financial Times*, June 7, 2018, available at: [www.ft.com](http://www.ft.com). See also Global Energy Interconnection: [www.geidco.org](http://www.geidco.org).

a good part of the related standards.<sup>43</sup> Finally, China is also increasingly active in the **digital and telecommunications** sphere, including on data security, smart cities and digital infrastructure. For instance, China is well positioned to influence standards for the fifth generation of mobile networks (5G), which will facilitate the rollout of a whole new wave of technology, including artificial intelligence, connected devices, and smart cities.<sup>44</sup> According to some estimates, Chinese companies already have 10% of the 1,400 essential patents for emerging 5G standards,<sup>45</sup> and the Chinese 5G market could be worth 1,150 billion yuan (US\$180 billion) by 2026.<sup>46</sup>

Generally, the more competitive China becomes in the industries of the future, the more it will be able to develop new technical standards. Through technical standards, China is well positioned to influence the development of governance in many areas, particularly cyber fields.<sup>47</sup>

### *Will China be a standard-setting power in 2035?*

To facilitate the emergence of real Chinese power in the field of technical standards, China has been rapidly developing a dedicated policy in the last three years. In March 2015, a State Council report emphasized the need to modernize the Chinese standards system in order to meet the challenges of today and tomorrow.<sup>48</sup> In the wake of this report, a new law was adopted at the end of 2017 to consolidate the process for creating standards, and making it more operational and better suited to the challenges of innovation, including a greater role given to private companies and actors.<sup>49</sup> Finally, in March 2018, China started a reflection process on a possible standardization strategy by 2035, called China Standard 2035 (中国标准2035<sup>50</sup>). This

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43. "Power Play: China's Ultra-High Voltage Technology and Global Standards", Paulson Papers on Standards, April 2015, available at: [www.paulsoninstitute.org](http://www.paulsoninstitute.org).

44. E. Kania, "China's Play for Global 5G Dominance – Standards and the 'Digital Silk Road'", *The Strategist*, ASPI, June 27, 2018, available at: [www.aspistrategist.org.au](http://www.aspistrategist.org.au).

45. E. Lee and T. Chau, "Telecom Services: The Geopolitics of 5G and IoT", *Jefferies Franchise Note*, September 15, 2017, available at: [www.jefferies.com](http://www.jefferies.com).

46. "China's 5G Market to Exceed 1 Trillion Yuan by 2026", *The China Daily*, May 16, 2018, available at: [www.china.org.cn](http://www.china.org.cn).

47. For example, see S. Sacks, "Beijing Wants to Rewrite the Rules of the Internet", *The Atlantic*, June 18, 2018, available at: [www.theatlantic.com](http://www.theatlantic.com), and E. Zaagman, "Cyber Sovereignty and the PRC's Vision for Global Internet Governance", *China Brief*, vol. 18, No. 10, June 5, 2018, available at: <https://jamestown.org>.

48. State Council of the People's Republic of China, 深化标准化工作改革方案 (Deepening the Standardization Work Reform Plan), March 11, 2015, available at: [www.gov.cn](http://www.gov.cn).

49. C. Wei, "Legislation Review: China to Revamp Standardization System", *NPC Observer*, May 2017, available at: <https://npcobserver.com>.

50. "Chinese Standards 2035, the standardization strategy research is kicked off", Seconded European Standardization Expert in China (SESEC), May 24, 2018, available at: [www.sesec.eu](http://www.sesec.eu).

reflection focuses on the continuous strengthening of the Chinese standard-setting system, and in particular the role of standards in “high-quality development” and civil-military synergies. It will undoubtedly have an international component aimed at promoting Chinese standards abroad. With the rapid development of a new generation of technologies for which standards have not yet been defined, the Chinese authorities consider that the time has come for the country to formulate a long-term strategy.<sup>51</sup> The reflection will be driven by the SAC with the help of many research institutes, including the Chinese Academy of Engineering (CAE), and will result in the development of a formal strategy by 2020.

### ***Objectives and immediate actions as part of B&R***

More specifically, according to the official project developed by the SAC, *Standards Connectivity Action Plan on Jointly Building the “Belt and Road” (2018-2020)*, China will seek to deepen bilateral relations in the area of standards with almost all of the countries and regions involved with B&R, will support the internationalization of Chinese actors in the field, and will promote the use of Chinese standards in the development of the “Belt and Road”.

These collaborations affect very diverse sectors and fields, including:

- Energy infrastructure (gas pipelines, oil pipelines, oil, natural gas and nuclear industries, electricity networks, new energies and energy efficiency);
- Television and cinema (Chinese digital standards in the field);
- The “humanities”: media (print, broadcasting, film, television), cultural heritage and its preservation, arts and tourism;
- Civil engineering and manufacturing industries (along the entire supply chain – design process, R&D process, production, inspection and assessment, after-sales service, etc. – with the following industries explicitly identified: nuclear, gas, electric/oil power stations, construction materials, aviation, shipbuilding, engineering machinery);
- Trade (especially transportation – rail in particular to facilitate the “China Railway Express” – and logistics services; e-commerce – data services, digital logistics applications, traceability, etc.);
- Environmental protection, energy efficiency and conservation (development of an assessment and certification system in the field to facilitate an environmentally friendly B&R);

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51. Liu Yuying, 国家标准委：正制定《中国标准2035》(National Standards Committee: developing China Standard 2035), *China News Service*, January 10, 2018, available at: [www.chinanews.com](http://www.chinanews.com).

- Healthcare services: Chinese medicine, pharmaceutical materials, terminology; age-related services; healthcare-related border control services (ports and customs);
- Financial services (bank products, description of services, third-party systems – Cross-border Interbank Payment System or CIPS)
- Maritime field (equipment, observation, industries; ecology and environmental protection; observation; prediction, prevention and mitigation of disasters).

Along the lines of the SAC's strategy, a number of specific actions and initiatives can be expected by 2020 as part of B&R, to include:

- Promoting mutual recognition of standards with partner countries through discussion and drawing up a complete catalog of mutual standards;
- “Demonstration” projects of Chinese standards abroad (particularly in industry, energy – cross-border electricity networks with Mongolia, Russia, Pakistan, etc. – services and agriculture – demonstration area of agricultural standards with ASEAN);
- Overseas training projects on the standardization of development assistance;
- Promotion of standardization in the construction of industrial parks abroad, as well as “economic and commercial” parks;
- Promotion of cooperation between Chinese (Qingdao, Hangzhou, Shenzhen, Baotou, etc.) and foreign cities in the field;
- Creation of a catalog of Chinese standards to internationalize and translate 1,000 Chinese standards into foreign languages, particularly English (transportation, oil and gas, ICT, finance, “sea and railway”);
- Common benchmarking of many consumer goods (500 indicators for 300 products – including household appliances, toys, shoes and textiles, furniture and fireworks);
- Staff training;
- Making Chinese private companies aware of the issue of standardization and of the processes for creating international standards;
- Building of a standards museum at Yiwu (Zhejiang);
- Cooperation with China-ASEAN Information Exchange Centre and UNIDO (UN Industrial Development Organization) in order to build a “green wisdom standard pavilion”;
- Promotion of Chinese standards as an effective means to combat poverty.

### ***Multi-level international gamble and risks of fragmentation***

Chinese activism in the field of international standardization is not new. For at least 15 years, China has been seeking to take center-stage in the international decision-making process, traditionally occupied by a handful

of key countries, including the United States and Germany (which until now have been global leaders in the field), as well as France, the United Kingdom, Japan and Russia. To this end, China has been proactively involved in the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the International Telecommunication Union (ITU) and other international negotiating forums.<sup>52</sup> It is now among the best-represented countries in technical committees, and has even acquired key leadership positions: at the ITU, Zhao Houlin has been Secretary General since 2014, and began his second four-year term in January 2019; at the ISO, Zhang Xiaogang has been president of the Technical Management Board, the committee in charge of the institution's agenda, since 2015; and at the IEC, Shu Yinbiao, who is also the chairman of the State Grid Corporation, has been vice-president since 2013 and in October 2018 was elected to serve as president starting in 2020. China is thus firmly rooted in international forums and plays an increasingly essential role in developing international standards.

What has been relatively new over the past five years, and what appears as part of B&R, is the increase in and deepening of bilateral discussions. Officially, these discussions are aimed at improving “mutual recognition” of standards between China and its partners, but the objective of promoting the spread of Chinese standards “from the bottom up” is not far off. In most cases, this approach gives China a clear advantage in promoting its own standards. On the one hand, China can play on the size of its market and its level of development in terms of standards to establish itself in the face of smaller and often less-advanced partners in this field (in particular developing countries). On the other hand, through increasing bilateral cooperation, China could generate a mass effect in support of the adoption of Chinese standards at the broader international level.

The Chinese strategy of promoting standards targets geographic areas according to their standard-setting power. In the SAC's 2018-2020 plan, which calls for promoting the application of Chinese standards through the development of B&R, Chinese authorities distinguish two types of areas:

- Areas with which cooperation in terms of standards needs to be reinforced: Europe, ASEAN, BRICS, North-East Asia, North America, Africa and Oceania
- Areas with which existing regional cooperation in terms of standards needs to be extended: Central and East Europe, Central Asia, West Asia and the Arab States.

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52. O. Peyrat, “Normalisation: la stratégie chinoise”, *Paris Innovation Review*, October 9, 2012, available at: <http://parisinnovationreview.com>.

**France is explicitly mentioned**, along with the UK, in the section focusing on mutual recognition of standards between countries. The document particularly calls for the promotion of cooperation with “Great Britain, France, etc. in areas such as railways, agribusiness, high-tech medical care, the *silver economy*, sustainable urban development and smart cities, and to promote cross-country standard compatibility”.<sup>53</sup>

B&R plays an important role since the project serves as a platform to facilitate these exchanges, but these exchanges exist, or would nevertheless exist, outside of this framework. At the international B&R forum held in Beijing in May 2017, China managed to sign framework agreements (memoranda of understanding) on the mutual recognition of standards through B&R with 12 countries, including Russia, Belarus, Serbia, Mongolia, Cambodia, Malaysia, Kazakhstan, Ethiopia, Greece, Switzerland and Turkey. This approach could well facilitate the adoption of Chinese standards in international forums by slowly building consensus. However, it could also result in a fragmentation or splitting of standards regimes internationally, particularly in a context where resistance to B&R and to China's influence in general may occur.

France is directly affected by these issues, since it is a key player in developing international standards, and is also developing bilateral cooperation with China in this field. Indeed, since 2007, the French Standards Association (Afnor) has been talking to and cooperating with the SAC on the development of standards in various fields, including sustainable urban development, agribusiness, the economy of aging (“silver economy”) and railways.<sup>54</sup> During Emmanuel Macron's visit to China in January 2018, the French and Chinese presidents agreed to develop cooperation in the field of technical standards, which has resulted in the strengthening of the cooperation agreement between Afnor and the SAC.<sup>55</sup> These two institutions will work more closely together on developing international standards in the fields of industries of the future, e-commerce and the fight against climate change.

## Focus 2: Financing B&R

The vagueness of the project and the labeling (some projects are labeled as B&R after the event) makes the assessment of the project's costs and its

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53. “Standards Connectivity Action Plan on Jointly Building the ‘Belt and Road’ (2018-2020)”/“标准联通共建‘一带一路’行动计划（2018-2020年）”, December 22, 2017, *op. cit.*

54. “Coopération franco-chinoise: l'industrie du futur en pole position”, Afnor, June 1, 2017, available at: <https://normalisation.afnor.org>.

55. “Nouvel accord franco-chinois sur les normes volontaires”, Afnor, January 15, 2018, available at: [www.afnor.org](http://www.afnor.org).

financing difficult, to say the least. Figures fluctuate between US\$4 and 8 trillion over a period of unspecified duration (in principle ten years) for the first point. Projects worth US\$1.3 trillion have already been approved or identified.

## *Financing: methods and implications*

### **Sources and forms of financing**

Overall, the project currently relies on four major sources of financing:

- Chinese **“policy banks”** (China Development Bank, under the control of the Ministry of Finance and Exim Bank; CEXIM, under direct control of the State Council)
- the four **Chinese state-owned commercial banks** (Agricultural Bank of China, Bank of China, China Construction Bank, Industrial and Commercial Bank of China)
- **multilateral institutions**, including the New Development Bank (or BRICS bank) and the Asian Infrastructure Investment Bank (created in 2014; started to operate on January 1, 2016)
- the **Silk Roads Fund**, another vehicle helping to finance the project in the form of equity financing (initially provided with US\$40 billion, the fund is financed by the State Administration of Foreign Exchange, China Investment Corporation, China Development Bank and CEXIM)

The financing of projects, so far, has been mainly in the form of **loans** (and not grants) granted **on relatively non-concessional**<sup>56</sup> terms.

In addition to loans, some of the projects are subject to **equity financing**; this is particularly the case for the Silk Roads Fund, but also for some large Chinese state-owned companies, especially those traditionally in charge of infrastructure projects, such as China Civil Engineering Construction Corporation, and China Petroleum Engineering & Construction Corporation.

### **The leading role of Chinese banks and its implications**

Based on figures available at the end of 2016, the two leading categories of lenders (“policy banks” and state commercial banks) provide 97% of the financing.<sup>57</sup>

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56. However, the terms vary from one country to another, probably in accordance with the strategic importance that the country has in the eyes of the Chinese authorities. So, in the case of Pakistan, many projects have benefited from zero-rate loans. However, the Djibouti-Addis Ababa railway has been financed by commercial loans.

57. Estimates from the *Financial Times*.

According to China Development Bank (CDB) chairman Hu Huaibang,<sup>58</sup> at the end of 2017 the bank had provided US\$110 billion in loans for projects marked for BRI, and it intended to invest an additional US\$150 billion over the next five years.

Yet, traditionally (or historically), financing lent by the CDB or Exim Bank has been predominantly, even solely, intended for Chinese (state-owned) companies. Therefore, B&R is really a **Chinese project implemented *by and for Chinese companies***.

However, given the importance of the needs, there is little doubt that private financing will be required to supplement public financing through public-private partnerships (PPP), and that cofinancing could also be considered.

In practical terms, many problems may arise. The first is the difference in practices, method and risk assessment (and ultimately objectives). The risk of excessive debt, caused by loans provided by China for enormous projects along the Silk Roads, prevents, for example, a French lender like AFD (French Development Agency) from being involved in such operations. An agreement has been reached between the CDB and the AFD, but, for the time being no project has yet been identified for possible cofinancing (see the section “French Position”).

Various foreign banks (Standard Chartered,<sup>59</sup> United Bank for Africa, BMCE Bank of Africa, Barclays Africa, for example) have signed memoranda of understanding (MoU) with the CDB. These MoU aim, in the case of Africa, to increase cooperation and explore opportunities for financing development projects, with specific emphasis on financing infrastructure (roads, railways, dams).

We can also see interventions by some foreign banks to provide “financial services” to companies responsible for implementing the B&R project. For example, Singapore is actively positioning itself in this niche.<sup>60</sup> Similarly, major Western banks (Citigroup, HSBC, Standard Chartered) are considering entering into financial transactions related in one way or another to the BRI project. For example, Standard Chartered has signed a cooperation agreement with China Merchants Bank to exploit possible synergies between the two institutions to support the B&R project.

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58. Statement made at the Asian Financial Forum in Hong Kong in January 2018.

59. The CDB-Standard Chartered agreement is for a US\$1.6 billion loan as part of B&R.

60 More on this below, section “Positions of key countries”.



## The specific case of the AIIB

Although its establishment may have raised serious concerns, particularly with regard to compliance with social and environmental standards, the AIIB has finally gained the support of many countries, including Western ones (with the exception of the United States and Japan), and it seems to be acting in a manner consistent with the practices of major multilateral banks. It also frequently operates in partnership with these institutions.

In fact, because of its newness, the institution has not even been able to gain the necessary credibility for operators and is also encountering difficulties in recruiting its staff, although it has been able to get back staff from the EBRD, for example.

For these reasons, the AIIB is still unable to launch projects on its own initiative, and is only able to provide support. Therefore, it is proceeding solely through co-financing with other multilateral institutions (World Bank, Asian Development Bank - ADB).

The AIIB and ADB are currently co-financing four projects, which are explicitly integrated into the B&R project: in Bangladesh (improvement of the Chittagong–Bakhrabad gas pipeline, 181 km), in India (improvement of the electricity transmission network), in Pakistan (construction of the Shorkot-Khanewal section, 64 km, of the M-4 road - part of the China-Pakistan economic corridor) and in Georgia (construction of a road bypassing the city of Batumi and providing access to its port). Another project is under consideration in Tajikistan (renovation along 5 km of the exit west of Douchanbé).

The AIIB is also involved in many co-financing projects with the World Bank in Pakistan, Myanmar, India, Indonesia, Azerbaijan, and even Tajikistan.

Unlike the CDB for example, the AIIB is very cautious in choosing the projects it agrees to finance, as they must on the one hand comply with the institution's objectives<sup>61</sup> and on the other hand meet strict profitability criteria.

What emerges from these various examples is that the practice of co-financing is the best way for the new institution to learn, but also probably to be accepted in the development financiers' club and finally become normalized as it were. However, it should be emphasized that the projects selected largely result from national or even local policies and do not seem to be marked by any Chinese strategy. Besides, the main part of these

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61. The projects must focus on infrastructure, but they must also be "sustainable", i.e. meet a number of environmental criteria.

projects comes under the energy sector and not transportation, which is by definition the B&R project's priority.

To sum up, for the time being, the AIIB remains a marginal actor in financing B&R. Of course, this situation may not continue and things could change as the AIIB gains in competence and credibility.

## *Risks and limits of B&R financing*

### **The debt trap**

The predominance of commercial loans in financing B&R projects implicitly poses the problem of debt burden, or even debt overhang, for the beneficiary countries of such loans, which could result in a default risk for the Chinese side. The high cost and low profitability of many of these projects (because of their very nature) puts the countries involved at a real risk, by placing them in a situation of potential debt overhang and of excessive dependence on their Chinese partner, especially as the amount of these loans can be very high compared to their GDP (see below).

This possibility was raised by IMF managing director Christine Lagarde at the conference to launch the China-IMF Capacity Development Center in Beijing, on April 12, 2018. More specifically, Christine Lagarde warned the Beijing authorities about the risk of debt overhang associated with infrastructure projects, with the implications that this can have in terms of balance of payments.

A recent study by the Center for Global Development<sup>62</sup> identifies eight countries particularly at risk because of their level of indebtedness, and specifically vis-à-vis China (Pakistan, Tajikistan, Kyrgyzstan, Laos,<sup>63</sup> Montenegro, Maldives, Djibouti and Mongolia). According to other sources, more than a third (37% to be precise) of investments made by China along the New Silk Roads may have been in countries whose rating is at best equal to Ba1.

The difficulties encountered and the excessive risks taken in some countries (like Sri Lanka, for example) suggest that practices need to change. On the one hand, prior analysis of the risk should be more thorough;<sup>64</sup> on the other, a greater role could be given to foreign partners.

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62. J. Hurley, S. Morris and G. Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective", *CGD Policy Papers*, No. 121, Center for Global Development, March 2018.

63. The cost of the China-Laos railway project is US\$6 billion or nearly 40% of Laos's GDP.

64. A Blue Book was also published to this effect in May 2018 (by the Silk Road Think Tank Association and Beijing International Studies University). It analyzes the investment risks as part

On the latter point, a distinction must undoubtedly be made between the projects that are carried out on the basis of economic considerations (i.e. profitability) and those based on strategic or geopolitical motivations. It can legitimately be thought that the first category of projects can be easily opened up to external financing, whereas this is not the case for the second category.

The manner in which Chinese operators solve situations of debt overhang can also pose problems for foreign partners. In Sri Lanka for example, the Chinese authorities took control of the port of Hambantota for a period of 99 years, whereas in Tajikistan the debt was exchanged for a land transfer.

Therefore, the question for foreign operators, and particularly French ones, is to choose between excessive rigor, which would leave the field free to Chinese and other actors, and a certain pragmatism, which would lead them to give up their traditional practices and criteria used to assess the debt sustainability of the countries involved. It is a difficult balance to strike.

### **The limits of Chinese financing capacities**

Beyond the risks incurred by China in the event of debt overhang of the countries involved in B&R, another difficulty could impede the continuation of the project under current conditions. Contrary to what is frequently suggested, China's financing capacity is not boundless. Admittedly, the power of the CDB, for example, is considerable and infinitely greater than that of a number of other operators, even the multilateral banks like the World Bank – but it does have limits. The pursuit of unilateral financing by China via bank loans seems even less realistic today in a context of significant economic downturn in China, but also of deteriorating bank balance sheets and reduced foreign exchange reserves.<sup>65</sup>

The slowdown in the rate of projects launched as part of B&R in 2017<sup>66</sup> specifically suggests that the practice of unilateral financing may have come to an end, but also that Chinese investors could be more cautious in the future. This development implies that resorting to alternative financing

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of BRI and makes recommendations for adjustment to deal with them. Since then, the Chinese authorities have intervened to encourage better assessment of the risks.

65. A. Garcia-Herrero, "China Cannot Finance the Belt and Road Alone", *Thought Leadership Brief*, No. 17, HKUST, Institute for Emerging Market Studies, August 2017: <http://iems.ust.hk>.

66. The official Chinese figures show a decrease in contracts as part of B&R. The total amount may be US\$36.2 billion for the first six months of 2018, a decrease of 6% compared to the same period in the previous year; see: [www.nytimes.com](http://www.nytimes.com). However, the 2017 figures were already lower compared to 2016.

mechanisms (notably via bond issuance), on the one hand, and, on the other, calling in foreign partners are inevitable.

For these two reasons, new possibilities may open up for foreign partners, provided that an agreement is possible on the conditions to be complied with for implementing joint financing. For example, the EU-China connectivity platform that promotes rapprochement between the Chinese project and the European plan, the so-called Juncker Plan, could be governed by that logic.

However, this possibility is likely to remain theoretical. Indeed, the question remains whether China will accept the conditions imposed by the EU, but also whether it will cooperate at the stage of identifying projects to finance. **A development of financing methods in that direction, although undoubtedly desirable from a strictly economic point of view, would in reality correspond to a fundamental reassessment of the original rationale and nature of the B&R project, and it is not absolutely guaranteed that China would be willing to accept it.**

# The Positions of France and the European Union

## The French government's approach

Since B&R's launch, French officials have spoken, in different terms and often fairly generally, of the favorable reception of the Chinese project by France. In June 2015, Laurent Fabius, then Minister of Foreign Affairs and International Development, stated: "We welcome the New Silk Roads Initiative".<sup>67</sup> Emphasis was placed first and foremost on economic cooperation, primarily between French and Chinese companies in third countries.

The general nature of the French position is explained by the vagueness surrounding the project, particularly in the years after its launch, but also by the fact that Western Europe was not initially considered by the Chinese authorities as a priority area to promote the project, compared with Central and East European countries, which were much more sought after by the Chinese authorities in 2013-2014.

The election of Emmanuel Macron as President of the Republic in May 2017 did not profoundly change the approach. France reasserted its favorable attitude to the Chinese project, but the conditions of French support for B&R were highlighted in more explicit terms. Thus, during his first state visit to China (January 2018), although the French president dedicated a significant part of one of his speeches<sup>68</sup> to the Chinese project, he also insisted on the notion of reciprocity, emphasizing the need to develop two-way New Silk Roads ("they cannot be one-way"<sup>69</sup>) and to protect the environment.

The French president also called for cooperation projects to be identified in more concrete terms. In that respect, he announced the development of a B&R roadmap. An inter-departmental working group was then set up for this purpose.

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67. Speech by Laurent Fabius, Minister of Foreign Affairs and International Development, June 12, 2015, at Rouen during the opening of the China-Normandy Forum.

68. Speech by Emmanuel Macron, President of the Republic of France, at the Daminggong Palace, Xian, January 8, 2018.

69. *Ibid.*

A visit by Prime Minister Edouard Philippe to China (June 2018) followed in the footsteps of the presidential visit. The prime minister insisted on this occasion on transparency, even more than on “reciprocity”, and a list of potential projects as part of B&R, “complying with environmental standards”, was submitted to the Chinese authorities.<sup>70</sup>

Donors, such as AFD, could certainly consider entering into co-financing operations for B&R projects. The CDB, for example, is a partner of the AFD in the donors’ club (IDFC);<sup>71</sup> also, cooperation between the two institutions appears quite logical. The AFD, however, holds to certain primary or preferred fields, in particular climate. The AFD and CDB signed a MoU at the beginning of 2018 to increase their strategic and operational cooperation in the area of climate financing. The agreement provides for co-financing opportunities in Africa, Asia, Latin America and the Mediterranean. This could possibly involve B&R projects. However, no project that meets these requirements has yet been identified.

From the French point of view, what counts above all is that the projects make sense for the country involved. In reality, the “B&R” label is quite ancillary, and the question that now arises is that concerning cooperation methods between French and Chinese development institutions.

The caution of the French authorities toward B&R is reinforced in a context of wider questioning about the actual openness of the Chinese market and Beijing’s commitment to free trade. Such doubts are shared by other EU member states (particularly Germany) and by Brussels (see the European Union’s approach below).

In recent years, France was asked by China to sign a B&R framework agreement (MoU). However, Paris has not so far signed an agreement of this type, nor formalized its support for the Chinese project in writing.

The Chinese authorities have made systematic use of the B&R label (or “one belt, one road” according to the Chinese official expression – the term “New Silk Roads” is no longer used by the Chinese authorities) in bilateral communications in recent years.

However, in recent months, Chinese officials seem to be less insistent on promoting B&R in meetings with their French counterparts.<sup>72</sup> This adjustment in communication may be explained by awareness on the Chinese side of some reluctance on the French side, and of the counter-productive nature of an insistent attitude. However, given the priority of the

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70. F. Lemaître, “Edouard Philippe plaide la cause du multilatéralisme”, *Le Monde*, June 26, 2018.

71. The International Development Finance Club (IDFC) brings together 23 national, regional and bilateral development banks, including the AFD and the Chinese CDB.

72. Informal discussions with French diplomats, June 2018.

project for the central government, it is likely that **China will continue to regard B&R** as part of a growing number of existing or new bilateral cooperation projects and **will place B&R at the heart of bilateral relations**, as Chinese Foreign Minister Wang Yi suggested during his visit to France (May 2018).<sup>73</sup>

While France is showing skepticism towards the Chinese project, in 2018 it confirmed more frankly and openly its **support for the development of a “new Indo-Pacific axis”**<sup>74</sup> (the term used during President Macron’s visit to Australia and New Caledonia). This axis would be based on cooperation between France and its main strategic partners in Asia (India, Australia, Japan, among others), and aim to preserve development that “is based on rules” (freedom of movement and transparency) and “balance in the region” (by avoiding any hegemony). So, while Paris is reasserting the key role of defending liberal principles for its Asian strategy, French diplomacy seems to be taking an increasingly cautious approach towards B&R.<sup>75</sup> This cautious approach was confirmed during the state visit of President Xi Jinping to France in March 2019: no B&R MoU was signed between the two countries, and President Macron underlined again that B&R should be a reciprocal, “two-way road”.<sup>76</sup>

## French companies’ approach<sup>77</sup>

French companies have different approaches to B&R depending on their size, their area of business and their presence in China. In the first years of the launch of B&R (2013-2014), French companies did not seem particularly interested in the Chinese project, including very large French companies present in Asia, and that were closely following the geostrategic developments in the Asia-Pacific region.

Over time (2015-2017), their interest in the Chinese project gradually increased in the face of the activism of the Chinese authorities, who made

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73. Chinese state media covered the meeting between Wang Yi and his counterpart Jean-Yves Le Drian in these terms: “The two Foreign Ministers expressed their desire to strengthen cooperation as part of the ‘Belt and Road’ initiative and agreed to discuss approaches regarding cooperation in third markets.” Xinhua, May 17, 2018.

74. “En Australie, Macron vante les vertus d’un axe indo-pacifique”, *Les Échos*, May 3, 2018.

75. Informal discussions with French diplomats, July 2018.

76. See, among other speeches made during the visit, President Macron speech on March 25<sup>th</sup> 2019 at the state dinner: “Je crois que ce que nous savons l’un l’autre, Monsieur le président, c’est qu’aucune de ces routes n’existe dans un seul sens et que ce sont ces routes partagées d’équilibre, parfois de tâtonnement et de projet que nous voulons réinventer. » [www.elysee.fr](http://www.elysee.fr).

77. This section has been written based on interviews with several French companies in different sectors – mainly large companies present in Asia (including China). These discussions took place over the period 2013-2018 in Beijing, Singapore and Paris (mainly at Ifri, but also at Medef, the French employers association, through the France-China Committee – with our acknowledgments).

sure to promote the B&R project to foreign companies on many occasions (meetings with the National Development and Reform Commission, forums organized by China and bringing together representatives from the private sector, etc). Some French institutions, such as Medef's France-China Committee, have also encouraged companies to think about B&R.<sup>78</sup>

Currently, few French companies publicly state that they have developed a major project as part of B&R, or relabeled as B&R, including Total's investment in whose Yamal LNG<sup>79</sup> (20% of the company's capital belongs to Total), which has been supported by financing from the Silk Road Fund.

However, some major French companies see real business opportunities in the development of the Chinese project, for the following reasons:

- French companies still consider that their business is directly affected by B&R, based on their analysis of official statements and their discussions with the Chinese authorities – as all sectors are potentially affected by B&R. A French company in the healthcare sector, and with a strong presence in China and Asia, notes for instance that “the public health dimension is part of the New Silk Roads”.<sup>80</sup> The shipping and logistics sector is also keenly interested. For instance, shipping giant CMA-CGM formally signed on to the project as early as 2015, entering into a strategic partnership to develop the “One Belt, One Road” with China Merchants (CMHI), and now advertises its logistics services from China to Europe under a “Silk Road” label.<sup>81</sup>
- B&R could foster the development of trade with China's neighboring countries – a development viewed positively by some companies in the wider Asia-Pacific region (Southeast Asia and Central Asia).

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78. The France-China Committee (FCC) organized several events, both open to all and private, in 2015-2018, specifically on the “Silk Roads” and aimed at identifying concrete opportunities for cooperation, with a view to promoting bilateral economic relations and to a certain extent the Chinese market. The latest event to date: “Belt & Road Initiative: jusqu'où ira la Chine?”, with the participation of former Prime Minister Jean-Pierre Raffarin and China's Ambassador to France Zhai Jun, June 6, 2018 at Medef, Paris. Above all, B&R is on the agenda at the Franco-Chinese Business Council supervised by the FCC, with the purpose of identifying concrete projects (in keeping with President Macron's request during his visit to China in January 2018).

79. Launched at the end of 2013 and completed at the end of 2017, the Yamal LNG project aims to develop the South Tambey gas field in the north-east of the Yamal Peninsula, particularly the construction of the liquefied natural gas (LNG) production facility. To this purpose, the Yamal LNG company was created with the participation of the Russian company, Novatek, Total and CNPC. The project now supplies the Asian and European markets with 16.5 million tonnes of LNG per year via the shipping route opened in the Arctic.

80. Interview, Paris, April 2018.

81. See logistics services offered on CMA-CGM website, [www.cma-cgm.com](http://www.cma-cgm.com), accessed 23 April 2019.



- More generally, B&R is considered as a flow growth factor (goods market, but also aviation market,<sup>82</sup> for example).

Among other opportunities touched on less frequently by French companies:

- Opportunity to enter markets difficult to access for economic or political reasons, such as Iran<sup>83</sup>
- An opportunity, to a certain extent, to “spread innovation”, while China invests heavily in research in industries of the future (such as artificial intelligence)

However, these same French companies identify risks as well as opportunities. Among the most frequently mentioned risks are:

- B&R could further favor Chinese companies and products to the detriment of their foreign competitors, particularly in some key sectors identified by the Chinese government (see Made in China 2025), with the desire to promote “national champions”, and in a more general context of increasing the political and administrative restrictions imposed on foreign companies in China.<sup>84</sup>
- B&R could further favor Chinese exports. It could make controlling exports more difficult. China could then use B&R to boost the export of its technologies, including sensitive technology (dual-use/military).
- Generally, some companies, whose business sector is considered a priority for Chinese companies (aeronautics for example), see B&R as a vector for boosting Chinese competition. Cooperation in third countries is viewed in this context as a source of potential risks: “The Chinese are very demanding, is it to help them conquer new markets then? They gather contacts, knowledge of new markets that we know better than them, to better establish themselves”.<sup>85</sup>
- The issue of protection of intellectual property is key, although this subject is an irritant at the heart of French/EU-China relations, B&R is also designed to support the upscaling of Chinese companies, and the Chinese government has initiated a systematic patent policy.
- The issue of standards also worries French companies. Some are now thinking about a specific positioning on this point, on technical standards directly affecting their area of business. For example, in

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82. As noted by a representative of a French company in the aeronautical sector.

83. A representative of a French company in the automobile sector considered that B&R “could unlock the financing issue in Iran”, explaining that it would be “financing our Iranian schemes from China”.

84. Interviews and informal discussions, Beijing, June 2018, and Paris, July 2018.

85. Interviews and informal discussions, Beijing, June 2018, and Paris, July 2018.

the railway sector, the variable-track gage, or even the digitalization of freight wagons carried out by China, raise questions about the harmonization of standards.<sup>86</sup>

In recent years (2018-2019), it appears French companies became overall more skeptical and cautious about B&R, due to the lack of information still surrounding the Chinese project, the difficulty in obtaining precise details from the Chinese authorities, and the limited number of concrete cooperation opportunities to date.

In order to better pre-empt these opportunities and risks, some large companies have initiated strategic thinking at an accelerated pace. This is particularly the case for some CAC40 companies which deem that B&R could be a source of increased competition and that this challenge should be addressed “from today and very seriously”.<sup>87</sup>

Major French companies have engaged in two types of approach toward B&R, often simultaneously:

- An overall strategic approach, taking into account both the opportunities and risks listed above. **Some large companies try to identify the potential synergies – or contradictions – between their projects and B&R.** This identification is generally performed in France at the company’s head office. The analysis is very developed in some cases (construction of a B&R map adapted to the business area and to the company’s assets abroad, anticipation of the changes in flow of goods, etc.).
- A more superficial marketing approach, playing on the B&R label to promote some existing or new projects to the Chinese authorities, or even **labeling or relabeling some projects with the B&R label to progress them.** This labeling is done locally by the companies’ offices in China, which are more aware of how the Chinese authorities operate, and of the potentially “accelerating” effect of the “B&R” label. Indeed, with the “Belt & Road Initiative” label, the Chinese authorities – local or central – would have an additional argument to make the case to its hierarchy to justify the project’s legitimacy. However, this labeling is not consistent. Some French companies consider that it is up to their Chinese partner to make the case to their hierarchy concerning possible closeness to the “B&R”

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86. “Our wagons may never cross the Chinese borders”, a manager at SNCF said, speaking in a personal capacity (Paris, May 2018).

87. Interviews and informal discussions, Beijing, June 2018, and Paris, July 2018.

project, if it may be useful, and that it is not a task for the French company itself.

To boost their strategic approach, whether to identify opportunities or risks, major French companies, which are most aware of the Chinese project, are following in detail the development of strategic thinking and decision-making in Brussels through different channels (reading reports and studies published by the European institutions, involvement in Business Europe activities, etc) by considering that it is first and foremost at European level that the issues must be addressed.

Obviously, French SMEs have not developed the same level of strategic thinking as the major CAC40 companies, even if some show an interest in the Chinese project. Generally, the “New Silk Roads” is a popular concept, and is of interest to many entrepreneurs and SMEs (consulting companies, lawyers, intermediaries in bilateral relations, etc.), who see business opportunities there, and do not hesitate to publicly share (forums and conferences) their enthusiasm for the Chinese project, sometimes as part of promoting their business.

## General findings on the thinking and progress of B&R projects in France

### *Current situation*

In general, **there are few large-scale B&R projects in France at present**. Besides the arrival of a B&R-labeled train in the city of Lyon, which is mainly a reactivation and more regular use of the existing Duisburg-Lyon freight line, few B&R projects are currently identified in France. The most developed ideas for B&R cooperation projects appear to be with ports (port of Marseilles-Fos, for instance – see below – and the Haropa port complex of Le Havre, Rouen and Paris – to a lesser extent), but the ambiguous nature of B&R and the random character of B&R labeling make projects difficult to identify and locate. Some projects initially discussed as – more or less – related to B&R, like the Eurocity project at Châteauroux, appear to be at a standstill.

Many investments and initiatives by Chinese companies in France could be considered as B&R projects, from the MIF 68 project in Marseilles to Huawei's investments in Nice and the PACA (Provence-Alpes Côte d'Azur) region. However, these investments do not appear to have been labeled as B&R so far, and most were launched before the B&R project existed – although this would not prevent retrospective relabeling.

Given the low number of projects, it is currently difficult to assess the economic consequences of B&R in France. In particular, it is too early to make a quantified assessment for the Lyon area of the development of the Wuhan-Lyon freight line, as it has only been operational since April 2016. The freight trains appear to leave Lyon less empty than during the first months of the line's development, but trade is still far from being balanced.

**In addition to the small number of projects in France itself, it is cooperation in third countries that is arousing the most hope** among the French actors we met (officials and private-sector representatives). This form of cooperation is viewed as potentially generating cooperation opportunities between Chinese and French companies in Africa or Asia, particularly for large companies (see “French companies” below). Although cooperation projects in Namibia and Cambodia have been officially and publicly referred to by the French authorities, these projects are still in the initial development stage and it is still too early to take stock, or draw lessons for the next projects following this cooperation format. While cofinancing structures already exist (mainly involving CDC International Capital – a subsidiary of the public-sector financial institution Caisse des Dépôts<sup>88</sup>) and could increase as part of a diversification of financing (see “Focus 2: Financing”), other cooperation opportunities are emerging in sub-Saharan Africa (particularly West Africa).<sup>89</sup> But, for the time being, projects remain limited and at the early stages of development.

There are several reasons why these possibilities have not yet resulted in few concrete cooperation projects. On the one hand, it seems difficult for foreign operators to enter into such joint financing operations without careful examination of the risks incurred (both financially and geopolitically), but also the methods of implementing projects (for example, the terms of calls for tender). On the other hand, it is not certain that the Chinese side is inclined to accept foreign participation in countries and regions where its companies are already well-established. The general impression that comes out of discussions on “third-party cooperation”

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88. The Caisse des Dépôts et Consignations investment company, CDC International Capital, has set up a fund together with the Chinese sovereign wealth fund, China Investment Corporation (CIC) to finance investments in third countries that could be part of B&R.

89. As understood in a Senate report published in May 2018. Information report on the New Silk Roads (“Pour la France, les Nouvelles roues de la soie : simple label économique ou nouvel ordre mondial”, Foreign Affairs, Defense and Armed Forces Committee, Senate, May 30, 2018), and in recent discussions with representatives of French government institutions and companies.

(China's official expression) with Chinese foreign policy think tanks<sup>90</sup> is that Beijing is particularly keen to cooperate under this framework with countries that have strong experience and ties in regions where China's presence is less established (France in Africa, Spain in Latin America, etc.), and where it can therefore be helpful for China to develop its presence.

### ***A lack of concrete proposals by the Chinese side***

So far, **the Chinese authorities do not, or rarely appear, as sources of proposals for identifying concrete projects in France.** When officials from the Chinese Ministry of Foreign Affairs talk about B&R in France, the speeches are very general; few concrete examples of projects are referred to, whether in France, China, or third countries.<sup>91</sup> On the other hand, they often remain available to French actors who may have ideas or proposals.<sup>92</sup>

This lack of detail and proposals on the Chinese side can be partly explained by the **strong framing of communication** undertaken by the central government, particularly on B&R – viewed as Xi Jinping's and China's priority project – for all civil servants representing the country, nationally and even more internationally. This framing has been reinforced since the 19th Congress (October 2017).

This lack of detail can also be explained by the fact that the Chinese Ministry of Foreign Affairs has relatively little independence, playing the role of executing foreign policy decisions taken at party level. But other ministries and public institutions, including some that are more influential and more directly in charge of B&R – such as the National Development and Reform Commission (NDRC) – are just as vague in their public statements on B&R. The broad guidelines are clearly presented, but not the version at local level. **B&R is a project whose main strategic areas of focus are developed at high level (“top-level design”), but whose local versions do not seem – at least in terms of analysis of public statements to date – to have been subject to strategic thinking on the same scale.**

By contrast, **strategic thinking about B&R sometimes appears more developed among certain French actors** (some local authorities, major French companies, ministries – see below). For example, the logistics/freight division of SNCF has developed advanced strategic thinking about the impact on Lyon as a B&R hub, on the transportation of

90. Formal track II dialogues and informal discussions with Chinese think tanks (CIIS, CICIR, SIIS, etc.) and official institutions (IDCPD, NDRC, etc.), Paris & Beijing, 2017-2019.

91. Observations of participants at several B&R events in Paris and Marseilles, 2014-2018.

92. As the Chinese Ambassador to France, Zhai Jun, said at the end of his speech to French companies at Medef on June 6, 2018 during an event organized by the France-China Committee.

goods, and on the best location of another potential B&R hub in France, in view of the structure of the French and European railway network.

The Chinese authorities' general approach is to listen to French actors, who are often encouraged to propose projects, and express their keen interest, point of view, comments, or even criticisms of the Chinese project. This approach is systematic and is not unique to France (see the Section "Belt & Road: Method and Objectives"). It is an integral part of the Chinese central government's broader strategy to present B&R as an "initiative" that is not only Chinese but global. Each country is therefore encouraged to take ownership of the project, to think about it in detail in order to then make concrete proposals to the Chinese authorities.

### ***Spontaneous proposals by the French side***

In this context, many French actors have initially shown interest in B&R, on the principle that it could be a business opportunity.

The port of Marseilles-Fos has spontaneously shown its interest in the Maritime Silk Roads, seeing potential synergies with its international development strategy, and, above all, the opportunity to boost its position as a maritime hub for the Mediterranean basin. The Chinese authorities seem, in their communication, to welcome enthusiastically the keen interest of Marseilles-Fos in the Silk Roads, and a cooperation agreement with the port of Shanghai was signed in May 2018. But will the Chinese authorities take decisions, on their part, to establish Marseilles as a Silk Road hub and support its promotion and development by taking local expectations into account? Nothing is less certain. **More generally, at present, there is little evidence that the Chinese authorities are fully taking the proposals and suggestions made by non-Chinese actors into account. Questions remain as to the degree of consideration of these proposals and the related conditions.**

The city of Lyon is also trying to think as strategically as possible about the consequences of the Chinese project. Other cities and regions are thinking in the same way how the Chinese project could benefit the local economy. Clearly, the approach is economic in priority – it is to attract Chinese investment to the area, and first and foremost job-creating investments, and a certain enthusiasm about B&R generally prevails among local actors.

**The Chinese authorities (local or central) contact the regional authorities directly**, without necessarily going through the central authorities, to promote deadlines and cooperation projects (independently of B&R: twinning projects, cultural cooperation projects, etc). This direct

contact is partly explained by the structure of the Chinese government; the Chinese provinces have a local representative office of the Ministry of Foreign Affairs (like other central institutions – the NDRC, for example, has local offices in all the country's provinces). Given this approach, because of their often limited experience in China and lack of knowledge of the functioning of the Chinese government, but also the context of domestic politics in China, the local authorities often appear vulnerable and unable to identify with full knowledge of the facts either the opportunities or potential risks of the Chinese initiatives that are suggested to them.

### ***A lack of information***

Some regional authorities are fully aware of this situation and feel isolated in their analysis and decision-making. They feel even more isolated because of the vagueness of the Chinese project, and especially because **they generally do not get any, or few precise answers to their questions about B&R during official visits to China**, and do not know who to turn to in the Chinese government for more answers. This lack of information is also an issue for local authorities that have greater experience and knowledge of China than most regions and cities in France, such as the city of Lyon.

This finding of a lack of information is fully shared by the major French companies (CAC40) following the Chinese project closely, even though they have much greater analytical and monitoring capabilities than the regional authorities: “We don't know who to talk to. Why doesn't China have a single ‘B&R’ contact who could help us?”, an executive at a major French company in the automotive sector complained.<sup>93</sup> And an executive in a company in the railway sector said: “There is no coordination, no supervision, it's a total mess.”<sup>94</sup>

### ***Strategic thinking***

Undeniably, the Chinese project has the merit of having generated new strategic questioning in France and increasingly dynamic thinking that brings together ministers and official institutions that are not necessarily used to working together. So, to a certain extent, it has the merit of having **opened up strategic thinking in France**, moving away from “silo” thinking inside each ministry.

Although France currently seems cautious in its public official statements on B&R, internal thinking in the administration (ministerial and

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93. Interviews with major French companies, Paris, April 2018.

94. Interview, Paris, May 2018.

interdepartmental thinking) is – particularly since the state visit in January 2018 – increasingly developed and complete.

As strategic analysis and thinking about B&R developed, there appeared **a growing convergence of opinions between different French actors**, particularly between ministries, although differences of opinion remain, which is natural given each institution's portfolio. This convergence of opinions is explained by the fact that the Chinese project now appears easier to analyze five years after its launch, but also by the fact that the institutions involved take the non-economic dimensions of the Chinese project into account as it expands. In particular, French official actors seem aware of the geostrategic and security dimension of the Chinese project, taking other recent Chinese initiatives into account (such as the establishment of the Djibouti naval base, or even Chinese activism at the UN) that are not officially related to B&R but that help to develop an overall analysis of Chinese external action.

External thinking among ministries is also intense. Brainstorming sessions and meetings on B&R have increased in recent years, and a Senate report on the subject was published in May 2018.<sup>95</sup>

Sometimes, in contrast to the current government's approach, marked by a certain caution, other French political figures have regularly expressed their enthusiasm for the Chinese project in their public statements since 2013, such as former prime ministers Dominique de Villepin<sup>96</sup> and Jean-Pierre Raffarin.<sup>97</sup> However, some of these statements are currently evolving as the Chinese project develops.

**One of the recurring postulates emphasized by the most enthusiastic French actors with regard to the Chinese project** (regional authorities and company representatives) is basically the following: "You have to catch the train when it's running, otherwise it will leave without us" and "We have nothing to lose in taking this path." Although this argument may seem to be common sense from a strictly economic perspective, it must be qualified if you take the geopolitical and geostrategic dimension of the Chinese project into account, and particularly the Chinese

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95. "Pour la France, les nouvelles roues de la soie : simple label économique ou nouvel ordre mondial", Foreign Affairs, Defense and Armed Forces Committee, Senate, May 30, 2018.

96. Dominique de Villepin in particular said: "The New Silk Roads is a great project politically, economically and culturally [...]. It is an element of hope, a source of cooperation for us Europeans", in an interview given to *Quotidien du Peuple* in November 2016.

97. See Jean-Pierre Raffarin's blog: "La Route de la Soie: armature d'un nouveau monde", November 4, 2016; "XIX<sup>e</sup> Congrès du PCC: la stratégie du leadership", November 2, 2017, available at: [www.carnetjpr.com](http://www.carnetjpr.com).



authorities' desire to promote a new form of globalization (see the "Scenarios" section).

## The European Union's approach

### *A divided but active Europe*

Europe remains divided in the face of B&R. Several European countries formally support the Chinese projects, including having signed an MoU, such as Hungary, Greece, Romania, the Czech Republic or Italy<sup>98</sup>. Others, such as France, the United Kingdom, Germany or Poland, have reservations and so far have decided not to sign this type of agreement, or any other agreement recording the country's formal and official support for the Chinese project. The European Commission is reserved and no MoU has been signed between Beijing and Brussels regarding B&R.

Although differences of opinion exist between member states regarding B&R, strategic thinking has been developed for several years by the European Union, and primarily by its European External Action Service (EEAS), although other European institutions have been looking more closely at the subject in recent years (Commission, Parliament, etc).

Moreover, the European Union managed to coordinate, to some extent, a common approach at the Belt & Road Forum, held in Beijing in May 2017. The embassies of member states based in Beijing agreed on the drafting of common messages, particularly highlighting the importance of an open, transparent and inclusive approach.<sup>99</sup>

For its part, China has shown much proactivity in promoting its project in Europe and has increased proposals to Brussels since 2013, in accordance with the approach usually followed (see the section "Belt & Road: Method and Objectives"). Thus, in 2015, China announced its desire to contribute to the Investment Plan for Europe – the first non-EU country to do so – and then supported the creation of a "China-EU Connectivity Platform" to identify cooperation opportunities.

The approach developed by Brussels is marked by caution – to the effect that, yes, economic opportunities that the Chinese project could generate should be grasped, but excessive enthusiasm should be avoided. The principle of caution seems to have been reinforced in response to the

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98. Italy signed an MoU in March 2019. It then generated a lot of comments in Europe and beyond, as it was the first member of the G7 to sign such document.

99. See EU common messages, May 2017, available at the French Embassy to China's website <https://cn.ambafrance.org>.

development terms of the Belgrade-Budapest railway connection project, which has greatly irritated Brussels and several member state capitals.

Brussels' rather cautious thinking on "connectivity" occurs at a time when the EU is also worried about the increase in foreign investments – particularly Chinese – in sectors considered as strategic. Faced with this concern, a mechanism for screening foreign investments – initially proposed by France, Germany and Italy – has ultimately been approved by the Council of the EU on March 5<sup>th</sup>, 2019, and entered into force in April 2019.

More generally, this EU reserve regarding the B&R project developed in a broader context of relative deterioration in China-EU relations since 2016, for a variety of reasons: EU refusal to grant market economy status to China, slow and difficult negotiations on a comprehensive investment agreement with China, a recurring problem of non-compliance with intellectual property rights, and disagreements over technology transfer. Brussels expects more reciprocity in terms of market access (including public procurement), and more transparency on the part of the Chinese authorities, while a high trade deficit continues to favor China.<sup>100</sup> The EU is well aware of the obstacles to the economic relationship with China, as well as the China-EU economic interdependence, and has been trying to promote a more balanced relationship in recent years.<sup>101</sup>

China-EU relations have also deteriorated in a context where Brussels has the impression that China has been striving to divide the EU for several years, developing relations both with the member states, groups of states including member states – independently of Brussels – and with Brussels. In this context, Brussels continues to be concerned about Chinese sub-regional cooperation initiatives on EU territory and in its neighborhood – such as the 16+1 mechanism, bringing together at China's initiative both EU and non-EU member states, and where B&R features on the agenda regularly. In fact, some countries – such as Hungary or Greece – defend a policy of closeness with China, in sharp contrast to France's and the majority of other member states' policy on China.

In addition to the publication of common messages, other recently published documents<sup>102</sup> show the strength of the analysis and strategic thinking at European level. The thinking is particularly advanced with regard to the transportation dimension – the subject of a study published by the Committee on Transport and Tourism (TRAN) on the New Silk Roads

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100. Nearly €162 billion in 2016.

101. See "Elements for a new EU strategy on China", adopted by the European Commission on June 22, 2016.

102. See the list of reports undertaken by the European Commission on B&R, available at: [www.europarl.europa.eu](http://www.europarl.europa.eu).

(January 2018<sup>103</sup>), which evaluates the consequences of the development of the Chinese project for European transportation. However, the strategic thinking of other, non-transport dimensions of B&R so far seems much less advanced.

### *Developing a connectivity strategy between Europe and Asia*

The European Commission has gradually become more active on the B&R issue in recent years. In addition to the coordination work between member states on developing common messages and approaches, it has engaged in other initiatives, such as the development, at the last ASEM summit, of a common definition (for the ASEM countries) of “connectivity” aligned with EU principles.

In 2018, the Commission has been working on drafting a **document on Europe-Asia connectivity**, which all EU member states have been invited to contribute to. This strategic document defining and framing the EU’s approach to Eurasian connectivity has been released in September 2018.<sup>104</sup> French diplomacy appeared particularly active during the drafting process.<sup>105</sup> The document does not constitute a direct response to B&R, but rather seeks to develop a more general narrative, a European vision that takes a variety of connectivity initiatives into account: the Chinese initiative, but also the Japanese and Indian initiatives, among others. It also considers the EU’s Neighborhood Policy (Balkans, Central Asia, etc).

It is a road map of the main areas of connectivity in the broadest sense: transportation, telecommunications, energy, digital infrastructure and human interactions. It is intended to be used as a reference document for the existing Connectivity Platform, and other multilateral and bilateral mechanisms, including EU countries working on the topic of connectivity. It highlights the importance of complying with certain EU principles, such as social and environmental responsibility (in line with the Paris Agreement), transparency and public procurement tendering rules, which affect not only Asia but also Europe in its domestic markets. The document implies that what happened with the Belgrade-Budapest line should not be repeated in the future.

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103. See: [www.europarl.europa.eu](http://www.europarl.europa.eu).

104 “Connecting Europe and Asia - Building blocks for an EU Strategy”, joint communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank. September 19, 2019. [eeas.europa.eu \(pdf\)](http://eeas.europa.eu/pdf).

105. Observations and discussions with French diplomats, Paris, May 2018.

This road map also contains a financing section, which mainly calls for the mobilization of new financing, with the hope, perhaps naive (see the “Focus 2: Financing B&R” and “Scenarios” sections), that this financing will generate a new dynamic of projects in accordance with the EU’s priorities and principles. Existing funds (Neighborhood Policy funds among others) could be mobilized. The issue of financial standards is also raised, as the EU is fully aware that B&R is also considered by the Chinese authorities as a vector for promoting market access standards and technical standards in a variety of sectors (see section “Belt & Road: Method and Objectives”) that could potentially compete with European standards<sup>106</sup>.

This road map also tackles the customs issue, with a view to harmonization to facilitate the expansion of a trans-European transportation network.

The idea of a European Special Representative is discussed as well as that of a cooperation tool box, which lists the principles and tools – particularly financial – available to support connectivity projects and policies. This document also provides technical assistance; for example, for assessing the financial sustainability of projects.

Overall, this **document shows that strategic thinking exists at European level**, involving all the DGs affected by connectivity (DG MOVE, DG CNECT, etc, along with EEAS). But whether or not such roadmap will be implemented swiftly and effectively remains to be seen.

### *Methodological issues*

Generally, moving beyond the document on Europe-Asia connectivity, the EU is increasingly thinking about how to help member states in their decisions and choices in the face of B&R, particularly states that have limited diplomatic capabilities and domestic expertise on China. For example, as an appendix to a joint communication by the leaders of a B&R delegation from Beijing in April 2018 (a non-public seven-page communication/report),<sup>107</sup> a brief summary of the terms that China has already accepted in joint documents was presented, and that member states may wish to see in any

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106. Among the main conclusions of the study carried out for the TRAN Committee is the following: “The intensification of trade between the Union and China raises many questions, including with regard to access to European markets, among others, with regard to the standards regulating procurement contracts and tenders, export credit arrangements, foreign direct investment screening, as well as compliance with these standards.” See: [www.europarl.europa.eu](http://www.europarl.europa.eu).

107. The existence of this report was then leaked to the press: “EU Ambassadors Band Together against Silk Road”, April 17, 2018, *Handelsblatt Global*, available at: <https://global.handelsblatt.com>; “Report: EU Countries to Be Straitjacketed by China’s New Silk Road”, *Deutsche Welle*, April 18, 2018, available at: [www.dw.com](http://www.dw.com).

such forthcoming statements. Among these terms are “transparency” and even “level-playing field”. In a second appendix to the same document, a brief glossary (1 page) is provided, recalling the fact that some terms come from Chinese official vocabulary (such as “community of shared future”) and that member states do not need to adopt them in their official communication with China. These indications can be considered helpful to member states to negotiate a MoU on good terms.

Thus, indirectly due to B&R, **the EU is thinking through the methods used by Chinese diplomacy, and the methods that European diplomacy can adopt to defend its interests more effectively.** It is thinking mainly driven by EEAS and that passes through Beijing, where many European diplomats appear both more aware of the concrete problems relating to China, and, compared to their home capital, are freer in their thinking about how to tackle these issues. This thinking is also driven by private-sector representatives in Brussels (Business Europe, lobbies representing industries potentially affected by B&R), who have organized a growing number of dedicated meetings and brainstorming sessions in recent years.

In the government, as in major companies, there is often a difference between the point of view of staff based in the head office or central administration and that of staff based in China, who are often more aware of the methodological aspects as they are faced with the daily functioning of the Chinese government, and the latest developments in the country (for example, a tightening of political control following the CPC’s 19th Congress in October 2017).<sup>108</sup> This gap sometimes narrows with time: points of view developed in Beijing end up being shared in Brussels or Paris a few months later, the time needed for them to be digested and fully taken into account in the analysis and decision-making processes.

The German and French diplomacy, particularly under the pro-European presidency of Emmanuel Macron, has been active in underlining that B&R must be addressed at European level, like other subjects related to China (such as controlling foreign direct investment in strategic sectors). And Berlin and Paris have reinforced joint-strategic brainstorming on B&R.

**Besides France and Germany, other EU countries have developed advanced strategic thinking** faced with B&R. **The Netherlands** was one of the first to do so, being particularly concerned about the potential effects that the development of the maritime segment of B&R could have on the port of Rotterdam and Chinese investments in other

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108. Comparative interviews with diplomats and representatives of European companies, Beijing-Paris, January-June 2018.

European ports, such as Piraeus – concerns, indeed, that are considered to be justified according to some studies.<sup>109</sup> As in France, Dutch strategic thinking has opened up: it mobilizes a variety of ministries and public institutions, as well as some actors in the private sector (the maritime sector, for example). Other Western European countries, such as the UK and Germany, have also increased their strategic thinking regarding China and infrastructure development in recent years – although B&R is not always explicitly mentioned. It is likely that the thinking will continue in the coming years in different formats, at member-state level and in Brussels.

In parallel to official thinking, a large number of *think tanks* and non-governmental European research centers have studied the topic.<sup>110</sup> This independent thinking appears scarce in some countries compared to the number of non-independent forums, articles and reports supporting the Chinese government's B&R communication and promotion strategy. The Chinese government has also supported the organization of many conferences and events in Europe, labeled as New Silk Roads, for the purpose of promotion. However, for the European general public (including French), who are unfamiliar with the Chinese project, it is often difficult to distinguish between independent content and public diplomacy operations.

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109. Hence, among the main conclusions of the study carried out for the TRAN Committee, is the following: "The transport corridor in the Union most likely to suffer from the effects of BRI on traffic and to restrict traffic as a result of the initiative is the North Sea-Baltic Core Network Corridor of the central network, particularly the western part linking Poland, Germany and the Netherlands. Although plans are in place to improve this corridor by 2030, more capacity could be necessary in the long term." See: [www.europarl.europa.eu](http://www.europarl.europa.eu).

110. See "Europe and China's New Silk Roads", F.-P. van der Putten, J. Seaman, M. Huotari, A. Ekman and M. Otero-Iglesias (eds.), *European Think-tank Network on China (ETNC) Report*, December 2016; S. Schiek, "Movement on the Silk Road: China's "Belt and Road" Initiative as an Incentive for Intergovernmental Cooperation and Reforms at Central Asia's Borders", *SWP Research Paper*, No. 12, November 2017; Nicola Casarini, "Is Europe to Benefit from China's Belt and Road Initiative?", *IAI working paper*, No. 40, 2015 – among other European studies.

# Positions of key countries

## United States – from indifference to opposition?

The United States plays an important role in the development of the B&R project since, as a pillar of the established regional order, it is able to pose considerable challenges to China economically, militarily and politically. So far, the United States has not formulated any explicit strategy and official position vis-à-vis B&R. Nevertheless, in recent years, Washington has made a dramatic turn towards confrontation with Beijing that will likely have a major impact on how the United States and US companies interact with the B&R project.

### *From US indifference to B&R...*

At the launch of the B&R and until recently, the United States remained rather indifferent about the project. Under the Obama administration, the general approach to China's rising power was to develop initiatives that would reinforce what Washington and its regional allies viewed as the "international liberal order" and the rules and norms that structured it: promoting the Trans-Pacific Partnership (TPP<sup>111</sup>), conducting "freedom of navigation operations" in the South China Sea, etc. Initially, the diagnosis made of China's B&R saw it as a vague statement of intent, which was rather unlikely to gain in importance; given the ambiguity that surrounded it, the best approach was therefore to largely ignore it.<sup>112</sup> This approach was renewed when the AIIB was established (it had initially been ignored by the US authorities).<sup>113</sup> Once Europe's interest in the AIIB became evident, the US administration's (critical) reaction appeared abrupt or ill-conceived in the eyes of the Europeans. Although Washington's opposition to the AIIB

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111. US President Barack Obama wrote in May 2016 about the TPP: "America should write the rules. America should call the shots. Other countries should play by the rules that America and our partners set, and not the other way around... The world has changed. The rules are changing with it. The United States, not countries like China, should write them." B. Obama, "The TPP Would Let America, not China, Lead the Way on Global Trade", *The Washington Post*, May 2, 2016, available at: [www.washingtonpost.com](http://www.washingtonpost.com).

112. Interviews with policy analysts conducted in Washington DC, May 2015.

113. According to one interviewee in Washington DC in May 2015, the assumption was that the AIIB would not get any backing and that it would disintegrate or become an empty shell, like the BRICS Bank at the time.

softened, the Obama administration's regional policy in Asia remained the same: shape the regional order in order to influence China and its rising power.

### *... to a more confrontational approach*

So far, the United States under Donald Trump's presidency has not formulated an official position vis-à-vis B&R, even if, unlike India (see below), it agreed to participate in the May 2017 B&R forum.<sup>114</sup> A working group on the subject has been established in the State Department, but this has yet to translate into a clear policy direction. Meanwhile, tensions between the US and China have increased across the board (trade, diplomatic, military, etc). In its "National Security Strategy"<sup>115</sup> published in December 2017, Washington designated China as a "*strategic competitor*" and stated that "Chinese investments in infrastructure and its business strategies boost its geopolitical aspirations", noting that the economic tools used by China serve to expand its influence in the world, particularly in South Asia, Latin America, Africa and in Europe. Washington's broad-based confrontational approach to China was further confirmed by Vice President Mike Pence in a speech at the Hudson Institute in October 2018, raising concerns that a new Cold War is on the horizon.<sup>116</sup>

Generally, an increasing number of US experts, in addition to the White House, seem to have given up on the idea that China can evolve towards economic and political liberalism through dialogue and international engagement.<sup>117</sup> The tone of Sino-US relations has therefore hardened considerably in a context where commercial and geostrategic rivalries (including over North Korea, Taiwan and the South China Sea) have increased.

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114. At the May 2017 forum, the United States was represented by Matt Pottinger, National Security Council Senior Director for Asian Affairs, and at the time, the only senior official appointed within the administration who was 100% dedicated to strategic affairs thinking on Asia. His presence was seen as a more positive signal by the Trump administration vis-à-vis the project. Trump had hosted Xi a month earlier in Florida and was counting on China to put pressure on North Korea – the issue that concerned US policy in the region.

115. *National Security Strategy of the United States of America*, Washington DC, White House, December 2017, p. 25.

116. J. Perlez, "Pence's China Speech Seen as Portent of 'New Cold War'", *New York Times*, 5 October 2018, available at: [www.nytimes.com](http://www.nytimes.com).

117. K. M. Campbell and E. Ratner, "The China Reckoning: How Beijing Defied American Expectations", *Foreign Affairs*, March/April 2018, p. 60-70, and M. Swaine, "The U.S. Can't Afford to Demonize China", *Foreign Policy*, June 29, 2018, available at: <https://foreignpolicy.com>.



## *Washington drawn towards the Indo-Pacific concept*

The idea is increasingly emerging in Washington, and also in Tokyo (see below), that the B&R poses a geopolitical and systemic challenge – not to mention the oft-referenced “liberal international order” that Donald Trump seems otherwise keen to unravel.<sup>118</sup> Since November 2017, Donald Trump has signed on to the concept of a “free and open Indo-Pacific”, seen by a growing number of observers as a response to B&R. Already, the US Pacific Command (USPACOM) was renamed Indo-Pacific Command (USINDOPACOM) in May 2018 to reflect the adoption of this new concept at the operational level by the US defense establishment. However, the adoption by the US president of this concept, long supported and developed by Japan, and one that is based on the defense of international law, democratic values and free trade, suggests that Washington is less and less active in formulating a strategic vision for the region, and is content to leave this work to its regional partners.<sup>119</sup>

Currently, this Indo-Pacific concept is mainly reflected by the increasing cooperation between the countries that form the QUAD (United States, Japan, Australia and India). In February 2018, ahead of a meeting between President Trump and Australia’s then prime minister, Malcolm Turnbull, the idea of an “alternative” platform to B&R, supported by the QUAD countries, was launched.<sup>120</sup> So far, only trilateral discussions have been held between the US, Australia and Japan on drafting an MOU on coordinating infrastructure investment in the region, with India yet to be explicitly involved.<sup>121</sup> Such a platform could, for example, support investments in connectivity and “high-quality” infrastructure. However, the concept remains theoretical and currently lacks concrete cooperation in its response to B&R.<sup>122</sup>

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118. See for example, A. H. M. Nordin and M. Weissmann, “Will Trump Make China Great Again? The Belt and Road Initiative and International Order”, *International Affairs*, vol. 2, No. 94, 2018, p. 231-249.

119. For more on the debate over the Indo-Pacific concept in the United States, see: M. Rapp-Hooper, “The Indo-Pacific Vision in Strategic Limbo: A Foreign Policy Case Study in the Trump Era”, *Asie. Visions*, No. 102, November 2018, [www.ifri.org](http://www.ifri.org).

120. P. Coorey, “Australia Mulls Rival to China’s ‘Belt and Road’ with US, Japan, India”, *Australian Financial Review*, February 18, 2018, available at: [www.afr.com](http://www.afr.com).

121. “The U.S., Australia and Japan Announce Trilateral Partnership on Infrastructure Investment in the Indo-Pacific”, United States Embassy in Australia, 30 July 2018, [au.usembassy.gov](http://au.usembassy.gov).

122. For an Australian point of view, see D. Brewster, “A Free and Open Indo-Pacific and What it Means for Australia”, *The Interpreter*, March 7, 2018, available at: [www.lowyinstitute.org](http://www.lowyinstitute.org).

## Short-term outlook

For the time being, under Trump's presidency, US foreign and security policy is dealing with strategic (President Trump's unpredictability, withdrawal from TPP, etc) and administrative limitations (many departures, turnover of people in key positions, some posts still to be filled in Washington as in the Asia-Pacific region). Added to these challenges is the worsening of domestic political difficulties that are likely to embroil the Trump administration until the end of his term. The emergence of a clearly defined position or strategy by Washington vis-à-vis the B&R is thus unlikely in the next two/three years, but will be couched in a much broader, confrontational approach to China.

In the most significant evolution to date, the US Congress passed legislation in October 2018 that will effectively improve the US government's ability to provide financial support for companies wishing to participate in infrastructure development in developing countries, including areas affected by B&R. Known as the BUILD Act,<sup>123</sup> the legislation enacts the merger and consolidation of two agencies responsible for supporting the establishment of US companies in emerging markets – the Overseas Private Investment Corporation (OPIC) and USAID's Development Credit Authority – to create the US Development Finance Institution. The legislation further allows this institution to hold direct stakes in projects abroad, award grants, and provide credit for a total of US\$60 billion (or twice the capacity of current limits<sup>124</sup>). In this sense, US Secretary of Defense James Mattis, in his speech at the Shangri-La Dialogue in June 2018, emphasized the United States' support for regional economic development led by businesses and the private sector, including in the area of infrastructure.<sup>125</sup> In late July 2018, the US Secretary of State Mike Pompeo announced the administration's intention to contribute US \$ 113 million to the region for investments in new technologies, energy, and infrastructure – amounting to what the Secretary called a “down payment” on the US commitment to build a “new era” of economic engagement with the Indo-Pacific<sup>126</sup>. While this figure appears exceedingly small in relation to the Chinese commitment, the idea behind

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123. D.F. Runde and R. Bandura, “The BUILD Act Has Passed: What's Next?”, Critical Questions, Center for Strategic and International Studies, 12 October 2018, [www.csis.org](http://www.csis.org).

124. J. Wuthnow, “From Friend to Foe-ish: Washington's Negative Turn on the Belt and Road Initiative”, *Open Forum, The Asian Forum*, May 21, 2018, available at: [www.theasianforum.org](http://www.theasianforum.org).

125. “Remarks by Secretary Mattis at Plenary Session of the 2018 Shangri-La Dialogue”, Department of Defense, June 2, 2018, available at: [www.defense.gov](http://www.defense.gov).

126. L. Wroughton and D. Brunnstrom, “Wary of China's Rise, Pompeo Announces U.S. Initiatives in Emerging Asia”, Reuters, 30 July 2018, [www.reuters.com](http://www.reuters.com).

the US actions is to mobilize private sector investment by providing US government guarantees.

Beyond these operational elements, the challenge for partner countries in Asia will be to convince the United States that it is in its interest to maintain a minimum of multilateral coordination and cooperation in the area, especially economically – an effort already stressed by the signatories to TPP. However, given the support of Trump's electoral base for the *America First* concept, US unilateralism and its aversion for all multilateral cooperation will remain tangible for the rest of President Trump's term, if not beyond. This approach will complicate the emergence of a clear and collective response to B&R by the United States and its partners in the region.

### *Medium- and long-term outlooks*

The long-term challenges are based on the United States' ability and willingness to remain committed in Asia generally, to pursue an approach based more or less on the principles of multilateralism, or rather a more unilateralist approach, and to resist, tolerate or even accept China's growing power in all its dimensions, and specifically as part of B&R.

Among the possible scenarios are:

- the continuation or reinforcement of US presence in the region on all fronts, accompanied either by a more unilateralist approach based on a narrow definition of American national interests, or, on the contrary, a more constructive multilateral engagement of the region, but nevertheless within a context of opposition and growing strategic competition with China;
- minimal continuation/relative withdrawal of the US presence in Asia, which remains present but in the background, compared to America's partners and others, including China, which take the lead in formulating a regional vision and advancing initiatives;
- significant withdrawal of the United States from Asia geopolitically, economically, diplomatically and/or militarily following a form of "grand bargain" with China, or even a unilateral decision by Washington.

Many factors could contribute to the development of either of these scenarios with regard to the United States. Domestic factors include changing sources of US power – demographics, economic health, ability to generate innovation, etc – factors of independence/dependence on the global economy and foreign markets, the degree of political and social cohesion/division and stability/instability, among others. External factors

would also influence the development of the United States' position in Asia. These originate both in the region – China's position and the opportunities and threats that accompany it, the development of the North Korean issue, perceived economic opportunities in Asia, the state of alliances and partnerships with key countries, including Japan, South Korea, Taiwan, Australia and India – and further afield, in particular the development of US commitments elsewhere, for example, in the Middle East and on the Iranian issue in particular, or in America's relations with Russia.

Ultimately, B&R's long-term success will depend in part on how the United States receives it. The degree of US commitment or opposition to the project will depend on how Washington views its relations with China, the influence of the latter on its interests in the region, and Asia's place in the overall US strategy.

## Japan: between hostility and pragmatism

### *The evolution of the Japanese position*

#### **Short-lived initial indifference**

Like the US response to Beijing's announcement of the Belt and Road Initiative (B&R) in 2013, Japan at first was unresponsive, waiting for more information. Officially, B&R did not seem to concern Japanese diplomats, who doubted China's ability to carry out such an initiative, particularly "without Japan and the United States". Therefore, there was no perceived need to think about a strategy or alternative to deal with it.

The creation of the Asian Infrastructure Investment Bank (AIIB) and the rallying of a large number of countries in March 2015, including important partners like India and US allies in Europe, such as France and the United Kingdom, however, was a shock to Japanese leaders and diplomats. Tokyo then aligned itself with the US official discourse, emphasizing the importance of not endorsing an institution that would be under China's thumb and would not comply with international standards for development assistance. The AIIB was also in direct competition with the Asian Development Bank (ADB), traditionally headed by a Japanese national. Yet, from the outset, doubts emerged in Japan about the relevance of not joining the AIIB, when a large majority of its partners had espoused it.<sup>127</sup>

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127. T. Kajimoto, "Japan Split on Joining AIIB bank, Caught between US, China", Reuters, March 20, 2015, available at: [www.reuters.com](http://www.reuters.com).

As the B&R project quickly developed, it has been viewed in Japan in two ways: although an influx of Chinese investment to build infrastructure and connectivity in the Indo-Pacific region is welcome and should also benefit Japanese interests, B&R is also interpreted as a major geostrategic project, the purpose of which could at the very least be to extend Chinese influence, or even ensure its hegemony over the area. The objective for Tokyo, which neither wishes to, nor can impede or stop this initiative, is to ensure that it is not the only option for countries in the area, and that it is implemented as close as possible to Japanese interests.

Japan, therefore, embarked on a *hedging* strategy, aiming on the one hand to provide a systematic alternative to B&R, if possible in a partnership approach with neighboring countries, and, on the other, showing a certain pragmatism by increasingly asserting its support for and participation in B&R and the AIIB.

### **Proposing an alternative to B&R: “the Free and Open Indo-Pacific” strategy**

In August 2016, Prime Minister Abe unveiled his “Free and Open Indo-Pacific strategy” (FOIP) at the Japan-Africa Summit in Nairobi. Realizing that Asia and Africa are two growth poles connected by two oceans, Japan wants to contribute to the area’s development, prosperity, stability and security, while defending liberal values. To this end, Tokyo has boosted its financing for infrastructure to foster connectivity in the Indo-Pacific condominium and promote security cooperation by relying primarily on its maritime dimension.

This strategy was an updated version of the “Arc of Freedom and Prosperity” promoted by the first Abe administration in 2006-2007, which aimed at strengthening ties with partners on the Eurasian coast that shared the same values and interests – already as a counterweight approach to China and Russia.<sup>128</sup> It is also an attempt to propose an alternative to the Chinese B&R project, which fulfills several objectives. At the very least, the FOIP strategy must provide an alternative choice to countries in the region to broaden their options and to prevent them being locked into a face-off with Beijing. It should also build the resilience of these countries and their ability to withstand some Chinese demands that could run counter to their or Japan’s interests (restricted access to ports or special economic zones, for example). The Indo-Pacific strategy also proposes an alternative geopolitical grand narrative to the New Silk Roads, focused on the integration of the Indo-Pacific continuum based on liberal values and the market economy.

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128. “Japan’s Foreign Policy and Activities”, *Japan Diplomatic Bluebook*, 2007, available at: [www.mofa.go.jp](http://www.mofa.go.jp).

Like B&R, this label is also a way to give more visibility to the already numerous Japanese activities in the area. Finally, the FOIP strategy attracted the attention and cooperation of other actors such as the United States, which took over this concept in its turn in November 2017.

The Japanese Indo-Pacific strategy is supported by two programs aimed at increasing Japanese contribution to infrastructure funding. Although it is impossible for Japan to compete with China on the amounts spent, Tokyo is betting on the quality of its offer and its merits in terms of transparency, ethics and compliance with social and environmental standards. The “Partnership for Quality Infrastructure” was unveiled in May 2015: it was funded with US\$110 billion, to be allocated, in cooperation with the ADB and over a period of five years, to infrastructure building in Asia. The amount for the program was determined based on the initial endowment of the AIIB (US\$100 billion). In 2016, the Expanded Partnership for Quality Infrastructures provided US\$200 billion for financing infrastructure worldwide.

Japan is looking for synergies and partnerships to facilitate the implementation of its vision and its projects. For example, Tokyo has moved closer to India. Together, they presented the Asia-Africa Growth Corridor (AAGC) in May 2017, aimed at promoting joint infrastructure and connectivity projects, particularly in Africa. Japan was also behind the revival of the “Quadrilateral Security Dialogue” in November 2017, which includes the United States, Australia and India, and is pushing for the adoption of a joint initiative by the four countries to provide an alternative to B&R.<sup>129</sup> Also, Donald Trump’s tour to Asia at the end of 2017 was the opportunity for Tokyo and Washington to announce a partnership aimed at “offering high-quality US-Japanese infrastructure investment alternatives in the Indo-Pacific region”. It was accompanied by a strategic energy partnership to provide joint funding of infrastructure in Asia so as to promote greater imports of US liquefied natural gas (LNG).<sup>130</sup> A visit of the Vice-President Pence in Japan in November 2018 was the occasion to announce a joint initiative thought which Washington provides US\$60 billion to fund infrastructures in the Indo-Pacific, while Japan contributes up to US\$10 billion for energy facilities. In July 2018, Tokyo, Washington and Canberra officially announced a trilateral partnership for infrastructure investment in the Indo-Pacific region. One first project was unveiled in November at the APEC Summit: the three countries and New Zealand

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129. “Australia, U.S., India and Japan in Talks to Establish Belt and Road Alternative: Report”, *Reuters*, February 19, 2018, available at: [www.reuters.com](http://www.reuters.com).

130. S. Tiezzi, “In Japan, Trump and Abe Offer Alternative to China’s ‘Belt and Road’”, *The Diplomat*, November 8, 2017, available at: <https://thediplomat.com>.

pledged to assist Papua New Guinea to boost its power grid's reach to 70 percent of the population from 13 percent currently.<sup>131</sup>

Finally, it should be recalled that Japan's commitment to the implementation of the Trans-Pacific Partnership (TPP) was also a counterbalance and hedging approach to Chinese initiatives in the region. In addition, Tokyo took the lead in the move to continue TPP without the United States after Donald Trump's decision to withdraw from the treaty.

### **Pragmatic and symbolic openness to B&R and AIIB**

At the same time, after a hesitant and cold reception, Japan showed signs of openness to the B&R project. For Tokyo, it is about taking note of the significant rollout of B&R, while President Trump's *America First* policy is (at least temporarily) moving the United States away from Japanese economic and commercial interests.<sup>132</sup> It is also about showing political goodwill towards its Chinese neighbor.

Indeed, Japan sent a large delegation to the B&R summit in May 2017, notably with the participation of a heavyweight from the Liberal Democratic Party, Toshihiro Nikai, known for his proximity with China, and the President of Keidanren, Japan's Business Federation.<sup>133</sup> In June, Prime Minister Abe announced Japan's conditional support for B&R: Japan is ready to cooperate if transparency and the economic viability of projects are ensured, if B&R is based on a policy of responsible lending, is developed in accordance with TPP, and contributes to the region's peace and prosperity.<sup>134</sup>

On May 9, 2018, at the summit between Li Keqiang and Shinzo Abe, Japan and China signed a framework agreement for economic cooperation in third countries. At the end of May, it was revealed that Chinese and

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131 "US allies counter China with alternative electricity plan for PNG", *Nikkei Asian Review*, 18 November 2018.

132. "The US withdrawal from TPP pulled the plug on the major US-Japan initiative for promoting regional development, while the Trump administration's downgrading of development assistance as a foreign policy priority means that Tokyo cannot look to Washington for help countering China's initiatives." T. Harris, "Japan: Abe Government Prepares to Embrace the Belt and Road Initiative", *Teneo Intelligence*, March 17, 2018, available at: [www.teneoholdings.com](http://www.teneoholdings.com).

133. H. Akiyama, "Tokyo Sends Big Delegation to China's Silk Road Forum", *Nikkei Shimbun*, May 13, 2017, available at: <https://asia.nikkei.com>.

134. "First of all, it is critical for infrastructure to be open to use by all, and to be developed through procurement that is transparent and fair. I furthermore consider it essential for projects to be economically viable and to be financed by debt that can be repaid, and not to harm the soundness of the debtor nation's finances. I would expect that the 'One Belt, One Road' initiative will fully incorporate such a common frame of thinking, and come into harmony with the free and fair Trans Pacific economic zone, and contribute to the peace and prosperity of the region and the world. Japan is ready to extend cooperation from this perspective." S. Abe, "Asia's Dream: Linking the Pacific and Eurasia", June 5, 2017, available at: <https://japan.kantei.go.jp>.

Japanese companies planned to start working together on the Thai Eastern Economic Corridor (EEC) – a project that would be linked to B&R.<sup>135</sup> The Japan Bank for International Cooperation (JBIC) proposed setting up a Sino-Japanese consortium to build high-speed lines connecting three airports located along the corridor.<sup>136</sup> It was the first time that a Sino-Japanese investment project in a third country has been made public.

In October 2018, at a summit between Abe and Xi in Beijing, the two leaders unveiled a “new era” for the bilateral relations, from competition to cooperation. Among other economic cooperation projects, 50 third-country infrastructure projects were identified to promote joint development.<sup>137</sup> A first project to develop a smart city (Chonburi) in Thailand was expected to get started by the end of that year.

Despite all these positive, politically-driven announcements, Japanese companies have found difficult to fulfill the expectations. In December, reports stated that Itochu and Hitachi were withdrawing from the high-speed rail project linking airports in Thailand, fearing losses.<sup>138</sup>

For the time being, the Japanese opening to B&R looks symbolic.

### *How to explain this development?*

#### **Pragmatism: avoiding marginalization and taking advantage of opportunities**

The success of the B&R summit and the mention of the project in the Chinese constitution indicated to the Japanese leaders that B&R is now a “compelling” project and must be considered as being at the heart of Chinese strategy. Actually, as Japan cannot directly oppose such a structuring initiative, it must be able to participate – otherwise it risks marginalization.

Similarly, the case of Indonesia showed that growing rivalry with China over the supply of infrastructure has a cost, and is driving Japan to offer increasingly risky financial arrangements. Committing to more cooperation

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135. Y. Ono, “Thailand to Benefit from China-Japan Thaw”, *Nikkei Asian Review*, May 31, 2018, available at: <https://asia.nikkei.com>.

136. “JBIC Proposes Japan-China Consortium for Thai Railway Project”, *The Japan Times*, May 4, 2018, available at: [www.japantimes.co.jp](http://www.japantimes.co.jp).

137. S. Shigeta, “Japan and China Pledge Move from ‘Competition to Collaboration’”, *Nikkei Asian Shimbun*, 26 October 2018.

138. T. Takahashi, “Sino-Japanese Cooperation thrown off Track over Thai Rail Project”, *Nikkei Asian Review*, 16 December 2018.



with Beijing on some projects would help to reduce these risks and find synergies.<sup>139</sup>

Finally, joining B&R should allow Japanese companies to seize possible economic opportunities. However, in May 2017, Japanese firms seemed skeptical about the advantages of investing in B&R projects.<sup>140</sup> This hesitation reflects the difficulty of competing with Chinese state-owned companies, concern about the profitability of the projects, and also the Japanese government's opposition to B&R, up to June 2017. In December 2017, the government launched a campaign to encourage the Japanese private sector to participate in projects developed as part of B&R. If the conditions indicated by the prime minister are met, Japanese companies will receive public funding through the JBIC, for example, to facilitate their participation in B&R projects.

The withdrawal of the Japanese companies from the high-speed railway project in Thailand, shows that a hiatus is appearing between the Japanese private sector that is sometimes already cooperating with China in the framework of B&R (Nippon Express and Yusen logistics are using the Belt and Road rail network, for example)<sup>141</sup>, and the government that is issuing top-down requests in order to demonstrate political goodwill vis à vis China.

### **Influencing the nature of projects from within**

The Japanese positioning on B&R – indicating its interest in participating if the principles of openness, transparency and sustainability are ensured – is ambiguous, and allows for both active cooperation and a right to withdraw from some projects that might not meet these standards. This ambiguity may reflect a more sophisticated approach by Japan to China, using liberal standards no longer as a foil but as a tool, to engage with Beijing and encourage it to adopt a more responsible position.<sup>142</sup>

In itself, B&R can also be a positive tool for encouraging liberal reforms in China. According to some experts, B&R could enable China to better take into account the importance of the rule of law, as Chinese investors face unstable or unfavorable environments for their investments. They could thus be made aware of the importance of regulations and help to change their country in that way.

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139. R. Prasad, "The China-Japan Infrastructure Nexus: Competition or Collaboration?", *The Diplomat*, May 18, 2018, available at: <https://thediplomat.com>.

140. T. Kajimoto, "Japan Inc. Sees Better Opportunities beyond China's Belt and Road", *Reuters*, May 25, 2017, available at: [www.reuters.com](http://www.reuters.com).

141 Y. Masuda, « Japan Companies Board the Belt and Road Train », *Nikkei Asian Shimbun*, 16 July 2018.

142. T. Basu, "Japan's Belt and Road Puzzle, Decoded", *The Diplomat*, February 28, 2018.

## *Prospective aspects*

Japan's participation in B&R and the AIIB will depend on the general soundness of bilateral relations with Beijing. Tokyo will use its trump cards to show its willingness to restore positive relations with its neighbor (as is the case in 2018 for the 40th anniversary of the Treaty of Peace and Friendship). Conversely, a deterioration in relations – connected to the territorial issue, for example – will prevent such participation.

As AIIB has now experienced a positive and successful trajectory, with 80 members, 28 projects, cooperation with traditional multilateral banks and a maximum rating given by the ratings agencies, Japanese participation would seem possible, in principle.<sup>143</sup>

However, the decision to join the AIIB and extend cooperation on B&R also depends on the development of Tokyo's relationship with Washington. The *America First* policy, which also targets Japan, is poorly perceived. It could be seen by Tokyo as the accelerator of US decline in Asia. This analysis would strengthen the supporters of a gradual rapprochement with China. In contrast, the announcement of Japanese cooperation on B&R projects or AIIB could be perceived as a betrayal by Washington, as the Trump administration is hardening its stance on Beijing. For the time being, the openness of the Abe administration does not seem to have provoked this type of reaction in the United States. However, if this reasoning prevails in Tokyo, it would be very difficult for Japan to join the AIIB.

In the end, the dilemma posed by B&R in Japan is about balancing its relations between China and the United States. To avoid being isolated or finding itself trapped in a face-off with the two great powers, Tokyo will seek to form as many partnerships as possible.

In this respect, Japan has started to move closer not only to India and Australia, but to European countries like the United Kingdom and France. The challenge for Paris is now to successfully be associated with Japanese connectivity initiatives without being locked into a discourse that can be interpreted as a counterweight to and containment of China. In this sense, Japan's participation in the B&R could facilitate its decision.

### **In the longer term**

The Japanese government's strategic priority is dealing with China's rising power, with a balancing approach. All things being equal, this strategy,

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143. M. Kawai (Director, Economic Research Institute for Northeast Asia – ERINA), "Belt and Road Initiative: Japan's Perspective", Professional Luncheon, Foreign Correspondent's Club of Japan, Tokyo, September 29, 2017, available at: [www.erina.or.jp](http://www.erina.or.jp).

which enjoys broad political consensus, should last. However, several factors must be taken into consideration, which could point to greater openness to and the establishment of larger-scale cooperation on the B&R project, or in terms of infrastructure financing.

In Japan, a number of actors support good relations with its Chinese neighbor, its largest trading partner. Furthermore, economic and political actors support Japan's greater involvement in Asia, through rebalancing relations with the United States, on the one hand, and with Asian countries, particularly China, on the other. Currently, the Abe administration very clearly favors the alliance with Washington. But a rebalancing towards China could be initiated in the future.

This trend may be boosted in the coming years, as China grows in importance. However, a China that is too aggressive towards Japan, and particularly on territorial issues, could challenge this openness and lead to Tokyo hardening its position, taking the risk of isolating itself and becoming locked up in a relationship with the United States.

Conversely, a long-term withdrawal movement by the United States in Asia, combined with a China that soft-pedals territorial and security issues, could accelerate this trend to cooperate and engage with the Chinese actor, especially if political, economic and social reforms are put in place by Beijing.

Furthermore, it is conceivable that China could be tempted to further join forces with Japan on the B&R project. Indeed, as China is now faced with criticism and resistance following negative experiences of debt overhang, Beijing could wish to associate itself with a key actor like Japan, recognized for its experience and the quality of its interactions in infrastructure development.

As the Trump administration is trying to pressure and isolate Beijing economically, it would be also important for Beijing to engage more with Tokyo. Finally, if China, at some point, has difficulties in meeting its financing commitments, Japan could intercede to inject additional funds.

Basically, an aging Japan needs to develop overseas markets; therefore, building infrastructure that improves connectivity in the area, while remaining open to everyone, is beneficial to its interests. However, Japan is largely dependent on shipping routes for its energy and trade supplies. If China takes the opportunity to develop infrastructure along the Maritime Silk Roads to control flows, Japan is in a position of great vulnerability.

This is why Japanese approach aims at taking advantage of opportunities offered by the project, averting risks and helping to moderate

the negative effects of B&R by also offering an alternative scheme for infrastructure financing.

## Russian perceptions of B&R: from risk to opportunity

In 2013, Russia welcomed the launch of the Chinese B&R initiative with great caution. On the one hand, concerns about China's economic, demographic, geopolitical and military expansion at the expense of Russian interests have been very present in national debate since the fall of the USSR.<sup>144</sup> Rapprochement with China, which has been advocated since the end of the 1990s by leading political figures, such as the late prime minister Yevgeny Primakov, in order to rebalance Russian European and Asian policies, has for a long time generated deep mistrust in Moscow.

On the other hand, Russia has been launching its own integration project for the Eurasian region since January 2015: the Eurasian Economic Union (EAEU), which now includes Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan. In Central Asia, competition between the two projects seemed inevitable from the outset to several observers, with B&R opening up very attractive industrial, commercial and financial perspectives for countries in the region, which are traditionally part of the Russian sphere of influence.<sup>145</sup> Although China emphasizes the economic nature of its initiative, its geopolitical and strategic impact leaves little doubt: it will eventually draw the Central Asian countries into Beijing's orbit.<sup>146</sup>

However, the Kremlin's period of hesitation in the face of B&R did not last. In May 2015, during the Chinese President's visit to Moscow, Russia and China announced the coordination or "convergence" (*sopryajenié*) between the two projects. The realization of increased Chinese influence in Central Asia, the desire to not be left behind by a project of this scale, or even to influence the process by joining it, as well as the context of deteriorating relations with the West, have certainly guided the Russian decision-makers. Although, for some experts, the interaction between the EAEU and B&R "is *a priori* irreconcilable" because of the "total inadequacy of resources and

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144. As a reminder of these debates, see Y. Morozov, "K čemu možet priversti publikaciá mifov o kitajskoj ugroze?" [What can the publication of myths about the Chinese threat lead to?], *Central'naâ Aziâ I Kavkaz*, No. 2, t. 13, 2010, available at: <https://cyberleninka.ru>.

145. See, for example, I. Kobrinskaâ, "Rossiâ i kitajskij ŝelkovyj put'. K kakomu soglaseniu pridut partnery?", [Russia and the Silk Roads. What agreement will the partners reach?], *Ponars Eurasia*, No. 439, September 2016.

146. Interview in Moscow with an international relations expert, October 2016.

ambitions”,<sup>147</sup> the enthusiastic official speeches emphasize the complementarity between the two projects and the potential of Russo-Chinese action in “Greater Eurasia”. What are the Russian motives and the direction that Russia is seeking to give to this *sopryajénié* (convergence)?

### ***Russian motives: why jump on the “Chinese bandwagon”?***

#### **Economic reasons**

Economic considerations have clearly driven Russia to not remain passive in the face of the progression of the Chinese project. In 2012, Vladimir Putin wanted “to catch the Chinese wind in Russian sails”. Energy complementarity encouraged rapprochement: China needed oil and gas and Russia was looking to develop its deposits in eastern Siberia and to diversify its export routes, which are too focused on the European market. Furthermore, the two projects meet each other’s domestic development needs: China wants to boost its central and western provinces, while Russia is seeking to develop Siberia and the Far East by creating modern infrastructure. The Chinese shift westwards has therefore been presented as a “godsend” for Russia.<sup>148</sup> By positioning itself as a privileged partner of the project, Russia wants to take full advantage of the resources that China seems ready to give to B&R. Finally, under the conditions of Western sanctions, the Chinese credit is welcome.

#### **(Geo)political reasons**

The (geo)political reasons for the rapprochement between the two projects are twofold. On the one hand, it is the quality of the bilateral relations that is today described as a “strategic partnership”. There is no longer a border or other type of dispute that clouds this relationship; the non-intervention principle in domestic affairs is largely shared by both partners, and a personal understanding seems to have been firmly established between the current presidents. In June 2015, at the Saint Petersburg International Economic Forum, Vladimir Putin praised the level of Russo-Chinese relations and the “unprecedented” confidence in their bilateral history.

On the other hand, while there is no doubt that Russia has every interest in rebalancing the European and Asian (and also southern) direction of its

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147. M. Boulègue, “La ‘lune de miel’ sino-russe face à l’(incompatible) interaction entre l’Union Économique Eurasienne et la ‘Belt & Road Initiative’”, *Diploweb*, October 15 2017, available at: [www.diploweb.com](http://www.diploweb.com).

148. S. Karaganov, “Obešanie Evrazii” [Promise of Eurasia], *Rossijskaâ Gazeta*, October 26, 2015, available at: <https://rg.ru>.

foreign policy, the current confrontation with the West gives a specific “geopolitical flavor” to the announcement of coordination between the Russian and Chinese projects. The symbolism of the announcement of *sopryajénié* (convergence) was powerful: the Chinese president was welcomed as the guest of honor at the Victory Day Parade in Moscow, while most of the Western leaders dismissed the invitation because of the conflict in the Donbass.

Presented as the start of a “Eurasian moment” in the history of the world, *sopryajénié* (convergence) seems to be intended to emphasize to the West its marginalization in world affairs. Several times, Russian officials have noted that “the center of the world [is] moving towards Asia”, whose economic and financial power is accompanied by a rise in political power.<sup>149</sup> In the Russian vision, the new “bloc” is made up of sovereign countries, sharing the non-intervention principle in the countries’ domestic affairs and seeking to promote an alternative to a world under Western domination, “which is weakening, but still remains aggressive”.<sup>150</sup> As the director of the Carnegie Moscow Center, Dmitri Trenin, phrases it, Russia is moving from the promotion of “Greater Europe from Lisbon to Vladivostok” to “Greater Asia from Shanghai to Saint Petersburg”.<sup>151</sup> Several economic and financial initiatives (the AIIB and the BRICS bank) therefore take on a political dimension, as they are, in the Russian interpretation, “direct competitors” to the IMF, the World Bank and the Asian Development Bank (controlled by Japan<sup>152</sup>).

In addition to recognition of its integration project by the world’s second largest economy (the agreement on *sopryajénié* is the first agreement concluded between the EAEU and a country outside the former USSR), the coordination was a means for Moscow to show that its international isolation is only a “Western illusion” and that sanctions may be bypassed: for this reason, the purchase of a 9.9% stake by the Silk Roads Fund in the Russian Novatek’s construction project for the Yamal LNG liquefied natural-gas plant is significant both economically and politically.

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149. Interview with the Russian Foreign Minister, S. Lavrov, September 2, 2016.

150. Y. Morozov, “Integration Projects for Eurasia: The Approaches of China, Russia, and the United States”, *Far Eastern Affairs*, No. 44, 2016, available at: [www.eastviewpress.com](http://www.eastviewpress.com).

151. D. Trenin, *From Greater Europe to Greater Asia? The Sino-Russian Entente*, Carnegie Moscow, April 2015, available at: <http://carnegieendowment.org>.

152. D. Suslov, “Razdelâi i vlastvuj: novaâ èpoha v razvítii mirivigo èkonomiceskogo porâdka” [Divide and conquer: a new era in the development of the world economic order], Club Valdai, January 1, 2016, available at: <http://ru.valdaiclub.com>.

## Preventing competition in Central Asia

The key region for both integration projects is Central Asia. Russia is traditionally very active there. Soviet heritage, like the Russian language, the presence of Russian speakers (four million in Kazakhstan), energy and industrial cooperation create links that weakened after the collapse of the USSR, but are still strong. The official discourse currently rejects all potential Russo-Chinese conflict, because of the very different nature of the two projects: one would only entail infrastructure while the other is aimed at integration.<sup>153</sup> Some areas, such as the Central Asian labor force and the sale of arms, only seem to interest Moscow and are therefore not subject to Chinese competition. According to Russian official discourse, Russian and Chinese strategic and geopolitical interests in Central Asia “coincide and align perfectly”: it is a question of security and stability (including preserving the stability of autocratic, but secular, regimes), management of migration flows, and the fight against terrorism, extremism and separatism. The goal is also to limit the influence of “potentially hostile third forces<sup>154</sup>” in the region: that can be seen as an allusion to Western influence that would promote “color revolutions”. In short, while there is strong economic competition, security interests seem to be shared in these areas by Russia and China.

Suffering from economic difficulties, Russia is seeing its influence in Central Asia decline. In 2015, China's trade with the five countries in the region was US\$32.5 billion (US\$45bn in 2014), while for Russia the corresponding numbers were US\$21billion in 2015 (US\$29bn in 2014<sup>155</sup>). The amount of Chinese investment is more difficult to assess: it may be as much as four times higher than Russian investments. In oil extraction in Kazakhstan, for example, the Chinese companies' share is 40%. The construction of Chinese infrastructure in the place of old Soviet infrastructure is increasing Russia's loss of influence in the region.

Aware of its weaknesses, Moscow has consistently hindered the establishment of a free trade area as part of the Shanghai Cooperation Organization (SCO) for fear of Chinese competition. For some Russian experts, the design of B&R may be precisely the way to circumvent this longstanding obstruction.<sup>156</sup> With no possibility of countering Chinese power, Russia preferred to join the movement in order to steer it in a

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153. Interview with T. Bordatchev, *Lenta.Ru*, September 30, 2015, available at: <https://lenta.ru>.

154. “Prospects for Russian-Chinese Cooperation in Central Asia”, Working paper, Russian International Affairs Council, August 28, 2016, <http://russiancouncil.ru>.

155. *Ibid.*

156. O. Boldyrev, “Nujen li Rossii novyj šelkovyj put'?” [Does Russia need a new Silk Road?], BBC, May 7, 2015, available at: [www.bbc.com](http://www.bbc.com).

favorable direction. Among its approaches: favoring road routes through Russian territory, limiting the Central Asian partners' bilateralism, promoting the regional security dimension, and imposing a new political framework on the West.

## *The approaches pursued*

### **Favoring routes passing through Russia**

Three routes that connect China to Europe are generally mentioned: north, south and center. Only the first passes through Russian territory (Moscow-Kazan-Brest). The choice of other routes would mean a loss of geoeconomic and strategic importance for the Trans-Siberian Railway. Therefore, the infrastructure development objectives in Siberia and the Far East would be compromised. Each route bypassing Russian territory (like the one through Georgia, Azerbaijan and Kazakhstan, which was opened with a freight train in January 2016 between China and Ukraine) causes tension. In October 2015, the sign of an important victory, a memorandum was signed between Russia and China on the construction of a Moscow-Kazan-Beijing high-speed train line: like Yamal LNG, the project will be financed by the Silk Roads Fund (US\$5 billion has been allocated). Russia is also interested in developing north-south routes (railways and river fleets). It should also be noted that Russia seems to have agreed to cooperate with China on the development of the Arctic, a region about which China has recently published a broad strategy and that will be increasingly integrated in B&R.

### **Limiting partners' bilateralism**

Russia is seeking to prevent EAEU member countries from conducting negotiations with China on a bilateral basis. Its argument is now well founded. Aimed at China, it explains that it is much more advantageous to convey goods through the same customs zone. Between China and Europe there is now only one border to cross. Aimed at EAEU members, the discourse is intended to convince that it would be more advantageous to talk with powerful foreign partners together, given that, without effective coordination, the products and infrastructure created by Chinese investment would not find a buyer in the common market.<sup>157</sup> Russia is also trying to promote the SCO as the most suitable platform to coordinate regional efforts. Clearly, this line positions Russia as an invaluable partner, even when it comes to bilateral relations with the EAEU countries.

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157. *Towards the Great Ocean-3. The Creation of Central Eurasia*, Valdai International Discussion Club, Report, Moscow, June 2015, available at: <http://valdaiclub.com>.



However, Russia is constantly betraying its own discourse on the benefits of a multilateral framework. The Eurasian Union partners were not even consulted before the announcement about *sopryajénié* (convergence). The embargo on Western food products in response to Western sanctions was also decided unilaterally by Russia, without consulting other members of the Customs Union. Border checks were even reintroduced on this occasion within the Union in order to avoid the re-export of sanctioned goods to Russia *via* these countries. The annexation of Crimea and the war in the Donbass have dealt a blow to political confidence not only between Russia and Europe, but also between Russia and the countries in its immediate neighborhood, above all Belarus and Kazakhstan. There is little doubt that these countries will favor their national interests over the goal of economic integration, and will not hesitate to deal with China directly. Examples are not lacking: there is already coordination between the Silk Roads and the Kazakh “Nurly Jol” (Bright Road) project launched in 2014. It is the most developed infrastructure project in the region, in which Kazakhstan plans to invest US\$4 billion. Other members have signed bilateral agreements with China without prioritizing integration efforts as part of the EAEU.

### **Promoting the security dimension**

In Russian discourse, the “infrastructure deficit” is only part of the regional problems: efforts should be primarily focused on the “security deficit” (counter-terrorism, preventive diplomacy, cross-border crime and drug trafficking<sup>158</sup>). The security dimension is essential, and Russia stands out as the only country capable of providing guarantees with regard to the Central Asian countries. The security discourse is also geared towards China – “The deteriorating security environment may pose a threat to Chinese strategic projects” – and Russia could ensure infrastructure security.<sup>159</sup>

“There is one area where China will always be our junior partner. This is the military area... In the event of foreign attack, Russia will help the attacked party, not China,” says one of the active promoters of *sopryajénié* (convergence), Timofei Bordatchev.<sup>160</sup> The experience of war, the existence of military bases in Kazakhstan, Kyrgyzstan and Tajikistan, the key role in the Collective Security Treaty Organization (CSTO), and arms sales to several countries in the region make Russia an indisputable leader in the field. Its military intervention in Syria has shown that it is able to help a

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158. “Rossisko-kitajskij dialog: model’ 2016” [Russo-Chinese dialog: 2016 model], RIAC/Fudan University, No. 25, May 2016, available at: <http://russiancouncil.ru>.

159. “Prospects for Russian-Chinese cooperation in Central Asia”, *op. cit.* [40].

160. Interview with T. Bordatchev, Lenta.Ru, September 30, 2015, available at: <https://lenta.ru>.

country where the regime is threatened by a “color revolution” and outside interference.<sup>161</sup>

Eventually, the Kremlin seems to envisage a division of labor in the region between China and Russia: the first would provide credit and infrastructure and the latter security guarantees.<sup>162</sup> The Central Asian countries listen to this discourse with a sympathetic ear. The multi-vector policy and support of several partners to avoid domination by one of them is part of the accepted discourse in these countries. The context of war in the Middle East, the presence of around 2,000 fighters from Central Asia in Iraq and Syria, the withdrawal of US troops from Afghanistan and the terrorist attacks in Kazakhstan favor its security vision for the region.

### **Imposing a new political framework on the West**

For Sergei Naryshkin, the former president of the State Duma and the new director of Russia's Foreign Intelligence Service (SVR), the success of the regional integration project would boost its interest in the eyes of the European Union.<sup>163</sup> The new Eurasian project is intended to increase Russia's influence in the Eurasian area. Several observers, too, are persuaded that it is a way of getting out of the Russia-Western confrontation by positioning Russia in a broader context of “Greater Eurasia”.<sup>164</sup> As if seeking to make things irreversible and quickly benefit from the political dividends of its new position, Russia is rushing ahead: without waiting for the EAEU to consolidate its construction and for *sopryajénié* to be filled with content, it is already pushing for the signing of a *Comprehensive Eurasian Partnership* and of a tripartite document between the EU, EAEU and SCO. The impassioned discourse takes it a long way: broadening interactions beyond the economic and commercial context, forming a common vision of the future of the Eurasian continent, interacting with the US initiative on the Transatlantic Trade and Investment Partnership (TTIP), etc. However, Western partners are cautious, or even skeptical, and are struggling to accept the EAEU Commission as a valid discussion partner with decision-making power.

Five years after the launch of the B&R project, disappointments seem to be building up on both sides. On the one hand, the imbalances in the bilateral Russo-Chinese economic relationship are widening. China is now

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161. Interview at the Astana Club with a Kazakh expert on strategic matters, November 2015.

162. A. Gabuev, “China's One Belt, One Road Initiative and the Sino-Russian Entente”, Carnegie Endowment for International Peace, August 9, 2016, available at: <http://carnegieendowment.org>.

163. Quoted by the TASS press agency, October 6, 2015, available at: <http://tass.ru>.

164. The first observers to discuss the relevance for the West of having a dialog in this context were I. Krastev and M. Léonard, “The New European Disorder”, European Council on Foreign Relations, November 20, 2014, available at: [www.ecfr.eu](http://www.ecfr.eu).

Russia's leading trade partner (totaling almost 14% of its international trade in 2017), whereas Russia is only its 16<sup>th</sup> partner (though leading oil and gas supplier). The structure of trade is the same as with the EU: Russia supplies its oil and gas and other raw materials, receiving manufactured goods in exchange. The future profitability of China's energy supplies, via the *Sila Sibiri* pipeline under construction, also remains to be seen, as well as the reliance on the Chinese market that it could lead to. Although China has helped to bail out some strategic Russian companies, like Novatek or Sibur (which belong to people in Vladimir Putin's inner circle), it has not rushed to invest heavily in Russia. The Chinese are critical of the Russian business environment and the terms set by their Russian counterparts: employment of Russian workers, integration of Western technology and Chinese financing. Finally, beyond the bilateral economic relations, Russia, although the third contributor to the AIIB, has not obtained any project financing from the bank, which claims sovereign guarantees from it given the low level of transparency in business in Russia.

On the other hand, the idea of *sopryajénié* has brought few results so far. Besides, Yamal LNG (launched in December 2017) and the Moscow-Kazan high-speed train line (still under review), other projects are waiting to be identified and realized. Russia has submitted about 40 projects for financing as part of B&R, none of which have been approved by China. Transportation routes and energy transit routes are being built that bypass Russian territory. As noted by a French researcher, although acceptance of the EAEU by China is essential for Moscow, the reverse is not true: China does not fundamentally need Russian territory to continue the Silk Road routes.<sup>165</sup> Finally, the Eurasian integration project is not moving forward. Intra-area trade is in deficit. A country like Kazakhstan is clearly seeking to escape Moscow's clutches – from changing the alphabet (dropping Cyrillic in favor of Latin letters) to the desire to export its own oil and gas to neighboring markets. Ukraine, Belarus and the southern Caucasus countries are closely scrutinized by China, which is starting to invest in them.<sup>166</sup> It must be recognized that it is not the EAEU project that is structuring this area – as much in reality as in the imagination – but B&R.<sup>167</sup> The challenge for Russia is the same: maintain its credibility as a regional power by

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165. M. Boulègue, "La 'lune de miel' sino-russe face à l'(incompatible) interaction entre l'Union Économique Eurasiennne et la 'Belt & Road Initiative'", *op. cit.* [51].

166. N. Rolland, "La Chine dans les pays d'Europe orientale et du Sud-Caucase. Un entrisme sur la pointe des pieds", manuscript submitted by the author, *Russie.Nei. Visions*, Ifri, 2018, forthcoming. See also A. Marin, "Minsk-Pékin: quel partenariat stratégique?", *Russie.Nei. Visions*, Ifri, No. 102, June 2017, available at: [www.ifri.org](http://www.ifri.org).

167. R. Daly and M. Rojansky, "China's Global Dreams Give Its Neighbors Nightmares", *Foreign Policy*, March 12, 2018, available at: <https://foreignpolicy.com>.

demonstrating its ability to shape the area at its borders in the face of the Chinese partner's economic and financial power.

## India: resolute hostility

Indian opposition to the B&R project takes place in the context of tension with China. Although, since the start of 2018, the two countries have been trying to calm the situation down, New Delhi is unlikely to change its position in the short term, mainly because of the electoral timetable. In the medium term, India's position will probably combine two approaches: first, to seek to contain B&R and to explore possible alternatives regionally, and second, "to leave the door open" to negotiation and therefore to possible cooperation with China on connectivity projects of a limited scale. However, India's mistrust of China and its essentially strategic reading of B&R will remain structural barriers that will limit the scale of its participation in the long term.

### *Outright opposition to B&R*

India is probably the country that has most explicitly shown its hostility to the Chinese project. And New Delhi refused to send an official delegation to the first B&R forum in May 2017, despite Chinese pressure. It reasserted its opposition in June 2018, at the Shanghai Cooperation Organization's summit in Qingdao, refusing to support B&R in the closing statement.

The intransigence of the Indian position is first and foremost related to its opposition to the China-Pakistan Economic Corridor (CPEC). This project, which is a stakeholder in B&R, was officially launched by Prime Minister Nawaz Sharif and President Xi Jinping in April 2015, with pledges of Chinese aid of around US\$46 billion. However, India believes that the CPEC infringes on its sovereignty, insofar as it includes territories that it is arguing with Pakistan over as part of the Kashmir conflict. Therefore, it is unacceptable from its point of view.

In addition to this issue of territorial sovereignty, New Delhi has officially criticized Chinese practices in the context of B&R, citing both their lack of transparency and unilateral nature. Indian diplomacy has also accused China of carrying out its projects in disregard of environmental protection and good governance standards, as well as locking partner countries into a spiral of debt. Indian criticism of B&R is all the more aggressive as its leaders and experts look at it mainly strategically. From their point of view, this initiative enables China, under the guise of assistance with connectivity, to extend its influence in South Asia and in the Indian Ocean and to establish a network of dependent countries there.

Finally, bilaterally New Delhi's opposition occurs in a climate of tension, particularly marked by a series of military-diplomatic crises at the Sino-Indian border areas in 2014 and 2015, and more recently in 2017, at the Sino-Bhutanese border area.<sup>168</sup> The imbalance in the trade relationship with China is another major topic of frustration; Beijing is refusing to open up its market to Indian pharmaceutical and agricultural products.<sup>169</sup>

### *Short-term outlook*

All the Modi government's choices are now seen in the context of the May 2019 general election, which will renew the lower house and therefore the government. With regard to relations with China, the priority is to calm things down, to avoid the outbreak of a new crisis in the border areas in the middle of an election. A first step was taken in this direction, during the "informal" Wuhan summit on April 27 and 28, 2018. Two days of talks between the Indian prime minister and the Chinese president resulted in a joint commitment to communicate operational instructions to troops in the field so that they put the confidence-building measures of the 1990s into practice and avoid provocations.

The Wuhan summit exemplified fairly well what the Indian approach will be in the short term (i.e. at least until mid-2019). This will consist of improving border-area management and general communication with the Chinese central government. As for the rest, the outgoing government will not take any risk and will not seek to change its approach to B&R for fear of exposing itself to criticism on the domestic front by the opposition and to the accusation of "sacrificing Indian security interests".

### *Medium-term outlook*

A certain continuity will prevail in India in terms of foreign policy. Regardless of the team in power in spring 2019 (the BJP is currently the favorite), the management of relations with China should not change drastically, setting aside the differences in style (Modi being more inclined to outbursts and excessive media coverage than most other Indian leaders).

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168. This latest crisis, undoubtedly the most serious since the end of the 1980s, took place on the Doklam Plateau, in an area where the border between China and Bhutan is not marked and not far from the Indian state of Sikkim and the Siliguri Corridor. It consisted of a non-violent stand-off for 72 days between Chinese and Indian troops.

169. The volume of bilateral trade was US\$84 billion in 2017 and India had a deficit of US\$51 billion.

## Uncertain attempts to counter B&R

Because the issues of security and sovereignty are overemphasized in its approach, India will continue to criticize the CPEC in its current form (i.e. with Pakistani-controlled Kashmiri projects). It will also seek to curb the advance of B&R at its borders. For this reason, it is unlikely to accept the Chinese proposal of developing an India-Nepal-China trans-Himalayan rail and economic corridor.<sup>170</sup> Rather, it will try to dissuade the Nepalese leaders from promoting B&R in their territory, and offer bilateral cooperation projects as an alternative.

The Indians will also be very reserved regarding the BCIM (Bangladesh-China-India-Myanmar Economic Corridor). This project, currently being driven by China, aims to establish an economic corridor connecting Kunming (Yunnan province) to Kolkata (West Bengal) via Mandalay, Dhaka and north-east India.<sup>171</sup> In this case, two recent events have increased Indian reluctance:

- New Delhi was particularly irritated to see China incorporate BCIM into B&R unilaterally and retrospectively (the BCIM concept has been discussed since the late 1990s).
- The Doklam stand-off in the summer of 2017 undoubtedly confirmed for much of the Indian *establishment* that the Siliguri corridor, and with it, the north-eastern region, remained strategically vulnerable areas in the face of Chinese activities (military or paramilitary) at the border areas. The security logic in the north-east will therefore take precedence over any possible cooperation with China in the area of connectivity.

New Delhi will continue to promote its own connectivity projects with its neighbors in South and Southeast Asia, trying to keep China away. It will focus on the India-Myanmar-Thailand road project and will rely on sub-regional cooperation organizations such as:

- BIMSTEC (Bay of Bengal Initiative on Multisectoral Technical and Economic Cooperation), which includes Nepal, Bhutan, Bangladesh, Sri Lanka, Myanmar and Thailand
- BBIN (Bangladesh, Bhutan, India, Nepal)
- SASEC (South Asia Subregional Economic Cooperation), which brings together Bangladesh, Bhutan, India, the Maldives, Myanmar, Nepal and Sri Lanka, with support from the Asian Development Bank

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170. K. Sharma, "New Delhi Wary of Beijing's India-Nepal-China Corridor Plan", *Nikkei Asian Review*, April 20, 2018, available at: <https://asia.nikkei.com>. For the railway system, China is currently conducting a feasibility study to implement the Shigatsé-Kerung section at the Sino-Nepalese border. It plans to finish the construction of this section in 2020.

171. R. Iyer, "Reviving the Comatose Bangladesh-China-India-Myanmar Corridor", *The Diplomat*, May 3, 2017, available at: <https://thediplomat.com>.

The rate of progress of these various projects will remain slow, due to the lack of diplomatic and financial resources on the Indian side.

India will also try to develop connectivity projects on its western side, both to bypass the CPEC and to find access routes to Central Asia and the Caucasus. In this case, there will be many challenges. The main one will consist of maintaining close relations with Iran, which is at the center of its Eurasian approach (development projects for Chabahar port, the India-Iran-Afghanistan Transport Corridor and the International North-South Transport Corridor, to connect the Caucasus, Russia and Europe). The revival of the US sanctions policy against Tehran and the Iranian tendency to open up connectivity projects to China and Pakistan, some first launched with India, will pose serious obstacles for New Delhi.

The search for an alternative will also lead New Delhi to continue to explore opportunities for cooperation with Japan. However, before promoting connectivity projects across the Indo-Pacific, or Asia or Africa, India will first seek to use Japan's capital and goodwill to improve its domestic infrastructure networks (the project is vast in this area). At the same time, it will also welcome Japan's unilateral efforts to finance port infrastructure in the Indian Ocean, insofar as they are an alternative to solely B&R projects. The outlook for the Asia-Africa Growth Corridor announced by the two states in May 2017 remain *a priori* uncertain.

Multilaterally, India will explore within the context of Quad – i.e. in a format of consultations with Japan, the United States and Australia – the possibilities of pooling resources and coordinating approaches to infrastructure development in the Indo-Pacific region. Its tendency to put a more strategic twist on Quad will depend on the state of its relations with China. If frictions arise again, particularly on the border, New Delhi will use Quad to remind Beijing that it has – if it wants – the means to harm Chinese interests.

### **Some possible minor changes?**

First, it should be noted that, while being opposed to B&R, New Delhi is discussing the possibility of investing in major infrastructure projects with its Chinese counterparts – in this case rail – in India itself.<sup>172</sup> This shows that, for the Indians, the connectivity issues are also, and above all, domestic. Regionally, it cannot be excluded that New Delhi and Beijing find opportunities to work together on connectivity projects of limited scale. In

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172. The main project under discussion is the construction of a high-speed railway line between Bangalore and Chennai. See "India Seeks China's Help for Expediting Bengaluru-Chennai Rail Corridor", *The Hindu*, April 15, 2018, available at: [www.thehindu.com](http://www.thehindu.com).

other words, without going back on its opposition in principle to B&R, New Delhi could choose to participate in some infrastructure projects provided that they meet two essential conditions: they directly serve its own connectivity objectives and they do not have the B&R label.

The Chinese side seems to have noted this possibility, if one believes Kong Xuanyou, the Chinese Deputy Foreign Minister, who at the end of the Wuhan summit said: “As for whether India accepts the expression Belt and Road or not, I think it is not important, and China will not press too hard on this matter”.<sup>173</sup>

This hypothesis is all the more acceptable as India is struggling to progress its own regional connectivity projects. Furthermore, at the Wuhan summit in April 2018, Modi and Xi discussed the possibility of Sino-Indian cooperation in Afghanistan, targeting education and human resources. The idea of working together in Afghanistan had in fact already been launched in 2010 and nothing concrete came of it. But, the mere fact that India has agreed to discuss this perspective again shows that there is a margin of negotiation between the two states.

In the final analysis, the development of the Indian position will also depend on possible changes that the Chinese side will want to make in its ways of proceeding. In this case, India could change its approach if China is willing to turn B&R into a consultative and multilateral process, additionally obeying clear and transparent governance rules. India's commitment to these rules of procedure is crucial. It explains that, while criticizing B&R, New Delhi fully supports that other Chinese initiative, the Asian Infrastructure Investment Bank. In this case, India is not only a founding member of the AIIB, it is also the second largest shareholder, with 7.7% of the votes (as opposed to 27% for China), as well as its main beneficiary, having obtained around US\$1 billion in loans from the bank since it came into operation in January 2016.<sup>174</sup>

## Southeast Asia

Southeast Asia, because of its closeness to China's southern provinces, particularly Yunnan, and its access to the Malacca Straits, and beyond, to the Indian Ocean, is undeniably a priority destination for the New Silk Roads

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173. Comments reported in: “China Defends B&R but Confident about Cooperating with India”, *The Economic Times*, May 4, 2018, available at: <https://economictimes.indiatimes.com>.

174. K. Lo, “How India Became China-Led Development Bank's Main Borrower”, *South China Morning Post*, January 19, 2018, available at: [www.scmp.com](http://www.scmp.com).



project.<sup>175</sup> Furthermore, the region is home to both one of the land-route corridors (the China-Indochina Corridor) and the utterly essential first link of the New Maritime Silk Road. For this reason, the reactions of the countries in the region faced with the rollout of the project are particularly interesting to analyze in order to assess the project's progress. They provide a valuable indication of the project's potential success, or conversely, possible readjustments. However, what we are seeing currently, in some cases, are signs of distrust or even resistance with regard to Chinese intentions.

The general view is that the five main countries in the B&R strategy in Southeast Asia are Singapore, Laos, Myanmar, Thailand and Malaysia. Clearly, **these countries do not all have the same ability to negotiate their terms with China**. Myanmar and Laos, because of their low level of development, but also their closeness to China, are very dependent on their large neighbor. Thailand and Malaysia are better able to withstand Chinese pressure, even if the financial support that the latter is likely to provide them with may tend to weaken their bargaining power. Singapore is in a very particular position as it is both highly dependent on China but with substantial bargaining power.

### *Singapore: an "early and strong supporter"*

In contrast to other Southeast Asian (SEA) countries Singapore is not a target for B&R projects, but it is tightly associated with the initiative through its role as an intermediary for Chinese investment.

Quoting Prime Minister Lee Hsien Loong, Singapore has been an « early and strong supporter » of the B&R initiative. To be more specific, Singapore and China have identified four major areas of cooperation: i) infrastructure connectivity, ii) financial connectivity, iii) joint collaboration to help other B&R countries, and iv) offer of services to resolve cross-border commercial disputes. To that end, Singapore has developed a new program (the Infrastructure Asia program) which is meant to make the city-state a key player in contracts related to China's B&R. Through this program Singapore will provide banking and legal services for infrastructure projects.

*Infrastructure connectivity:* China and Singapore have developed the Chongqing Connectivity Initiative - Southern Transport Corridor (CCI-

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175. The Chinese authorities recognize the priority of this region in the project's implementation and there is no doubt that, in the event of a downward revision of the project's objectives, the region would remain a hub of the utmost importance.

STC) which will link Chongqing to Singapore.<sup>176</sup> The first leg from Chongqing to Qinzhou port (Guangxi) is connected by rail, and the second leg, from Qinzhou to Singapore and beyond by sea. The CCI-STC links the overland New Silk Road Economic Belt and the 21st Century Maritime Silk Road, enhancing multi-modal connectivity from Western China to SEA and the rest of the world, and, more importantly, drastically cutting shipping time and costs.<sup>177</sup>

*Financial connectivity:* Singapore's financial center can play a useful role in structuring and providing specialized insurance coverage for B&R infrastructure projects. Today, two thirds of SEA infrastructure projects are arranged by Singapore-based project finance teams. Singapore is also the largest offshore hub in Asia for RMB trading outside Hong Kong and the fifth globally, accounting for 5 percent of all renminbi trade globally in April 2017.

*Third country collaboration:* Taking advantage of its position as an international financial center, many Chinese companies use Singapore as a base for their operations in the region. One third of all investments from China to B&R countries and 85 percent of total inbound investments to China from B&R countries are said to flow through Singapore, according to Chinese sources. Both governments have even signed a Memorandum of Understanding where the two will cooperate under the B&R in third-party markets by developing and financing projects in sectors of mutual interest.

*Legal and dispute resolution services:* Finally, Singapore can offer legal and dispute resolution services to resolve cross border commercial disputes.

More fundamentally, Singapore is interested in getting involved in one way or another in the B&R project as it is a matter of survival for the city-state. China has pushed the development of a number of ports in the region (Shanghai and Malacca in particular) that could undermine Singapore's primacy as a maritime hub. In the framework of the Belt & Road, the multiplication of Chinese investments in logistic and maritime services of ports neighboring Singapore could make these ports compete more directly with Singapore. In the long term, the Chinese project could represent a threat to the Singaporean economy as it could potentially challenge Singapore's position as a leading logistics hub in the region. By

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176. This is the third Government-to-Government project between the two countries. The first one was the Suzhou Industrial Park and the second one the Tianjin eco-city.

177. Before the first China (Chongqing)-Singapore Connectivity Initiative Financial Summit, which was jointly organized by the Monetary Authority of Singapore (MAS) and the China Ministry of Commerce in November 2018, 61 joint projects between Chongqing and Singapore were confirmed, with a total contract value of over \$5 billion, according to *China Daily* ([www.out-law.com](http://www.out-law.com)).

contributing to B&R, Singapore seeks to remain « relevant ». At the same time, the Singaporean government aims at maintaining Singapore port's technological advance and at optimizing its geographic position by investing massively in the modernization and restructuring of its the port facilities.

But Singapore is walking a fine line, cooperating with China on the one hand, and keeping its options open on the other hand by engaging other powers with a presence in the region such as Japan and India. The Singaporean government is also betting on a balanced and pragmatic positioning between the US and China: it maintains strong security ties with the US and its allies without officially calling the US an “ally” (the official preferred term is “partner”), but it also supports China's initiatives (such as B&R), without formalizing such support. Singapore did not sign any general B&R Memorandum of Understanding (MoU) so far, and is apparently not planning to do so - although, as explained earlier, it has signed a MoU for cooperation in third countries in the framework of B&R. Singaporean officials are also keen to position the city-state as a “neutral” broker in the region (hosting the inter-Korean summit in 2018, as well as a diversity of regional security forums, etc.) and emphasize that they have the right not to choose between the US and China. Still, this balanced positioning may be harder to maintain at a time of reinforced competition between Beijing and Washington, and at a time when China does not hesitate to sanction countries with which it has political or geopolitical disagreements. For instance, Singapore was criticized by Beijing for not fully supporting its position on the South China Sea issue against other ASEAN claimants (Vietnam, Philippines, Indonesia, and Malaysia). Singapore's response in late 2016 to the Permanent Court of Arbitration's ruling on the South China Sea was interpreted by the Chinese as an anti-China stance. As a result, Singapore was not invited to the Belt and Road Forum held in May 2017 in Beijing.

Although Singapore did not significantly change its China policy following the forum, this move came as a surprise and reminded Singaporean policy-makers that keeping a balanced position in the region is a particularly daunting task.

### ***Laos: the most vulnerable and dependent partner***

China has spared no efforts to convince Laos to go with B&R from the status of “land-locked country” to that of “land-linked country”. In this respect, Laos views the construction of the China-Laos railway (Boten-Vientiane) and all of the B&R projects in Laos as an instrument of its opening-up.

The railway project is supported by a 30-70 joint venture, the Laos-China Railway Co. (LCRC), with China as the majority stakeholder. The concession is for a period of 50 years. The work should be completed in 2021.

The convergence of interest between the Laotian and Chinese leaders, beyond this project, is explained by the explosion of Chinese investment in the country. Since 2016, Laos has been the second-largest destination in the Association of Southeast Asian Nations (ASEAN) for Chinese investors. During the first three months of 2017 alone, China invested US\$335 billion in the country, which made it China's eighth-largest investment destination in the world.

The impact of Chinese involvement on Laos's public finances, already in poor shape, is considerable: China is now Laos's main lender, with the country accounting for around 45% of total foreign public debt (compared to 20% in 2010). Laos is seeing part of its economic sovereignty threatened, not least by the railway project, which accounts for more than 50% of its gross domestic product (GDP).

However, since 2017, the International Monetary Fund (IMF) and the World Bank have classed the country's debt sustainability risk at the "high" level, with Laos being in this case the only Least Developed Country (LDC) in ASEAN. The IMF estimates, in the benchmark scenario of its Article IV review, that public debt could increase to 70% of GDP in 2022 (the completion date of the railway), compared to the current 62%, an already very high level for a country at this stage of development. Beyond the strictly financial aspect, the country also risks losing its autonomy because of China's takeover of a substantial part of its territory.

Even though the consequences of this high dependence on China are subject to discussion in the press, and even within the ruling party, there is nothing to suggest for the time being that a questioning of the partnership with China has been considered, or is even conceivable. The asymmetry of the relationship is such that Laos really has little choice.

### ***Malaysia: a friendship of circumstance now called into question***

In Malaysia, China has benefited until recently from particularly favorable circumstances. Entangled in financial difficulties related to the 1 MDB - Malaysia Development Berhad<sup>178</sup> sovereign fund scandal (whose debt amounts to nearly US\$12 billion), then Prime Minister Najib Razak had to

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178. Around US\$3.5 billion from this fund was embezzled to enrich the fund directors, including the Malaysian Prime Minister Najib Razak.

appeal to China, which did not hesitate to provide him with its financial support. Because of the closeness between the two leaders, China has significantly increased its presence in Malaysia in recent years. Chinese investments primarily targeted the mining sector, but were then diversified into manufacturing activities and the establishment of industrial parks. Malaysia has also approved the rollout of large B&R projects, including in particular the construction of a railway along the eastern coast of the Malay peninsula, which will continue up to Port Klang on the western coast, as well as the construction of several oil and gas pipelines (in peninsular Malaysia and in Sabah).

In return for Chinese financial largesse, Najib seems to have turned a blind eye to the terms that some projects were agreed on with Chinese operators. Thus, the East Coast Railway Line contract (ECRL) was awarded without a tendering procedure (unlike the practice for urban transportation projects, for example) to the China Communications Construction Co Ltd. This project is 85% financed by a loan from the Chinese Eximbank.

The closer ties between Malaysia and China and the increasing Chinese presence in the country were a major issue in the spring 2018 election campaign, which saw Najib's defeat and the return to power of Mahathir Mohammad, at the head of a broad opposition coalition (Pakatan Harapan). The people's frustration with China's pervasiveness was skillfully exploited by the opposition candidate, who accused his rival of endangering national sovereignty. And his discourse apparently hit the mark. The ousting of some Sino-Malaysian manufacturers by entrepreneurs from mainland China has only increased resentment at China's presence. Similarly, the importance of Chinese investment in the real-estate sector, particularly in the Johor Bahru<sup>179</sup> region, has provoked strong hostility among the Malaysian people.

With the change of government, a questioning of some projects could be legitimately expected, or at least the terms of their execution. Indeed, the China-backed pipeline projects were suspended in July. And one of the objectives of Prime Minister Mahathir's visit to Beijing in late August 2018 was to renegotiate the contract terms for the ECRL project. Although the cooperation between the two countries will not come to an end, it will undoubtedly not exclusively follow China's conditions. Indeed the renegotiation was successful and Malaysia managed, among other things, to slash the cost of the rail construction project by about a third.<sup>180</sup> The case of

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179. In the south of the peninsula, close to Singapore. Although the state of Johor is a traditional fortress of the Barisan Nasional (BN, the leading coalition under PM Najib) and the birthplace of its main party, UMNO, the BN was defeated at the general election in May 2018.

180. Among other economic benefits, Malaysia is said to have won a larger share of jobs for Malaysians working on the project.

Malaysia suggests that the B&R project's progress in the region is not unstoppable and that Beijing may have to consider reviewing its implementation methods.

### *Myanmar: caution*

By agreeing in 2011 to commit to the path of democratization and openness, the Burmese authorities have succeeded, after the gradual lifting of sanctions by Western countries,<sup>181</sup> in extricating themselves from an exclusive one-to-one with China, which predominated at the time of the sanctions, and in ensuring competition between different partners. However, this has not been easy. On the one hand, internal divisions within the government weaken this position; on the other, other partners such as Japan or Korea do not have as persuasive a case to make to the Burmese authorities as does the large Chinese neighbor. Relations between Myanmar and China have recently become closer again. Hence, State Counselor An Sang Suu Kyi signed, among other things, a cooperation agreement as part of the B&R initiative at the May 2017 B&R summit in Beijing. Western protests following the army's abuses in Rakhine state in summer 2017 have undoubtedly contributed to the recent thaw in Sino-Burmese relations. Officially, the B&R project is supported by the country's authorities, even if caution must be exercised.

However, Chinese investment in Myanmar is no longer keeping up with Chinese expectations, and the country is not at the heart of the B&R project in Southeast Asia, contrary to what we could have expected. There are admittedly many B&R-labeled projects in Myanmar, but most of them date back to before 2013. China had already promoted a north-east/south-west Kuming-Muse-Mandalay-Kyaukphyu axis, connecting Yunnan's capital with the Bay of Bengal, with the construction of a gas and oil terminal at Kyaukphyu, and a gas and oil pipeline linking the two cities. Although these projects predate the B&R project launch, they are now labeled as such. The construction of a deep-water port and a special economic zone at Kyaukphyu is still under consideration. It seems that opinions differ on this last project, which would explain why for the time being it is at a standstill. The disagreement is about the size of the industrial park project, but Burmese concerns also focus on the possible military use that the Chinese might want to make of the port.

Furthermore, some other projects (like the construction of a railway line along the oil and gas pipelines mentioned above) have been canceled by

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181. The European Union halted them in 2013 and the United States in 2016.

the Burmese authorities.<sup>182</sup> The Chinese authorities do not interpret this decision in the same way, and consider that the projects have simply been postponed *sine die*.

However, there is no doubt a certain mistrust behind the Burmese decision, and especially concern about excessive debt vis-à-vis the Chinese partner. The Burmese authorities are carefully monitoring what is happening elsewhere and Sri Lanka's experience encourages them to be cautious. For the time being, the problem of debt overhang does not arise in Myanmar, but caution seems to be in order in the face of the B&R project rollout. Again, Chinese pervasiveness during the period before openness has left traces and fueled anti-Chinese feeling. The suspension (on the Burmese side) of the Myitsone dam construction was an example of this.

### ***Thailand: the art of compromise***

The Chinese economic presence in Thailand remains relatively modest, especially compared to the Japanese presence. Despite a recent increase, Chinese investments only accounted for 2.5% of the total stock of foreign direct investment (FDI) in 2016; Japanese, European and US investment clearly dominate.

Furthermore, relations with Beijing are far from being perfect. However, although initially "sanctioned" (probably because of the delays in implementing the railway project, Prime Minister Prayut was not invited to the Silk Roads summit in Beijing in May 2017), Thailand has recently established closer links with China.

One of the signs of this thaw is the granting of the railway project between Nong Khai (at the border with Laos) and Bangkok to a Chinese consortium. This project has been the subject of intensive discussion in Thailand, with opponents criticizing the unfair terms imposed by the Chinese partner, which required the transfer of land along the route for example, but also the option to use Chinese engineers and not local ones, as would be required by Thai law. On this last point, the prime minister resorted to Article 44 of the Constitution, which allows him to override resistance, enabling the project to progress.<sup>183</sup> Bangkok has also had to comply with Chinese technical requirements to a large extent. Although international gage was finally selected, it was the Chinese signaling system that was adopted, which raises a compatibility issue with the rest of the Thai network. However, the Thai authorities did not accept all the terms imposed

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182. Already in 2011, the Burmese authorities had suspended the Myitsone dam project.

183. Thailand implemented a structured dialog with China in the form of an *ad hoc* joint committee, which has met 23 times to date, and which enabled it to negotiate better terms.

by Beijing, particularly in financial matters, and the project will eventually be financed locally.<sup>184</sup>

The final agreement for the construction of the line has not yet been signed, but Thailand is considered to be in a strong position because the only alternative for China would be to switch route (already under construction in Laos) through Cambodia, which would be far from ideal.

Although it has moved closer to China, Thailand continues to practice a *hedging* strategy: the Thai authorities, in particular, are looking to benefit from both the Chinese Silk Roads project and the Japanese Partnership for Quality Infrastructure (PQI). Although Bangkok now seems to be showing more goodwill towards Beijing and the OBOR project, it is managing to maintain its independence.

In Many 2018, a MoU was signed between China and Japan for industrial cooperation in third countries,<sup>185</sup> as part of the Eastern Economic Corridor (EEC), which is a large special economic zone set up by the Thai authorities along the eastern coast.

### *Forward-looking factors*

Apart from the case of Laos, the other countries in Southeast Asia suggest that the rollout of the B&R project will not be smooth, and will not progress automatically according to the terms desired by Beijing. A relaxation of these terms, particularly in terms of financing, is therefore foreseeable.

In the same way, the strategy may have to be “recalibrated” so as to ensure that concrete projects are consistent with the interests of the countries involved, which would facilitate their acceptance.

Finally, the possibility of more systematic use of cooperative formulas (as in Thailand in the case of the construction of the railway, and also in the Eastern Economic Corridor) should also be considered.

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184. Thailand refused the offer of Chinese funding, which was 3% over 20 years, a rate deemed too high. That said, China is maintaining pressure on Thailand to accept loans to finance the rolling stock (Chinese) and engineering services (also Chinese).

185. C. Theparat, “EEC to Host Surprising Bedfellows”, *The Bangkok Post*, May 31, 2017, available at: [www.bangkokpost.com](http://www.bangkokpost.com).



# Scenarios

Based on detailed analysis of B&R's development over the last five years (see the first section, "Belt & Road: method and objectives"), this section looks ahead at likely developments in the Chinese project, proposing several scenarios.

These scenarios envisage the long-term development of B&R, over more than 30 years up to 2050, the centenary of the founding of the People's Republic of China, and the deadline set by Xi Jinping for the advent of the "great renewal of the Chinese nation". They also take into account the intermediate deadline set by the Chinese government for the emergence of this renewal, 2035 – the year highlighted by Xi Jinping in his opening speech at the Communist Party of China' 19th National Congress (October 2017).

## Postulates

These scenarios are developed based on two postulates:

- Postulate A: The B&R project will not be dropped by the Chinese government.
- Postulate B: The B&R project will continue to expand beyond infrastructure construction and development projects, with the aim of promoting a new form of globalization.

**Postulate A: The B&R project will not be dropped by the Chinese central government by 2035.**

Several reasons justify this postulate:

- The Chinese government has **spoken widely** in China and abroad about this project over the last six years, as analyzed above. The impact of the announcement is such that it would be difficult today and in the coming years for China to no longer view it as one of its priorities.
- In October 2017,<sup>186</sup> the National Congress **registered B&R in the statutes (or "constitution") of the Communist Party of China**, thus confirming the priority of the project. Since then, the

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186. "Resolution of the 19th National Congress of the Communist Party of China on the Revised Constitution of the Communist Party of China", October 24, 2017, available at: <http://english.gov.cn>.

constitution includes the expression: “The Communist Party of China shall (...) follow the principle of achieving shared growth through discussion and collaboration, and pursuing the Belt and Road Initiative.”<sup>187</sup>

- **The institutionalization of the project** within the Chinese central administration confirms that the government considers B&R as a long-term priority project. In particular, a “leading group” specifically responsible for supervising the implementation of B&R was placed under the auspices of the National Development and Reform Commission (NDRC).
- Above all, the project is **supported by Xi Jinping** himself, who is likely to remain President of the People’s Republic until at least 2023, and possibly until 2028<sup>188</sup> and beyond (the lifting of the limit of the presidential term of office in March 2018 now makes it possible to remain beyond 10 years). It is very likely that the B&R project will be actively promoted while Xi Jinping remains President. It is also likely that the project will be promoted beyond Xi Jinping’s presidency, regardless of its duration, or at least that the concept and broad guidelines will be retained, as has been the case for all major concepts launched by Chinese leaders since 1978 (“era of reform and openness” launched by Deng Xiaoping and extended by his successor Jiang Zemin; Jiang Zemin’s “go-out policy” extended by Hu Jintao; Hu Jintao’s “neighborhood diplomacy” extended and increased by Xi Jinping, etc).
- A common hypothesis put forward is to consider that B&R’s future development will depend on the Chinese economy’s growth rate. A structural economic slowdown is anticipated in the coming years – a hypothesis shared by many Chinese and foreign economists given the country’s current stage of development, high growth rate in the years 2000-2010, and also, to a lesser extent, demographic challenges. However, **it is unlikely that this economic downturn will challenge the existence of B&R project**, or that it will result in a significant reduction in its size, precisely because B&R was designed to deal with this downturn and to find new growth opportunities abroad (continued internationalization of Chinese companies, regional economic integration of the poorest provinces, search for new markets in sectors where the national

187. Xinhua, October 24, 2017, full text of the Resolution on the Revised Constitution of the Communist Party of China adopted at the 19th National Congress of the CPC, available at: [http://www.xinhuanet.com/english/2017-10/24/c\\_136702726.htm](http://www.xinhuanet.com/english/2017-10/24/c_136702726.htm)

188. Xi Jinping would then be 75 years old.

market has become saturated – transportation infrastructure, steel, coal, etc). On the contrary, the economic difficulties encountered in the Chinese market may further justify B&R's existence as a facilitator of opportunities in other markets and generally as an alternative growth driver. Certainly, a downturn in growth will have an effect on some tools used by Chinese diplomacy (reduction in costs of Chinese public diplomacy, of the budget allocated to some national and international B&R-labeled forums, for example), but it is unlikely to threaten the very existence of the project in the coming years.

- More than the Chinese economy's growth rate, **the issue of return on investment of some large-scale infrastructure development projects** could contribute to a questioning and a slowdown of B&R in the long term, or possibly a refocusing of the project. At the same time, given the variety of funds investing in B&R projects (national, bilateral and multilateral – such as the AIIB), the large number of projects and the Chinese government's long-term approach, it is unlikely that it will give up its flagship project in the short or medium term, even if one or several projects prove to be unprofitable.<sup>189</sup>

Given these aspects, this report starts the scenarios with the **continuous development** of the Chinese project until at least 2035.

**Postulate B: The B&R project will continue to expand beyond infrastructure projects, with the aim of promoting a new form of globalization.**

B&R is an extremely ambitious project, whose geographical and sectoral expansion, seen over the last five years, will continue in the future. This is the trend that has largely emerged from interviews, discussions and observations on the ground, and the analysis of the latest Chinese official documents and statements. It is highly likely that the project will continue to develop not only in its physical aspect (transportation, telecommunications and energy infrastructure, industrial parks, etc), but also, and increasingly, in its non-physical aspect: promoting new concepts, standards,<sup>190</sup> courts, customs, e-commerce platforms, payment methods,

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189. However, the form of initiative could move towards a more resolute openness to foreign participation, and also towards more careful choice of projects to be supported and financed.

190. "Standards Connectivity Action Plan on Jointly Building the 'Belt and Road' (2018-2020)" (标准联通共建“一带一路”行动计划 2018-2020年), published on December 22, 2017, by the Office of the Leading Group for the Belt and Road Initiative

multilateral forums and summits<sup>191</sup> under the “Belt & Road” label. Taken together, these developments *de facto* provide a new approach to globalization. They constitute a “flow-management strategy”<sup>192</sup> as a whole (flows of goods, energy, data, tourists, etc.). **It is a question of putting in place a physical and non-physical flow-management strategy.**

China is certainly seeking to limit its dependence on existing commercial routes (maritime, land and air) by diversifying them. Particularly in the maritime area, it intends to bypass the “Malacca dilemma” – a longstanding source of concern<sup>193</sup> – and attaches increasing importance to the Arctic<sup>194</sup> and other routes that could open up for commercial shipping. For the Chinese authorities, **B&R should enable them to limit the existing dependency on “Western” infrastructure** – a source of great vulnerability in their eyes. In fact, in 2018, the US-European dominance is still noticeable for most of the international infrastructure and technology networks (Internet, submarine cable networks) and reference standards in these areas. In this context, China is also seeking to eventually develop its own infrastructure and standards to better control international flows, and *a fortiori* the very process of globalization. China is keen to develop parallel flows, mainly by duplicating the Western mechanisms of flow management.

**The ambition of adjusting and redefining the current rules of globalization** is confirmed by recent conversations with Chinese

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191. Probable continuation of the “Belt & Road” forum diplomacy: after the organization of the first event in May 2017, the second B&R forum event is to take place in spring 2019 in an expanded/consolidated form.

192. This term is indirectly borrowed from an official at the Ministry of the Armed Forces, a specialist on Asian issues, who uses the expressions “gestion des flux” ou “contrôle des flux”. Informal interviews and discussions, March-July 2018. The 1994 Defense White Paper also refers to it: [www.ladocumentationfrancaise.fr](http://www.ladocumentationfrancaise.fr)

193. In November 2003, Hu Jintao, then president of the PRC, stated that “some large powers” were determined to control the strait, and then called for China to adopt new strategies to reduce this vulnerability. The Chinese press paid some attention to the “Malacca dilemma”: “It is no exaggeration to say that whoever controls the Strait of Malacca will also have a stranglehold on the energy route of China”, *China Youth Daily*, June 15, 2004.

194. See China’s Arctic Policy, The State Council Information Office of the People’s Republic of China, January 26, 2018, official version in English: <http://english.gov.cn>.

officials<sup>195</sup> and researchers, who spontaneously incorporate it into some of their studies.<sup>196</sup>

This aim needs to be analyzed by taking into account the strong Sino-US rivalry and China's desire to position itself as a responsible country and guarantor of a new form of globalization versus a United States that, according to the Beijing, would no longer play that role. Chinese diplomacy no longer hesitates to emphasize that globalization is currently being undermined by the United States "unilateral" and "protectionist" attitude, and it is promoting B&R in this context as a vector of regional and global economic integration. In his opening speech at the May 2017 B&R forum in Beijing, Xi Jinping proposed entering into a new phase of globalization that is more "open, inclusive, fair and beneficial to everyone"<sup>197</sup>, trying to position China as a fair global player in contrast with the US that would, in his view, be an unfair player. These statements are in line with previous statements at the 2017 Davos Forum, which already positioned China as a guarantor of globalization.<sup>198</sup>

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195. Informal interviews and discussions with Chinese diplomats, February 2018. Similarly, the Chinese ambassador, Shi Mingde, said on March 12, 2018: "The Belt and Road Initiative promotes interconnections among the developed countries, developing countries and emerging countries most widely, and injects new impetus into globalization." "Belt and Road Initiative injects new impetus into globalization: Chinese ambassador", The State Council information office, March 12, 2018, available at: <http://english.scio.gov.cn>. Along the same lines, the former Chinese Deputy Minister for Trade Long Yongtu said, "The Belt and Road Initiative is trying to get more marginalized countries into the mainstream" [...] "If we see from this perspective, the Belt and Road Initiative is not only a Chinese initiative which has its geopolitical implication, but a global investment strategy which reflects the new trends of globalization", quoted in an article by the official press agency, Xinhua, "Belt and Road Initiative reflects new trends of globalization: former Boao forum secretary", April 2, 2016, available at: [www.xinhuanet.com](http://www.xinhuanet.com).

196. See for example: "Belt and Road Initiative: A New Frontier for Win-win Cooperation", Ruan Yongze, CIIS, July 21, 2017, available at: [www.ciis.org.cn](http://www.ciis.org.cn).

197. President Xi's speech at the opening of the Belt and Road forum, May 15, 2017, [www.fmprc.gov.cn](http://www.fmprc.gov.cn). Official version in English: "Trade is an important engine driving growth. We should embrace the outside world with an open mind, uphold the multilateral trading regime, advance the building of free trade areas and promote liberalization and facilitation of trade and investment. Of course, we should also focus on resolving issues such as imbalances in development, difficulties in governance, digital divide and income disparity and make economic globalization open, inclusive, balanced and beneficial to all."

198. Speech at the annual meeting of the World Economic Forum at Davos on January 17, 2017 available at: [www.xinhuanet.com](http://www.xinhuanet.com). Xi said in particular: "At the APEC Economic Leaders' Meeting in late 2016, I spoke about the necessity to make the process of economic globalization more invigorated, more inclusive and more sustainable. We should act pro-actively and manage economic globalization as appropriate so as to release its positive impact and rebalance the process of economic globalization. We should follow the general trend, proceed from our respective national conditions and embark on the right pathway of integrating into economic globalization with the right pace. We should strike a balance between efficiency and equity to ensure that different countries, different social strata and different groups of people all share in the benefits of economic globalization. The people of all countries expect nothing less from us, and this is our unshirkable responsibility as leaders of our times."

It should be noted that for China, it is a question of **promoting a new form of “globalization with Chinese characteristics”, or “globalization 2.0”**, different from the current form. B&R appears to be the main instrument for constructing this new globalization with China at the center.<sup>199</sup> At multilateral forums and summits, Chinese diplomacy seeks to build consensus around the idea that it is now necessary to develop another model of globalization, just as it is necessary to promote another model of global governance. For China, the aim is to rally an increasing number of countries behind this need for change and the idea that China is now best placed to “steer” the process of reforming globalization and global governance on the one hand, and be the main vector for economic development for a majority of countries around the world on the other. In fact, B&R is frequently presented by the Chinese authorities as a vector for economic development, essential to the economic growth of many countries and regions (Southeast Asia and Africa in particular<sup>200</sup>). This argument is itself echoed by an increasing number of representatives of developing countries at bilateral and multilateral meetings.

Overall, the B&R project appears as a well-thought narrative to achieve China's major strategic ambitions in the coming decades. **B&R may be considered as a framework to facilitate and support China's rising power and its accession to world No. 1 power status by 2035, and no later than 2050** (world's leading economic power, leading technological power, etc). Under Hu Jintao's presidency (2002-2012), and especially since his successor Xi Jinping came to power, the Chinese government has been increasing initiatives to assert China's power status in a growing number of areas – economic, military, diplomatic, energy, technology, space, etc. The Chinese willingness to build a new form of globalization is part of the broader context of consolidating its power status or “Chinese dream” of the “great renewal of the Chinese nation”.

## Variables

The evolution of B&R depends on both domestic variables and those outside of China, which are considered in the scenarios below.

Among the domestic variables are:

- **Political stability.** The development of B&R depends, to a certain extent, on the duration of the current leadership given that it is Xi

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199. Some researchers – including in China – are drawing parallels with the imperial Chinese tributary system.

200. See for example: “Belt and Road set to boost development in Mideast, Africa”, Xinhua, August 24, 2017, available at: [www.xinhuanet.com](http://www.xinhuanet.com).

Jinping's core project. Although the recent constitutional amendment enables Xi Jinping to stay in power beyond ten years, and it is unlikely that the B&R project will be dropped by the Chinese central government by 2035 (see postulate A), domestic tensions and criticism cannot be completely ruled out, and could potentially challenge the project's longevity.

**Chinese economic situation.** The Chinese government's ability to stay the course for the B&R project depends, to a certain extent (see postulate A), on the soundness of the Chinese economy, and being able to maintain sufficient economic and especially financial strength. The greatest uncertainty affecting the country's economic stability is the risk of a financial downturn. Even in the absence of an acute financial downturn, China's financing capacity is not unlimited, and it has already started to resort to forms of international cooperation for the promotion of B&R. The question is what form this cooperation will take in the future and whether the terms will be acceptable to China.

Among the external variables are:

- **Medium and long-term financial sustainability of the B&R projects** (*domestic and external variable*). An increase in financial slippage accompanying some projects and repayment difficulties with the countries involved could result in reduced Chinese ambitions or at the very least in a greater selectiveness in projects for funding. However, financial stability is not always the main criterion, as some projects are obviously of political or strategic interest from Beijing's perspective (as is the case for example of the China-Pakistan Economic Corridor). However, not all projects follow such logic and it is quite plausible to expect a tightening in cost-benefit analysis by Beijing.
- **Global economic health.** The development of B&R also depends on the soundness of the global economy, and, above all, of the countries and regions where China has invested the most. A global economic and financial downturn would certainly reduce the size of the Chinese project.
- **Positions/reactions of key countries**, including the United States, Japan, India, Russia (see above), European Union/France (see section "The Positions of France and the European Union"). The Chinese project is facing increasingly strong and public criticism from some governments (India in particular). This opposition, though still limited, could be an obstacle to the project's development, especially if it were to mobilize widespread discontent from an increasing number of foreign countries in the medium and

long term. The United States could also become more directly opposed to the Chinese project and possibly develop a counter-strategy to the Chinese project with “like-minded” countries in the wider Asia-Pacific region – in line with the “Indo-Pacific” approach being currently developed (see above).

To the contrary, it is also possible that countries that are initially reluctant or openly hostile to the project will open up. This seems to be the case for Japan, which has, very cautiously, started to discuss the terms that would allow it to participate in B&R projects (see above). Beijing could benefit from this, through greater legitimacy and credibility for its project (at least in some aspects, such as infrastructure financing). At the same time, the association of these countries with B&R could *ultimately* change the nature and the path of the Chinese project (see scenarios below).

Russia's position is another important parameter. With significant diplomatic and military means for intervention, Moscow has strong capacity of influence – in Central Asia as well as in the Middle East and in Central and East Europe – that Beijing must necessarily consider. The effect of B&R on Chinese influence in traditional Russian areas of influence, and the outcomes on Russian economic, political and strategic interests, as well as synergies between the B&R and Eurasian Union projects promoted by Moscow, will have consequences on the Russian position and the success of B&R. Moscow may react to any attempt to relegate the country as a junior partner or secondary power. This does not seem to be the case so far, and a significant rapprochement between Moscow and Beijing has been observed in recent years (see above).

In any event, it is useful to remember the major political deadlines in these countries, the existing asymmetry between political agendas (a longer-term deadline for China and Russia than for most of the democratic countries) and the fact that the Chinese government is thinking ahead, taking into account the potential political changes and the changing positions of new governments vis-à-vis China and the B&R project.

*As a reminder:*

- *End of Xi Jinping's term: 2023 at least, perhaps 2028 or 2033?*
- *End of Vladimir Putin's term: 2024, most probably*
- *End of Shinzo Abe's term: he will remain in power until at least Sept. 2021*
- *End of Donald Trump's term: 2020, or possibly 2024*
- *End of N. Modi's term: current term ends 2019, subsequent elections in 2024*



- **The degree of coordination** between these countries must be considered. The emergence of a coordinated group of countries favorable – or conversely – unfavorable to B&R would undoubtedly have an impact on its development, or lead to a slowdown.
- **The economic health of these countries** must also be taken into consideration, including their ability to offer opportunities/alternatives to China or to consider China and the B&R project as an opportunity (as in the wake of the 2008+ economic downturn).
- **Positions/reactions of smaller countries**, especially those directly affected by B&R (Southeast Asia, South Asia and Central Asia in particular). Some, like Sri Lanka, are now bitterly assessing some B&R projects that have resulted in excessive debt. Faced with this observation, other small and medium-sized countries with limited financial capacities could be reluctant to agree to large-scale B&R projects on their territory. It should be noted that there may be a difference between perceptions of the Chinese project by the elites and the people (as in the case of Malaysia for example; see above for “other countries’ positions”).
- **Geopolitical stability and security.** The emergence of tensions in Chinese territory (Xinjiang and Hong Kong) or in its close geographical surroundings (Taiwan) could slow down the rollout of the B&R project, as the Chinese authorities busily solve more urgent issues. Similarly, the emergence of tensions with countries considered by China to be in the B&R zone (renewed friction relating to border disputes with India, for example) could be an obstacle to the Chinese project’s deployment.

## Scenarios

Three separate scenarios are considered, therefore, based on postulates A and B and the main variables:

- Scenario 1. B&R develops and succeeds in promoting a new form of globalization, which is gradually referred to.
- Scenario 2. B&R develops but in conflict with other forms of globalization.
- Scenario 3. B&R develops and then slows down.

## Scenario 1: B&R develops and succeeds in promoting a new form of globalization, which is gradually referred to

The first scenario below takes at face value Beijing's ambitions as affirmed in official statements<sup>201</sup> about B&R, including the ambition to make it the vector for a new form of globalization, and considers that the Chinese government has the resources to achieve this long term, that "nothing can withstand it".

### All-round investments

By 2035, China has launched **B&R projects all round**, both for "physical" large-scale cooperation projects (infrastructure construction and development, industrial parks, etc) as well as for non-physical and small-scale cooperation (cultural, digital, artistic, tourist cooperation, etc, labeled as "Belt and Road Initiative"). Economically and financially, the fact that China has managed to **diversify the sources of funding**, with bilateral or multilateral financing for some projects, protects the Chinese authorities against the risk of default.

Admittedly, some Chinese projects have suffered resounding economic failures (empty industrial parks, countries or companies with debt overhang) but **the Chinese authorities have got back on track** and learned from some practices followed in the first years of launching B&R. The NDRC and the Ministry of Commerce (MOFCOM) have particularly called for increased control of investments in some at-risk sectors and countries, and more generally, for **improved changes in country-risk** before investment.<sup>202</sup> In any case, a few resounding failures do not threaten the continued development of B&R, given the large number of projects and the Chinese authorities' determination. The latter consider that, in a project of this scale, some occasional failures are inevitable.

The number and frenetic rate of the initiatives launched, and the lack of information surrounding some of these projects, have made it difficult to formulate a strategic response from institutions in some of the countries affected, particularly those less familiar with China, its domestic politics, its foreign policy objectives (SMEs, local authorities, universities, museums, among other actors in civil society). Many responded enthusiastically to the Chinese initiatives, eager to take advantage of the opportunities that the

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201. This scenario mainly takes official documents into account that deal directly with B&R, but also other strategic documents, such as white papers published since 2012.

202. This decision follows the current project evaluation launched in summer 2018.

Chinese market could offer. Therefore, **many of them signed cooperation agreements with Chinese partner institutions, more or less explicitly labeled as B&R.**

Beyond the actors approached by the Chinese authorities, some actors, such as cities and ports, have spontaneously asked to be included in the B&R project, considering that it potentially offers new development opportunities. Many of them have sought to identify synergies between their own international development projects and the Chinese project.

The central institutions themselves (Ministry of Foreign Affairs of some European countries, for example) cannot compete with the **pace and effectiveness of Chinese diplomacy, which is constantly taking the initiative**, has now much more considerable<sup>203</sup> human and financial resources, and is recognized for its methodical and highly coordinated approach to issues and institutions it considers to be priorities. In particular, although many diplomats have clear positions on some major infrastructure projects, they are struggling to develop strategic thinking about aspects of B&R that are not directly related to concrete transport infrastructure projects (legal, digital, customs, normative cooperation, etc).

### **Institutionalization of B&R**

At local level, as at central, the development of B&R has become institutionalized. China is also gradually promoting this institutionalization with its partners, through agreements, MoUs, and even forums/platforms dedicated to specific topics.<sup>204</sup> Most countries in the world have therefore signed an MoU on B&R with China. China has thus gradually built up a network of friendly countries (or “**circle of friendly countries**” – in Xi Jinping’s<sup>205</sup> words), that it does not hesitate to reward by granting priority benefits to signatory countries of an MoU. For example, official B&R “member” countries have privileged access to China’s satellite system, BeiDou.<sup>206</sup> Increasingly, **countries that have signed MOUs and other**

203. As a reminder, China's diplomatic budget doubled in five years: from 30 billion renminbi (about €4 billion) for 2011, it is 60 billion renminbi for 2018 (an increase of 15% compared to 2017). A particularly substantial increase, although many established diplomats are restricted in their development by major budget cuts.

204. This institutionalization of B&R is difficult to challenge by foreign governments, as it concerns not only MoUs, but also bilateral cooperation mechanisms that have been in place for many years in some countries.

205. This expression is already used by Xi Jinping today. See, for instance: “Xi says China's Circle of Friends Enlarged in 2018”, Xinhua News Agency, December 31, 2018, [www.xinhuanet.com](http://www.xinhuanet.com). See also on J. Szcudlik, “Towards a ‘New Era’ in China’s Great Power Diplomacy”, Policy Paper, vol. 161, No. 1, PISM, March 2018.

206. Already stated, generally, in 2017; see “BeiDou Navigation to Better Serve Belt and Road Countries”, Belt and Road Portal (government website), November 7, 2017, available at: <https://eng.yidaiyilu.gov.cn>.

**documents formalizing their support for B&R receive favorable treatment from the Chinese authorities.** This treatment is materialized by systematic invitation to and broad representation at the B&R forums, privileged access by these countries' authorities to high-level Chinese authorities, development of economic partnerships with China, etc. Conversely, countries that are on bad terms with Beijing for political or geostrategic reasons are not invited to "Belt & Road" summits, even when these summits focus on non-sensitive issues (economic or high-tech summits, for instance).

### **Capacity-building through coercion**

As its economic development has progressed, China's coercive capacities have increased. In addition, **China has generalized the use of economic sanctions** against countries that may not be fully aligned with its political positions, as these are systematically considered as "enemies of China". Conversely, countries aligned with its positions enjoy considerable economic favors. Although many countries make use of economic sanctions, the specific characteristics of the Chinese political system – and, especially, the key role that the state continues to play in the economy – enable Beijing to apply sanctions immediately, overnight, by order of the central government, and to stop not only trade flows intended for some countries, but also human flows (such as tourists) if these countries are not aligned with China's official position on issues considered of "core interest". In particular, China encourages or restricts (and in some cases interrupts) increasingly frequently the flow of Chinese tourists to particular countries.<sup>207</sup> The Chinese authorities also modulate the flow of other population groups (students, business representatives, etc). Its capacity to exert pressure on a whole range of national actors – and not only civil servants – has become strong.

In general, **the rollout of B&R facilitated and made the repeated use of economic sanctions more effective** in defending China's "core interests" in the world.

Under the B&R framework, China has also developed its own compliance and extra-territoriality system, having learning from the US system and the case of Huawei, among others.

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207. As it was already doing during the years 2017-2018 (restricting the flow of tourists traveling to South Korea against a background of tension regarding the deployment of the US THAAD anti-missile shield on South Korean soil and traveling to Taiwan against a background of inter-Strait tensions, etc).

Beijing does not hesitate to impose economic sanctions each time that countries state positions or take actions that are not directly aligned with what Chinese officials consider to be its “core interests”.

Although its list of “core interests” is clearly not fixed and is tending to get longer, it can be divided into three traditional categories:

- **National sovereignty and territorial integrity:** mainly Dalai Lama/Tibet, Xinjiang, Taiwan and Hong Kong
- **Chinese political system and leadership of the Communist Party of China:** criticism of human rights, democracy, universal values, freedoms, etc
- **Sensitivities of the Chinese people:** sensitive historic periods: war crimes committed by Japan, the Opium Wars and other subjects related to the memory of and sensitivities about China’s “humiliation”

### **Global governance and multilateralism**

**The B&R forums have become real state summits that compete with established multilateral forums** such as the G20. Besides this major biannual multilateral summit in Beijing, China coordinates a variety of B&R forums on its territory and worldwide. These are becoming reference points for international interactions in many areas (between government representatives, companies, international organizations, universities, museums, etc). B&R is therefore used by the Chinese authorities as an exchange and diversification platform for international interactions. Simultaneously, China has managed to fully integrate into the majority of multilateral meetings that count and build bridges with B&R meetings (coordination between secretariats, frequent communication, etc), as Chinese diplomacy referred to as early as 2017.<sup>208</sup> Gradually, due to the perseverance of its diplomacy, subjects that Beijing considered as non-priority or sensitive (territorial disputes in the China Sea, human rights, etc) are struggling to be on the multilateral agenda. They are the subject of tough negotiations that some countries, including the United States and several European countries, are actively taking part in, but often finding themselves increasingly in the minority. In most bilateral and multilateral summits, China has managed to impose its own vision and definition of key topics and concepts.<sup>209</sup> A “definition gap”<sup>210</sup> has emerged on key topics (as diverse as the Internet, Human Rights, Journalism, Art, Freedom of Navigation, ...)

208. For example, see Wang Yi, the Minister of Foreign Affairs’ statement on May 24, 2017, “The Two Major Platforms of the ‘Belt and Road’ and G20 can coordinate and facilitate each other”, available at: [www.fmprc.gov.cn](http://www.fmprc.gov.cn).

209. Since the 2010s, China has been particularly promoting its own vision of human rights and rule of law at the United Nations.

210. A. Ekman, “China and the “Definition Gap”: Shaping Global Governance in Words”, Special Forum, The Asan Forum, November 4, 2017. [www.theasanforum.org](http://www.theasanforum.org).

and is making international cooperation on these more confusing and difficult.

Conversely, due to its activism in multilateral institutions – pre-existing and new ones – **the Chinese government has managed to multilateralize its national priorities.** Thus, the development of “connectivity” (or “infrastructure development”) has become the watchword of the G20, the BRICS, the Davos Forum and other multilateral meetings. Similarly, the sectors identified as priorities by the Chinese authorities for the country’s economic development and the competitiveness of Chinese enterprises (in documents such as “Made in China 2025” and other planning documents published in the following years by Beijing) are now identified as priority sectors by many multilateral organizations.

**Chinese diplomacy has invested so much in global governance over the period 2018-2035 that it has managed to fully restructure it to its advantage in 2035,** including on sensitive issues on which it is managing to organize summits where it is no longer the target of criticism. This is the case for global governance of human rights that China is leading and supervising in 2035. This is also the case for areas of governance that were consolidated during the 2020s, regarding the sectors of the future: e-governance, data/telecommunications governance, artificial intelligence, space, bioethics, etc.

### **China: a normative power**

At the same time, China has succeeded in consolidating its status as a **normative power.** In particular, the objective of developing synergies between Chinese standards and China’s partner countries’ standards, and above all of increasing the adoption of Chinese standards by countries along B&R and **the internationalization of Chinese standards** generally<sup>211</sup> has been achieved in a large number of sectors identified as priorities<sup>212</sup> in 2017 by the “Standardization Administration of China” (SAC – the body responsible for the coordination of Chinese norms and representation in China and abroad). This adoption was particularly promoted and facilitated by Chinese programs to “demonstrate” Chinese standards abroad (energy standards, agricultural standards, etc), but also for the training of foreign technical personnel, primarily in developing countries. In some traditional sectors (rail transportation), as in others that are under development (artificial intelligence, big data, etc), innovative Chinese companies –

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211. “Standards Connectivity Action Plan on Jointly Building the Belt and Road (2018-2020)” (标准联通共建“一带一路”行动计划 (2018-2020年), published on December 22, 2017 by the Office of the Leading Group for the Belt and Road Initiative

212. As a reminder of the priority sectors, see “Focus 1: B&R, a vector for promoting standards”.

supported by the state – have managed to shape new standards that are now referred to internationally.

### **China: a technological power**

Technologically, B&R has promoted the construction of telecommunications (5G and following generations) networks, the Internet and other new information and communication technology by Chinese companies abroad. Due to B&R, whose first action plan in March 2015 already identified submarine cables and data centers as strategic infrastructure to be developed rapidly, **China has managed in the 2020s to catch up in terms of Internet infrastructure outside Chinese territory.** The submarine cable network developed by Chinese companies is now among the densest in the world. **A large number of “smart cities” have also been developed by Chinese operators abroad, including in part of Europe.** This development raises questions in terms of network security, personal data protection, but also in terms of urban management and broader privacy protections for urban residents.

In monetary terms, with payment directly in RMB for a growing number of transactions with the B&R countries, the **Chinese currency has managed to establish itself as a major currency by 2035**, even if the process of internationalization, launched before the inclusion of the RMB in the IMF's basket of currencies (2015), has developed in an uneven manner – the Chinese authorities are either pushing internationalization, or curbing it – out of fear of repercussions on the national economy. Finally, the Chinese currency has fully managed to compete with the dollar, which gives the Chinese authorities better control of international financial flows (a privilege of the dominant currency).

Legally, after having founded **international B&R arbitration courts** in Beijing, Xian and Shenzhen, the Chinese authorities have founded many others in China and then gradually abroad. After a chaotic start, some of these arbitration courts have finally become established as unavoidable places for companies dealing with trade disputes.

### **Alternative development model**

Through their many B&R initiatives, even supported by various UN bodies (UNIDO, UNDP, etc), **the Chinese authorities have gradually directed the development model of many developing and emerging countries.** The increase in “industrial parks” (several hundred<sup>213</sup>) established at China's initiative in many foreign countries (in

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213. This broad evaluation is likely; Chinese media already announced the existence of 75 parks of this type built abroad since the launch of B&R in 2018.

Africa, Central Asia, Southeast Asia, Latin America, and to a lesser extent, Central and Eastern Europe) has generated, consciously or unconsciously in these countries, a land planning structure close to that developed by China in its own territory: export-oriented industrial parks, next to smart-safe cities, foreign investment specifically located in these areas, transportation networks specifically serving these areas.

Although these industrial parks are certainly pockets of growth in the areas involved – particularly since Chinese firms investing in them have adapted some of their practices (more recruitment from the local labor force, better consideration of their social and environmental responsibility, etc) – they are also sources of geographical imbalance in terms of economic development within the country (as in China, some priority zones have become much more developed than the rest of the territory). Many B&R training and support programs provided by the Chinese authorities for foreign civil servants, engineers and staff have also gradually oriented these countries towards an economic development model influenced by China's own model. The staff trained by China tend to follow the reform plans that were taught to them on their training course.<sup>214</sup>

These training programs, like all other vectors of influence, which have increased with the development of B&R (development of the Chinese state media network in foreign languages, scholarship programs, visits to China, financing establishments and schools abroad, etc), have also helped to **shape the political model of some countries**, while the Chinese authorities have hammered home through these various vectors, and throughout the 2020s, the effectiveness of the Chinese economic and political model, in contrast with the so-called ineffective models of “Western” countries. The number of political elites “inspired” by the Chinese political and economic model has much increased during the 2020s and continues to grow during the 2030s.

Although differences in perception of China remain between the elites and the people, and even among populations, China has generally managed to improve its image abroad and to arouse admiration: admiration mainly for its development model, given its relatively high growth rates (still above 5% in 2030), but also its language and culture (international development of Chinese audiovisual industry), through various soft-power tools (Chinese media in local language, promotion of Mandarin, B&R-labeled scholarship and training programs mostly). The “Chinese dream” is becoming an ideal in the eyes of a proportion of developing countries' populations. A significant

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214. A training program that included, besides technical training, a body of more theoretical teaching and recommendations, based on the Chinese development model.



proportion of developing countries' populations view China as a source of local development. Therefore, in some areas, the presence and influence capacity of established powers is reduced or faces strong competition in some areas (loss of influence of France in some French-speaking African countries, for instance).

### **A new form of globalization**

**Chinese diplomacy's "methodology" has also become the reference methodology for diplomats in many developing and emerging countries**, including those that have benefited from Chinese training programs (training programs, Chinese financing of diplomatic academies and other training centers abroad<sup>215</sup>).

From 2035, some Western analysts are wondering if the new world order is not, in a large part, overseen by the Communist Party of China. At any rate, the methods used by the new international organizations created at China's initiative (after the AIIB, Beijing has successfully founded other multilateral organizations) have gradually aligned with the methods used by the national institutions in China, particularly those based in Beijing (such as AIIB): strong hierarchy and interactions with the central authorities in Beijing, presence of a party cell within the institutions, political loyalty of the Chinese staff verified beforehand, etc.

**In 2050, China has completely managed to connect the various B&R projects and initiatives to ultimately restructure the world order** according to new land, air and maritime transportation networks (including submarine cables), new standards regulating these networks, and new bilateral and multilateral cooperation mechanisms. These networks include all the continents, including the Arctic – already identified as a "B&R" area in 2017. Beijing has gradually learned from the established normative powers, in its turn becoming one itself, and is now able to promote its own standards internationally: first, in developing countries, then gradually in developed countries.

China has also managed to **network** some of its B&R projects with others that were not initially labeled as such. For example, Djibouti's naval base is linked by a developed transportation network that primarily benefits the People's Liberation Army. By 2050, **military use of B&R infrastructure has developed**. The ports where Chinese companies have invested the most are used to serve the Chinese navy. These ports, as well as the new naval bases built, in addition to that of Djibouti, facilitate the

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215. In February 2018, China for example signed an agreement with Tunisia to set up a Tunisian diplomatic academy, which will train Tunisian diplomats, as well as those from other African countries. Beijing will finance this project at almost 200 million renminbi (around €27 million).

evacuation of natives by the Chinese navy in times of crisis, or the conduct of joint exercises with other navies. Overall, there is increased Chinese military presence along the shipping routes, with new force projection capacities well beyond the eastern Pacific, and particularly in the Indian Ocean. Massive Chinese investment in ports, but also in submarine cables and satellites, and in other flow management infrastructure (goods, data, people) has helped to much increase its espionage capabilities.

### **Weak international response and lack of alternatives**

If China has managed to develop B&R, as described above, it is in large part due to the weak responses and alternatives coming from other countries. **The United States has gradually been disengaging from the Asia-Pacific region** since the early years of Donald Trump's term (withdrawal from the Trans-Pacific Partnership – TPP, a desire to reduce the cost of its military presence in the area, developments in the situation on the Korean peninsula leading to the cessation of joint KOR-US military exercises and then withdrawal of US troops from South Korean territory, withdrawal of the THAAD anti-missile shield, etc.). This disengagement affects the credibility of the “Indo-Pacific strategy” promoted by several countries, including the United States, in 2018. The European countries – mainly France, Germany and the UK – have maintained their economic and military presence (in the form of declarations and patrols in the South China Sea in particular), but this presence is not able to compensate for US withdrawal. Above all, no country in the world is able to offer such important economic opportunities as China. Massive Chinese investment in Southeast Asia as part of B&R has had an impact on the political positioning of these countries vis-à-vis China and to a certain extent has weakened the political and security links that bound them to the United States.

Although several US allies in the Asia-Pacific region and beyond have tried to develop a coordinated response to the Chinese project, disagreements (economic, political, historical) between several of them, mixed with the difficulty at operational level of coordinating this response, have not been able to convert their strategic thinking into operational measures, and continue to effectively promote the “Indo-Pacific strategy”. This strategic thinking was subtle and well advanced (particularly in Brussels and Paris), but the time needed to validate and implement concrete decisions was too long (especially in the European institutions) compared to the speed of decision-making and execution on the **Chinese** side. **The formulation of a coordinated response at multilateral level was also hindered by Chinese activism in these same multilateral institutions.**

At a strictly operational level, few diplomats in the world manage to compete with Chinese diplomacy's human and financial resources, whose budget has been much increased over the years 2010-2020.<sup>216</sup> A substantial part of this budget is allocated to international communication and particularly to promoting B&R.

## Scenario 2: B&R develops and is in conflict with other forms of globalization

### *The assertion of an Indo-Pacific strategy as an alternative to B&R*

By 2035, China has launched B&R projects on a wide scale, both “solid” cooperation projects (construction and development of infrastructure, industrial parks, etc) and institutional, normative and human cooperation (cultural, artistic, tourist cooperation, etc, labeled as “Belt and Road Initiative”). However, **the results of and enthusiasm for these projects vary**. More than during the Chinese project's launch period (2013-2018), many countries are cautious about the Chinese proposals. In Western Europe, concerns about maintaining intellectual and artistic freedom, given the tightening of the political situation in China, are leading **academic and cultural actors to be more cautious in signing Belt & Road cooperation partnerships** with their Chinese counterparts, and more generally in their cooperation projects with China (closure of some Confucius Institutes based in European universities, revision of cooperation methods between laboratories, etc).

More broadly, the **European debate on foreign/Chinese investment** in strategic sectors, as well as the difficulty in establishing a form of reciprocity in terms of market access, have affected the approach of some European countries, which have become more cautious about B&R in general. The **debate over “sharp power”** and the potential interference of powers such as Russia and China in the political affairs of some democracies has also reinforced some European countries' skepticism about Chinese initiatives.

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216. The public budget allocated to foreign policy has been increasing rapidly since the start of Xi Jinping's presidency. It has doubled in five years: from 30 billion renminbi (around €4 billion) for 2011, and it is now 50 billion renminbi for 2018 (an increase of 15% compared to 2017) – a particularly significant increase, although many diplomatic missions are restricted in their development by major budget cuts. And it is likely to continue to increase in the coming years.

**Many countries have finally turned to a clearer rejection of the Chinese approach after attempting “pragmatic openness” to B&R** (see the case of Japan above) but finding that it was particularly difficult or even impossible to adjust/redirect some of the Chinese projects, and more generally, to influence their nature by taking part in them.

In this context, public opposition of some developed or emerging countries – such as India, which has maintained its categorical opposition to B&R throughout the 2020s – to the Chinese project represents a major obstacle to its development. Other countries, mainly the United States, but also Japan and several European countries, have joined India in their **desire to not only oppose the Chinese project, but also to “counter” it** by proposing an infrastructure development project more in line with their practices and interests. In particular, Japan and India have become significantly closer, and this rapprochement is exemplified by the joint development of infrastructure projects, whose number has increased since the end of the 2010s (in keeping with the launch in 2017 of the Asia-Africa Growth Corridor).

Therefore, **different transportation networks (road, rail, sea, air, submarine, etc) are being developed in parallel**. Some even conflict with it in some regions: in Asia-Pacific, networks developed by Chinese companies are barely compatible with those developed by Western companies.

Several countries, open to free trade, have gradually joined forces to jointly preserve the world's liberal order. After the initial Japanese and US statements proposing a “free and open Indo-Pacific” region in 2017, a nascent alternative to B&R, **a wider group of countries, beyond Asia, including the European Union and various European countries** (such as France)<sup>217</sup> has formed to coordinate and **gradually consolidate this alternative**, which, like B&R, involves the development of transportation infrastructure,<sup>218</sup> and cooperation in other areas (digital, satellite, etc.). **This Indo-Pacific strategy has consolidated at a great rate during the 2020s**, in view of its territorial, military and economic

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217. In May 2018, during President Emmanuel Macron's visit to Australia and New Caledonia, France officially announced its support for the development of an “Indo-Pacific” axis; see at: [www.elysee.fr](http://www.elysee.fr).

218. In June 2018 the Secretary of State for Defense James Mattis described private investment in the infrastructure sector as the 4th axis of the Indo-Pacific strategy: “A fourth theme is the private sector-led economic development. The United States recognizes the region's need for greater investment, including in infrastructure. We are invigorating our development and finance institutions to enable us to be better, more responsive partners.” Speech on June 2, 2018 at the Shangri-la Dialogue, Singapore: [www.defense.gov](http://www.defense.gov).

presence in the region and its increased security partnerships with several countries in the region (Australia and India in particular).

The deployment of **this Indo-Pacific strategy competes with and reduces, to a certain extent, the area of influence developed by China** through the B&R project. It also has the effect of renewing and consolidating economic and security partnerships between allies in the region. In this context, **growing polarization** emerges between allied countries on the one hand and non-allied ones on the other, between an alliance system promoted primarily by the United States and a partnership system promoted primarily by China, with support from Russia. Economically, although the allied countries are not able to mobilize investment and funding to the same extent as China, their offerings in terms of infrastructure development and technology (including military) are nevertheless attractive for a large number of east and south-east Asian countries, and the continuation of TPP, due to Japan's activism, and its development (reintegration of the United States) help to boost trade in the region. In addition, the financial terms applied do not result in the countries involved being in a situation of over-dependence, and are more respectful of their long-term interests.

### *Limits and readjustments of the B&R project*

At the same time, many other countries continue to respond positively and enthusiastically to the Chinese project, particularly those – developing or emerging – that still need infrastructure. These countries have gradually formalized their cooperation projects with China (signing of MoU, official documents supporting B&R, reclassification of the bilateral relationship as a “global strategic partnership” or other terms offered, etc) and are considered by China as “friendly” countries. **Given the heterogeneity of the responses to its project, China now perceives the world according to two broad categories – friendly countries and the rest** – and adjusts its diplomatic practices accordingly (greater availability of Chinese leaders and officials for “friendly” countries, loans granted more easily, privileged access to some Chinese infrastructure – satellites, submarine cables, ports, airports, etc.).

**These countries, through the development of B&R projects, are increasingly moving closer to China in their economic development structure** (presence of industrial parks, massive state investment in infrastructure, growth mainly based on state investment and exports, etc). Although the image of China is favorable in some developing countries, particularly because companies are more inclined to recruit

locally, it has deteriorated in other countries – some even viewing China as a new colonizing country, mainly in search of raw materials and natural resources, and overall unconcerned about its local contribution. Moreover, some developing countries no longer accept China presenting itself as a developing country.<sup>219</sup>

**Methodologically, China faces difficulties in implementing its project locally:** the broad strategic guidelines decided by the central government are struggling to be implemented in the provinces by local institutions, and abroad by Chinese diplomacy, because of the “top-level design” methodology used by the central government and the low degree of initiative of Chinese civil servants since the launch in 2013 of the strict anti-corruption and political discipline campaign – and which is still in place in the 2020s.

China is no longer considering new large-scale infrastructure construction projects, given the low return on investment of projects to date, but also the gradual erosion of its financing capacities and the lack of support for multilateral institutions. **The “hard” dimension (infrastructure) refocuses on the Eurasian region**, the initial geographical base of the B&R project at its launch in 2013. Increasingly, B&R appears like an improved “neighborhood policy”. However, even if the “hard” dimension of B&R is scaled down, the less expensive (but potentially more politically rewarding) “soft” dimension continues to be promoted by the Chinese authorities to a certain extent. Specifically, the promotion of Chinese standards continues abroad.

In fact, in the 2020s, China has managed to promote its standards in some countries, but not in others. This creates **new sub-regional disparities**: thus, in Southeast Asia, some countries have fully accepted Chinese standards (Laos and Cambodia among others), whereas other countries in the same region have been more reluctant and continue to follow existing standards. This heterogeneity may even affect the regional integration process, by limiting the possible interoperability of railway systems, for example. The same disparities are observed in Europe: some Central and East European countries (EU and non-EU members) have adopted some Chinese standards, but not the Western European countries. **Two parallel systems of international standards now co-exist.**

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219. In 2018, China is still considered, officially, as a developing country and does not hesitate to emphasize this to its foreign partners.

## *Increased rivalry between Chinese and US networks*

**Two types of regional and global order are also opposed to each other.** Even more clearly than in 2018-2020, China hammers home from 2020-2030 its desire to bypass the organization through alliances of the Asia-Pacific region and the world at large.<sup>220</sup> Due to the rollout of B&R, China has managed to develop important economic partnerships with allies of the United States. These economic partnerships are gradually consolidating the political, and in some cases, military rapprochement of some of these countries with China (particularly Southeast Asia), which are increasingly caught between their traditional US ally and their new Chinese partner. More generally, China has managed to promote in part the “new type of international relations” sought by Xi Jinping. **The new partnership system promoted by China has been developed in various directions in Asia-Pacific,** including with countries traditionally considered as major allies of the United States in the region (such as South Korea), thus muddying the waters between countries close to China and the United States and causing confusion with regard to the region’s organization, and making the US alliance appear to be less and less structuring.

In this context, the structuring component in the Asia-Pacific region mainly appears to be **China-US rivalry, which has much increased** during the 2020s (trade war, tensions relating to Taiwan, the Korean Peninsula, the South China Sea) and affects many trouble spots, including beyond the region. B&R makes it possible to seize economic opportunities and consolidate the political relations between China and some countries at odds with the United States (Iran among others).

Against this background of increased rivalry, and particularly following trade tensions from 2018 to 2020, China and the United States both acted to **reduce their economic interdependence** and mutual economic vulnerability. China has much reduced its investments in the US market, and vice versa, to the point that Beijing and Washington are far less concerned about the possible economic consequences (sanctions) of their political and diplomatic decisions. This development leads to both capitals making firmer decisions on certain regional issues (Taiwan and the South China Sea, among others).

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220. See A. Ekman, “China’s ‘New Type of Security Partnership’ In Asia and Beyond: A Challenge To The Alliance System And The ‘Indo-Pacific’ Strategy”, Elcano Royal Institute, Madrid, March 26, 2019. [www.realinstitutoelcano.org/](http://www.realinstitutoelcano.org/)

The reduced China-US economic interdependence enables the coexistence of two parallel transportation systems, standards and international institutions; **there is a gradual, but no less significant repolarization in international relations, which resembles the Cold War** to some extent. The opposition between the two “blocs” is not, however, as clearly defined as during the Cold War, in a context of more developed globalization, and as China, in parallel to the development of its own networks, is continuing to increase its integration in pre-existing networks and to position itself in its official communications as a conciliatory power.

China is not alone in promoting a post-alliance and post-Western world order. In the late 2010s, it found support from Vladimir Putin’s Russia, which to a certain extent shares a common world view (mainly rooted in strong anti-Western hostility) and restructuring of global governance. It also found support from developing countries that shared strong hostility with China towards former colonial powers and the Western world in general.

**The opposition between countries supporting or distrusting B&R has gradually turned into an opposition between democracies and authoritarian countries in the broad sense.** Some Central and East European countries (Hungary and Poland, from 2018), as well as some South European countries (Greece, from 2018) explicitly support B&R, but also the economic development and political model promoted by China, in contrast to that promoted by the European Union. Gradually, during the 2020s, China has managed to position itself towards these countries as a viable economic and political alternative to the European Union. The European Union, aware of this opposition on its own territory, promoted its own infrastructure development plan<sup>221</sup> increasingly effectively during the 2020s, but is opposed to the domestic politics dynamics specific to some member states, which do not hesitate to challenge the terms defended by the EU, or even the legitimacy of the values and political system it upholds (in line with the opposition between liberal democracies and authoritarian regimes observed from the 2010s).

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221. See “Research for TRAN Committee: The new Silk Route – opportunities and challenges for EU transport”, Directorate-general for international policies, Policy Department for Structural and Cohesion Policies, European Parliament, January 2018.



## Scenario 3: B&R initially develops and then slows down

### *External obstacles*

By 2035, **India's opposition to the Chinese project has been followed by other countries**, either for political reasons (Japan and the Philippines) or for economic reasons (countries suffering from indebtedness or worried about becoming so). After the case of Sri Lanka,<sup>222</sup> other countries (such as Nepal, Laos, Mongolia, Montenegro, Kyrgyzstan and Tajikistan) found themselves heavily indebted after developing large-scale B&R projects on their national territory.

Beyond the issue of debt, many countries that have developed B&R projects on their territory continue to face economic difficulties and regret that these projects have not had more impact on the local economy (low local recruitment rates for the development of B&R projects, industrial parks mainly invested in by Chinese companies, over-sized projects or out of kilter with the country's development needs, etc). **Some of these countries have become "bitter" vis-à-vis China that they do not hesitate to compare to a new colonizing power.**

**At the same time, some large investments made as part of B&R have resulted in net losses for the Chinese and foreign investors involved.** The erosion of the country's financial capacity following the downturn in the economy, and measures implemented by the government to prevent new investments that are too risky, result in a partial reconsideration of the project. Some investments, and particularly in at-risk areas, such as those in Pakistan's Gwadar port, have also felt the full force of security issues (Chinese and local workers working at the site victims of terrorist or criminal attacks).

Overall, at the time when political control is tightening – particularly since the 19th Party Congress in October 2017 – the rigidity of the implementation of central directives internationally makes it **more difficult to accept China as a reference**. Already in 2017-2019, the method used by the CPC to promote some of its concepts and projects started to be viewed as too statist, mechanical or repetitive, and led to caution in an increasing number of countries. Domestically, **the hardening of the Chinese political system caused inertia** among a number of

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222. See for example: "How China Got Sri Lanka to Cough Up a Port", Maria Abi-Habib, *The New York Times*, June 25, 2018.

local officials and economic actors that did not wish to take the risk of being in a position of failure vis-à-vis the Communist Party.

Given these failures, **the Chinese authorities have gradually accepted help and support from many countries (the United States, Japan and India) and institutions (AIIB among others)** that have become fully involved in B&R. As they became involved in the project, **these actors have managed to change the Chinese project considerably**, so that it becomes a multilateral project strictly speaking, different in many ways from the Chinese authorities' initial vision. The practices (calls for tender and level of transparency) have also changed. These countries and institutions have also managed to change the project development method and arrangements from the inside: **it is more participatory and less supervised by the Chinese central government, which itself becomes an actor among others.**

More generally, the United States, Japan, India and other allies in Asia-Pacific – including France – have managed, after a period of trial and error from 2013 to 2020, to coordinate their efforts to promote a more consistent common infrastructure development policy in the region and beyond.

Generally, **these “like-minded countries”**, which share, to a certain extent, a common vision of free trade, of the limited role of the state in the economy, of managing the Internet, and, more generally, the relevance and importance of democracy, **have managed to preserve the international liberal order inherited from Bretton Woods.** This preservation was ensured by means of an adjustment and renewal of this international liberal order, making it possible to increase its effectiveness in facing new challenges (climate, cyberattacks, terrorism, etc). Above all, they have managed to move from a defensive to a more proactive approach, launching new initiatives just as China did previously.

### *Domestic obstacles*

On the domestic front, Xi Jinping faces many difficulties, primarily economic. The downturn in growth has occurred more strongly and quickly than expected, with direct consequences for purchasing power and more generally the lifestyle of a substantial proportion of Chinese households.

In this context, **criticism of the “waste” of money that B&R would represent** – already present as of 2019 – is increasing among the Chinese people, with some considering that the authorities may have better things to do than invest massively abroad, taking the local needs into account (besides the decline in purchasing power, the health insurance

system and retirement pension still remain incomplete and insufficient for many Chinese households).

Even though this slowdown has not been questioned at official level, the B&R project (itself designed from its launch as a means of finding new growth opportunities abroad), **the diplomatic and especially financial resources made available for its development are now less substantial** than in its launch years. In particular, the vast communications campaign, deployed by Beijing from 2013 to promote B&R abroad, is now much more modest. Therefore, in many countries, we are gradually hearing less about “B&R”, with the term even becoming obsolete in some of them, in the same way as the “Go Out Policy” launched by Jiang Zemin in 1999.

Similarly, Chinese diplomacy no longer has the resources to organize B&R forums on the same scale as those organized in 2013-2018. The B&R summit, which already brought more than 20 heads of state together in May 2017, failed – 10 years later – to become a multilateral reference summit capable of competing with the G20 or other established multilateral forums. The budget allocated to its organization also no longer ensures its continuity.

More generally, **Chinese officials and researchers are showing a certain “fatigue” towards this project hammered home by the central government for more than a decade**, and that they were ordered to implement rapidly, without really understanding exactly what it was about. The concept is increasingly ringing hollow; more than 15 years after its launch, it still has not been defined in concrete terms by the Chinese authorities, and the label seems to be used for all types of projects, without obvious consistency. The “catch-all” dimension of B&R also aggravates some foreign partners, who were expecting a clarification that is not forthcoming from the Chinese side.

In addition to the civil servants’ “fatigue”, **“fear” also forms an obstacle to the rollout and implementation of B&R**. The anti-corruption campaign launched by Xi Jinping in 2013 has continued beyond 2020. It became a campaign to maintain political and ideological discipline, led by discipline committees at central and local levels and whose inspections and investigations are feared by civil servants. As in 2013-2019, Beijing continues to ask its foreign partners for “policy suggestions” and in particular for concrete project proposals as part of B&R, while Chinese officials prefer to avoid taking potential risks in identifying projects that could be refused or badly viewed by the central government. The latter continues to strictly control local officials, who are always subject to supervision and surveillance by the local discipline committees set up in

2018. The strict anti-corruption campaign launched by Xi Jinping in 2013, which can quickly lead to accusation, investigation and punishment of central and local officials, is still in force in 2023, and has greatly slowed down the concrete implementation of the B&R project by Chinese officials since its launch.

In 2035, the extension of the term of office of Xi Jinping, now 81 years old, frustrates part of the Party elite and the general population. Against this background, **the central government is concentrating its efforts on maintaining what it calls “political and social stability” and “management of society”** (through analysis of big data and other new information and communication technologies in particular) and has little time and energy to devote to the development of major international projects such as B&R.

The personalization of B&R is such that developments concerning Xi Jinping himself (loss of image at home and abroad, aging, leading the country less and less dynamically, etc) conditions the course of B&R.

This political situation helps to worsen China's image abroad even further. The idea of a “Chinese dream” is hard to imagine for people in developed countries, given the authoritarian and repressive nature of the Chinese political system, the downturn in the Chinese economy, and the great difficulty – or even the impossibility – of becoming a permanent resident or Chinese citizen for people not of Chinese origin. People from the first large waves of immigration from sub-Saharan Africa to southern China in the 2000s failed to regularize their situation in China and had to leave the country. China has not become a land of immigration during its economic rise, unlike the United States or Europe.

## Conclusion: which scenario is most likely?

Prediction is always a difficult and risky exercise, and, given the variety of domestic and external variables, it is difficult to identify the most likely scenario out of the three described above. The detail of these three scenarios, however, makes it possible to imagine in concrete terms the different possible outcomes of the Chinese project in the medium and long term, and the impact on the organization and functioning of globalization.

Despite the difficulties of the exercise and all necessary reservations, Scenario 2 seems the most likely to our research team, based on several recent observations, six years after the launch of the Chinese project:

- **The Chinese project is found to have both strengths and weaknesses:**
  - Among the strengths (*a non-exhaustive list*): long-term strategic vision, central government's determination to promote and carry it out, mobilization of a variety of national and international actors
  - Among the weaknesses (*non-exhaustive*): scattering of projects and areas of application (hard and soft), insufficient country-risk assessment, which could lead to resounding failures, almost exclusively Chinese sources of financing, which could run dry and damage the rollout of B&R, higher exposure to Chinese economic failures and interests abroad (security problems for certain Chinese investments and nationals in at-risk areas)
- **The Chinese project generates both enthusiastic and skeptical international responses:**
  - Among the enthusiasts: developing countries and countries that have signed an MoU
  - Among the skeptics: India, the United States, some Western European countries, countries in a situation of debt overhang after B&R projects
- **The Chinese project appears durable, even though showing the first signs of slowdown:**
  - Durable given the scale of the financing, the long-term timescale of major Chinese infrastructure projects, the Chinese political agenda and the long-term planning system, etc.
  - First signs of slowdown: fatigue of some Chinese authorities and officials, emerging criticism among the Chinese people of the "waste" of public money abroad, **slowdown of investment in B&R countries, first cases of debt overhang stoking resentment and reluctance in other countries**, etc.
- **We start to see the emergence of a desire to provide and/or promote alternative infrastructure project financing:**
  - Japan, India, United States and Australia are all concerned about the implications of B&R and are committed to coordinating their infrastructure financing policies in the Indo-Pacific region.
  - Several countries or group of countries, such as the European Union and France, are expressing interest

in supporting a variety of connectivity initiatives in the region to prevent the dominance of B&R.

Furthermore, the likelihood must be considered that the progress of B&R will not be similar in all its dimensions: there may be pockets of strong resistance to some projects and issues, and easier progress with others. Scenario 2 best reflects this likelihood of **partial progress of the Chinese project**, which would be neither a complete success nor a resounding failure in all areas, but would lead to a certain **polarization** between, on one side, China and the countries supporting B&R and, on the other side, a coalition of skeptical countries providing other infrastructure financing projects and actively promoting the maintenance of liberal standards internationally.

Scenarios

# Recommendations

## Account for all dimensions of the B&R

This report recommends considering:

- **The expansion of B&R in terms of sectors**, in other words the development of « physical » infrastructure (transport, communication, energy, special industrial parks and zones, etc.) but also of **non-physical areas of cooperation**. In particular, the following areas are already concerned by the Chinese project, and are likely to continue to be so in the coming years:
  - Law (international trade court of arbitration, international promotion of Chinese law and legal institutions, etc).
  - Norms & Standards
  - Communication technologies (5G/mobile network, submarine cables, data centers, etc).
  - Police & Security (« *smart & safe city* », closed-circuit television, facial recognition, customs cooperation, etc.)
  - Culture (cooperation between museums and other cultural institutions)
  - Education (cooperation between laboratories and research departments)
  - Tourism, and in general terms human flows management.
- ⇒ *Non-exhaustive list, likely to expand given the evolving nature of the Chinese project. So far, according to the Chinese authorities, there is no limit to areas of cooperation under B&R, all sectors are potentially covered.*
- ⇒ *In any case, it is necessary to bear in mind that B&R is **not only about infrastructure projects.***
- **The geographical expansion of B&R**. The project is not only centered on the greater Eurasian region. It also includes Africa, Latin America, the Arctic, etc. According to the Chinese authorities, all regions and countries are potentially covered by B&R.
- **The evolving nature of B&R**. B&R is a constantly evolving plan. Adjustments – of the official communication strategy in particular –

have been numerous since the launch of the project. In this context, it is necessary to constantly adjust and update the analysis of B&R.

## Find a suitable methodology

This report considers that it is important to **formulate the appropriate methodology** when it comes to dealing with B&R. Strategic thinking about the methodology can be as important as the content, if not more so. Below is a set of methodological recommendations:

- **Avoid using the term “Belt & Road Initiative” or any other general expression.** Given that B&R has so far been a label used to encompass projects of all types and locations, and that the official definition of “Belt & Road Initiative” remains unclear, the use of such expression is a source of misunderstanding. Instead, it is preferable to refer to concrete areas of cooperation and projects.
- As long as the label « Belt & Road Initiative » is not more clearly defined, it is also preferable to **avoid signing Memorandums of Understanding** and other agreements under this broad label. In general terms, this report considers that for the sake of transparent and effective bilateral and multilateral discussions, it is preferable for partners of China to refrain from using this official expression without having previously agreed on its exact meaning.
- More than 5 years after the launch of “B&R”, it is legitimate to ask Chinese counterparts for a more precise definition of the project, its objectives, recent adjustments, potential development paths in the future, methodology of implementation, etc. Such **clarification** is key for reducing the current level of ambiguity surrounding B&R.
  - Strategic ambiguity may be useful up to a certain point. This report reckons that strategic ambiguity surrounding the « Belt & Road Initiative » label is such that it is not in the interest of China’s partners to endorse or use the label. On the contrary, using it may reinforce misunderstanding and confusion around the nature of the bilateral or multilateral cooperation promoted under this label.
  - The careful use of the « Belt & Road Initiative » label appears all the more necessary since the definition of this expression



is likely to evolve,<sup>223</sup> and the expression itself may also evolve (as it did already previously: the Chinese authorities first used the expression « New Silk Road », then « One Belt, One Road », then « Belt & Road Initiative »...).<sup>224</sup>

- Such **request for clarification** may also apply to other official Chinese expressions for which definitions remain unclear, such as “green belt & road”, “community of common destiny”, “new type of international relations”, etc.

Other methodological recommendations of the report include:

- **Account for the networking dimension of B&R.** Chinese authorities consider B&R not only as a platform of interactions between governments, but also as a networking platform among a diversity of institutions (research labs, universities, think tanks, museums, NGOs, etc.).<sup>225</sup> The approached institutions would gain in assessing the objectives<sup>226</sup> and functioning of these networks created by China under the B&R label before joining them.
- **Account for the local dimension of B&R.** Chinese authorities engage directly with local institutions abroad (cities, regions/counties, port and airport administrations, etc.) to promote B&R. These institutions would also gain by requesting clarification from their Chinese counterparts. In some instances, they may also gain by seeking support from their central governments, as local authorities often lack knowledge and analytical support on B&R, and more generally on China and its foreign policy, in order to make a fully informed decision on B&R-related projects.

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223. In April 2019, China started to draft new rules for overseas investments to be considered part of B&R, according to some press articles, marking the first attempt to define B&R more clearly. See : “China Moves to Define ‘Belt and Road’ Projects for First Time”, *Bloomberg News*, April 3, 2019, available at: [www.bloomberg.com](http://www.bloomberg.com).

224. This approach is so far coherent with that of the European Union, which is not using the Chinese official expression much (it prefers to use the term « connectivity », among other key words).

225. Xi Jinping’s opening speech at the Belt & Road forum of May 2017 in Beijing confirmed this trend. At the time, Xi called for the creation of the following B&R networks, among others : “Belt and Road free trade network”, “multi-tiered Belt and Road financial cooperation network”, “network for cooperation among NGOs”, “Joint Laboratory Initiative”, “Technology transfer initiative”, “big data service platform”.

226. The objective of some of these networks, such as the Belt & Road think tank network, is to promote the official communication on the topic internationally.

- **Acknowledge that B&R proposes to reshape global governance.** In this sense, it is important to assess if the new bilateral and multilateral cooperation platforms proposed by China are needed, and if so with which objectives, before joining them. This assessment appears relevant given that B&R is also a channel used by Chinese diplomacy to promote its own method and frameworks of bilateral and multilateral cooperation. Beijing strongly encourages foreign counterparts to participate in bilateral and multilateral cooperation platforms under the B&R label (B&R bilateral committees, B&R forums, etc.).
  - **Participation in such platforms should be assessed according to the interests of the foreign partner, but also to the partner's position and view on the evolution of regional and global governance.**
  - The assessment should take into account the fact that China may “disinvite” a country to its B&R forums due to political or geostrategic divergences (case of Singapore at the Belt & Road Forum of May 2017 is one example, while Thailand is another).<sup>227</sup>
  
- **Acknowledge that B&R proposes to reshape globalization.** Chinese authorities are clear in describing the “Belt & Road Initiative” as a new form of globalization that differs in many respects from the existing globalization trends. In the long term, B&R may shape new trade routes, logistics frameworks, international norms and standards, etc.

## Think strategically about the future of globalization and global governance

**In this context, it is key for China's foreign partners to be clear about the type of globalization and global governance they want to preserve, adjust or see emerge.**

- **Such strategic thinking does not need to be attached to the “B&R” concept.** On the contrary, it should be developed independently of it, according to the country's own priorities and interests. **A strategy shaped only in reaction to the Chinese proposal would be limited in scope and imagination.**

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227. On the Singaporean case, see: B. Jaipragas, “What New Silk Road Snub Means for Singapore's Ties with China”, *South China Morning Post*, 18 May 2017, [www.scmp.com](http://www.scmp.com). On the Thailand case, see: P. Busbarat, “Why Was Thailand's Prime Minister Absent in the Belt and Road Initiative Summit?”, ISEAS Commentaries, 7 June 2017, [www.iseas.edu.sg](http://www.iseas.edu.sg).

- By promoting its own strategy in a proactive way, China's diplomacy has already **indirectly pushed some countries to enhance their own strategic brainstorming and planning on the future of globalization, global governance and multilateralism in order to remain competitive.** But many others have not undergone this process and would gain in doing so.

In this sense, B&R is not **only a source of concern, but also an indirect source of opportunity, and in particular of opportunity for enhancing strategic planning and vision on the key topics and areas** including, but not limited to the following:

- **Territorial development** (national and regional architecture, management and development of rail/land/air/maritime transport infrastructure);
- **Norms and standards**, in traditional or emerging sectors: artificial intelligence, Big Data, « smart cities », etc , taking into consideration potential social and political consequences (data protection, state surveillance, smart cities...);
- **Multilateralism and global governance reform**, including climate and cyber governance;
- **The future of globalization.** How should trade routes, logistics frameworks, international norms and standards, etc. evolve?

**Once again, strategic thinking on these core topics does not need to be attached to the “B&R” concept.** It would gain from being developed independently, rather than in pure reaction to China's initiatives.

Strategic planning and vision on these areas could gain in being developed jointly at multilateral level (UE, G7, others) among countries who share similar commitment to **a form of globalization that guarantees certain freedoms** (of the individual, of expression, of private ownership and entrepreneurship, of circulation and navigation, etc.).

At the same time, it must be emphasized that this report also calls for a **“cooling down” of the international debate on B&R**, which has in recent years (2018-2019) deviated towards a generalizing discourse against China and its initiatives overall, often at the expense of the analysis, and which in some instances more closely resembles conspiracy theory discourse. This report also considers the current communication wars

between public diplomacies<sup>228</sup> on the B&R topic as counterproductive for strategic analysis/planning.

## Factors to consider for anticipating the B&R's development

- **Consider existing and future official planning documents related to B&R.** Although these documents are typically formulated in very general terms, some paragraphs are nevertheless quite detailed and explicit about the ambitions and concrete objectives of Chinese projects in some areas (for instance, the official document on the maritime dimension of B&R<sup>229</sup> provides interesting details on the “Blue ocean” concept, on China’s objectives regarding maritime norms, on port cooperation projects, etc.)
- **Consider existing and future official planning documents that are not specifically related to B&R.** Because B&R is seen by the Chinese government as a vehicle for internationalization of national priorities, following those on a comprehensive and regular basis will help anticipate B&R priorities.
- **Consider linkages between China’s “core interests” and B&R.** As B&R is likely to continue to expand geographically, the project may have geostrategic implications in numerous areas, and first and foremost in areas that China considers as key for the defense of its “core interests”. In particular, the following should be taken into account:
  - **The political role that B&R could play toward Hong Kong:** Beijing is fully integrating Hong Kong within the framework of B&R. In addition to hosting a growing number of B&R regional and international forums and meetings, Hong Kong is a member of the AIIB and a wide range of free trade and investment agreements. The same question is raised, in different terms, for **Macao**, at a time when Beijing considers that all the special administrative regions should fully take part in the

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228. For this reason, this report avoided the systematic use of terms that become familiar when talking about B&R, being from China’s official diplomacy (such as the term “initiative”) or its critics (such as term “debt trap”).

229. Cf. « Vision for Maritime Cooperation under the Belt and Road Initiative », June 2017.

development and promotion of B&R. So far, Hong Kong and Macao have done so by fully aligning themselves with priorities and keywords set in Beijing.

- **The political and geopolitical role that B&R could play toward Taiwan.** The role Taiwan could play in the framework of B&R is unclear so far, but this is likely to change in the years to come. B&R can have various implications for Taiwan. In particular, it can reinforce Taiwan's isolation (Taiwan is not a member of the AIIB, for instance) and Taiwan's economic dependence on the People's Republic of China, as Xi Jinping's January 2019 speech on Taiwan clearly underlines the centrality of the economic instrument in his toolbox for long-term reunification.<sup>230</sup>
  - **The political role that B&R could play in garnering international support for China's "core interests",** in particular the political consequences of major infrastructure projects in small- and medium-size countries, including in Europe, when the interests of these states compete with those of China.
- **Consider the mandate of Xi Jinping (duration, in particular).** Given that B&R is one of Xi's core projects, it is likely that the Chinese president will continue to promote B&R as long as he is heading the country.
  - **Consider trade and investments trends** that would indicate a "decoupling" and reduction of the interdependency currently existing between the Chinese and American economies. These trends would suggest a step-by-step bipolarization of international relations, according to two poles with their own preferred economic partners but with limited economic dependency between each other. To be sure, at a time of globalization, the emergence of cold-war style "blocks" is unlikely, but a decoupling of the Chinese and American economies – leading to a bipolarization of the global economy – is possible.
  - **Identify and follow B&R "patterns".** As B&R tends to be promoted and developed in similar ways from one country to another, one region to another, under the supervision of the Chinese

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230. On this, cf. for instance "Highlights of Xi's speech at Taiwan message anniversary event", *China Daily*, 2 January 2019, [www.chinadaily.com.cn](http://www.chinadaily.com.cn). See also previous presidential speeches on the topic. For instance on 10 April 2018, when Xi encouraged the business community in Taiwan to promote the "peaceful development" of cross-strait relations.

central government, it is helpful for prospective analysis and decision-making to identify these patterns.

- For instance, the Chinese authorities have launched similar calls to a diversity of foreign governments and institutions to create a bilateral committee on B&R, to cooperate in third country markets (“third-party cooperation”, according to the official expression), to co-organize B&R forums, to develop B&R think tank networks, etc.
  - These patterns also exist on B&R communications: since the 19th Party Congress (October 2017), a form a **“lexical rigidity”** on B&R is noticeable. Official talking points and expressions dominate Chinese discourse on the B&R to a point that it becomes difficult to bypass them and engage in a more precise, detailed or analytical dialogue on the topic. Identifying these key talking points and expressions can be helpful to assess whether or not using them is of interest of the foreign parties involved in such dialogue / negotiation of joint declarations, joint statements, Memorandums of Understanding, etc.
  - Given the existence of similar methodological and rhetorical patterns promoted by China’s diplomacy from one country to another, **experience sharing among countries** regarding these patterns is particularly useful and would gain in being reinforced (among EU member states, for instance).<sup>231</sup>
- **Be imaginative, as “everything is possible” under the B&R framework.** Reminder: all sectors/professional areas and countries/continents are potentially covered by B&R (including the polar extremes to the depths of the ocean floor to the upper atmosphere, outer space and even other planets...).

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231. This experience sharing process already exist on a case-by-case basis within the EU (regarding the negotiation and/or rejection of B&R MoU signing, for instance, or the shared identification of key Chinese expressions), but would gain in being developed further in the coming years.





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