



China's way: the new Silk Road

by Camille Brugier

The manner in which Russia deals with its neighbouring states is not a source of concern for the European Union only. Further east, China is closely watching Russia's geopolitical moves, in particular Moscow's actions in Ukraine and its attempts to create a Eurasian Union.

The fear that Moscow may try to keep Beijing away from what it considers its special 'zone of influence' is not new: after rejecting the Chinese initiative to create a free trade zone among the members of the Shanghai Cooperation Organization (namely China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan), Russia created its own Eurasian Custom Union with Kazakhstan and Belarus – a move which is perceived in Beijing to have been undertaken to exclude China.

Coinciding with President Xi Jinping's Central Asian tour in the autumn of 2013, China has in the meantime launched the 'Silk Road Economic Belt' project in an attempt to create a vast loop which spans three continents. An allusion to the ancient trade routes linking China to the Middle East and Europe that were established during the Han dynasty (approximately 200 BC to 200 AD) and that long allowed merchants, pilgrims, mercenaries, technologies and even germs to circulate between East and West, the project is

ambitious. But what lies behind China's desire to recreate the ancient Silk Road? Is it simply a move to counter Russian influence or does China also have real and tangible interests to defend in Central Asia?

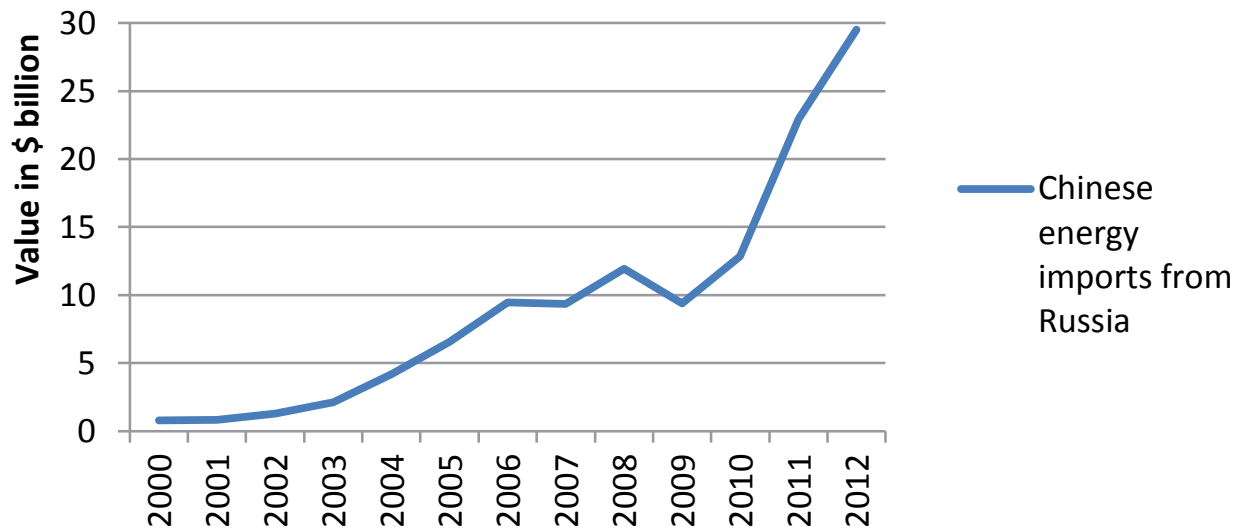
Where from and where to

A recent feature published by the state-owned news agency Xinhua has offered the clearest look so far at China's vision of the new Silk Road. Just like the ancient one, it is to consist of both a land and a maritime route.

Accordingly, the former will begin in Xi'an, in central China, before stretching to the border with Kazakhstan. The Silk Road then heads southwest to Iran before passing through Iraq, Syria and Turkey. The new Silk Road then crosses the Bosphorus and heads through Europe, traversing Bulgaria, Romania, the Czech Republic, Germany and Rotterdam in the Netherlands – from which the path runs south to Venice where it converges with the planned maritime route.

The latter, in turn, begins in Quanzhou (Fujian) and hits other southern Chinese ports before heading to the Malacca Strait. From Kuala Lumpur, the maritime Silk Road heads to

Evolution of Chinese energy imports from Russia since 2000



Source: United Nation COMtrade database

Kolkata, then crosses the rest of the Indian Ocean to Nairobi and, from there, around the Horn of Africa and into the Mediterranean – with a final stop in Greece before reaching Italy.

China envisions the creation of infrastructural networks (especially railway and ports) as well as ‘capital convergence and currency integration’ in the regions through which the Silk Road runs (the renminbi is ever more widely used in Mongolia, Kazakhstan, Uzbekistan, Vietnam and Thailand). China has already made major investments in what it deems to be ‘major ports’ leading to the European market. One such example is the 10 billion dollar deep-water port in Crimea, which aimed to create a transit point for Chinese goods coming to Europe that circumvents Russia. Needless to say, since the Russian annexation of Crimea, this project has been stalled by the Russian authorities, purportedly for ‘environmental reasons’.

But it is still unclear whether the project will be implemented through a string of bilateral agreements with individual countries or between China and regional bodies such as ASEAN or the EU. And equally unclear is its links with other regional projects such as Russia’s Eurasian Union or the US’s own ‘New Silk Road’ initiative, launched last year and centred on the construction of the nearly \$1 billion Central Asia South Asia electrical transmission line (CASA-1000). This project, which aims to bring hydroelectricity produced in Kyrgyzstan and Tajikistan to electricity-starved Afghanistan and Pakistan, is currently on hold due to a number of political

unknowns hanging over the region as a result of post-2014 security concerns.

Easing turmoil in Xinjiang

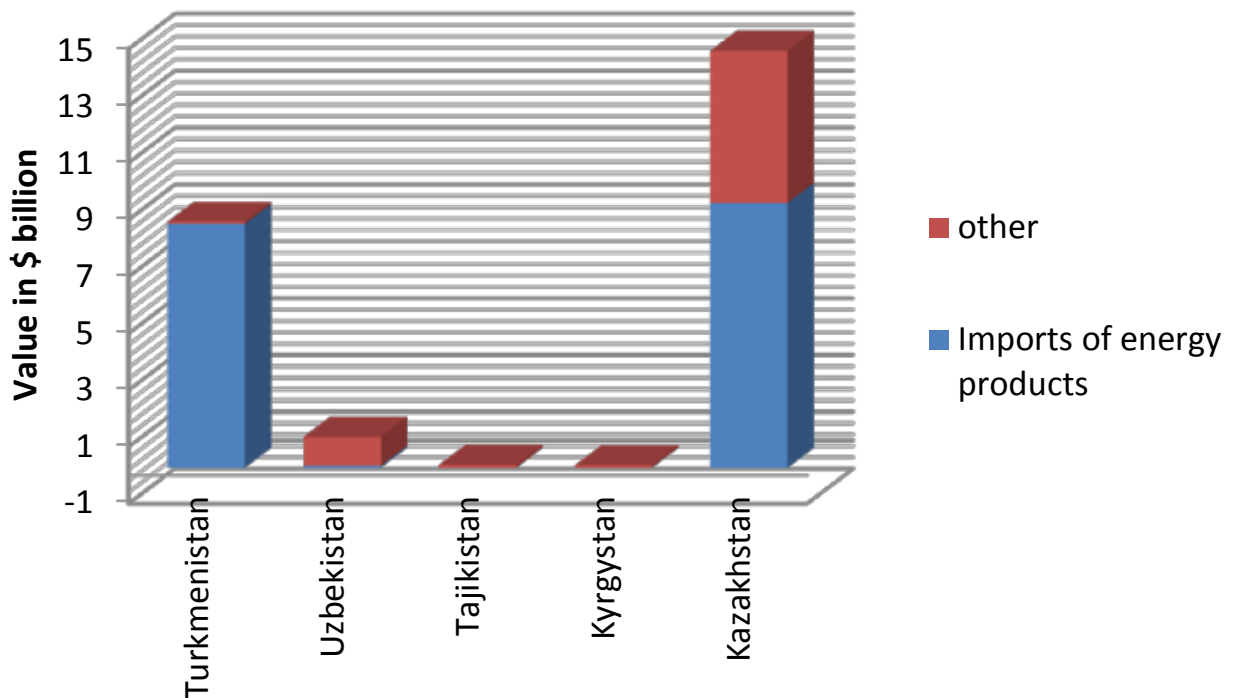
It is widely accepted that China’s foreign policy since Mao Zedong’s death has mainly been driven by domestic factors. The government’s main priority has been to ensure economic development and political stability, and its policy in Central Asia is no exception to this rule. Kazakhstan, Kyrgyzstan and Tajikistan all border the (often unstable) autonomous Chinese province of Xinjiang: ranked 25th out of China’s 29 provinces in terms of wealth by the Chinese statistical office (2012), it is among China’s least developed areas.

In addition, the majority of the province’s population are Muslim Uighurs, a minority which has long demanded territorial independence. In the last few years, China has witnessed an increase in terrorist attacks which the Chinese government attribute to the minority, including a brutal assault on a train station in Kunming last March which left 29 dead and over 130 wounded.

In order to preserve its territorial integrity, the Chinese government has made combating what it calls the ‘three evils’ (religious extremism, separatism and terrorism) a priority in the region. In order to achieve its aims and reduce local discontent, Beijing has replaced its policy of ‘stability above all else’ – applied in the province until 2010 – with a strategy of regional economic development.



Share of energy products in total Central Asian imports to China in 2012



Source: United Nation Trade Statistical Database

Part of this strategy entails promoting the export of goods produced in Xinjiang to China's Central Asian neighbours. Considering that 78% of the province's exports already go to Central Asian states, the creation of a Silk Road Economic Belt would allow the consolidation of long-term export hubs in Central Asia for Xinjiang's goods, thereby guaranteeing further economic development in the region. In order to improve trade flows between Xinjiang and Central Asian countries, Beijing has already invested more than \$91 billion in trade-related infrastructure in the Western province (including in roads, hydropower plants, and primary industry facilities).

The central government is also concerned about a possible 'domino effect' whereby political instability in neighbouring states could spill over into its Western-most provinces. China's nervousness was quite apparent in 2005, during both the Kyrgyz 'Tulip Revolution' and the May uprising in Andijan, Uzbekistan (where Beijing backed the repressive actions of the Uzbek government).

The Chinese government's investments in the infrastructure of Central Asian states, as well as the development of border cities, are designed to stabilise the wider region both economically and politically. In addition to generating domestic benefits for Xinjiang, trade and investment are

China's main and only realistic means to achieve these ends without being perceived as a threat by the Central Asian governments.

Strengthening energy security

Another driver for the new Silk Road project is energy security. Between 1989 and 2011, China enjoyed an average economic growth rate of 10%, and its energy needs have grown accordingly. The country has gone from self-sufficiency in the 1980s to dependence on external sources for approximately half of its domestic consumption today.

In the early 2000s, China increased its energy imports from Russia thirty-fold (see table) in an attempt to limit its dependency on the Middle East and sub-Saharan Africa. This was done for two reasons: first, the transport of energy stemming from these two regions relied on maritime routes which were sometimes subject to attacks by pirates or administrative delays in the delivery of the supplies. Second, both regions suffer from chronic political instability which can lead to shortages in provision or the outright cessation of supply.

Today, however, China is increasingly wary of further increasing its energy dependence on Russia and has started, just like the EU, to

look for alternative sources of supply. Since the Central Asian states are rich in energy resources, China is now increasing its imports from these countries, notably Kazakhstan and Turkmenistan. China's prudence *vis-à-vis* Russia stems from two factors: first, China is not permitted to make investments or undertake joint-ventures in Russia's energy sector, therefore depriving Beijing of both long-term and reliable access to resources and of influence over the price at which China buys Russian energy. Second, Russia has demonstrated that it is willing to use the energy dependency of other states as a lever to exercise political pressure – as is the case with Ukraine.

In other words, the new Silk Road project would allow China to lock in supply from its new Central Asian energy partners. It would also allow the country to secure and improve supply routes for its energy imports from these states and to mitigate the potential effects of supply cuts from the Middle East, Africa or Russia.

Creating an inland route to Europe

By building a new Silk Road through the Central Asian states, China would also create an alternative inland transport route for its goods to the European market – a substitute to the one through Russia. Trade between China and the Union is worth well over €1 billion each day, with thousands of tons of goods being carried from one end of the Eurasian continent to the other – mostly by sea, along the vital lanes that connect Suez and Shanghai. But because of the sheer volume of trade, Chinese ports are increasingly clogged by an excess of outbound cargo destined for Europe.

On top of putting pressure on Chinese infrastructure, goods travelling to Europe via the maritime route take a relatively long time to reach their destinations: anywhere between 20 and 40 days. In contrast, an inland trade route spanning from Xinjiang to eastern Europe (Ukraine agreed to build the Silk Road on its territory in June 2013) is expected to allow Chinese products to reach the European market in 11 days.

Bypassing Russia

Last but certainly not least, building the new Silk Road would allow Chinese goods to reach Europe without having to pass through Russia.

Just like with energy supplies, China prefers to avoid granting Russia too much leverage over trade policy towards its principal economic partner. And Chinese policymakers are aware that if relations between Russia and the EU worsen, or if the sheer trade volume between China and the EU forces them to resort to inland routes, Moscow's clout *vis-à-vis* Beijing would increase significantly – a scenario that China wants to avoid at all costs.

Chinese President Xi Jinping declared that the new Silk Road Economic Belt “is a ‘win-win’ proposal”, adding “why not encourage a free trade zone that encompasses 3 billion people, has tremendous mineral and energy resources, and access to both Europe and the Middle East?”

The new Silk Road and the rationale(s) behind it show the extent of the wariness that exists between Russia and China, but it would be wrong to assume that Beijing is pushing the project just to counter-balance or limit Russian influence in Central Asia. While the new Silk Road allows China to bypass Russia economically, politically, and geographically, it also has potential domestic (development in Xinjiang), regional (cross-border trade and infrastructure) and global (creation of supply lines) benefits. Finally, by creating a fast inland route to the European continent, it puts China in direct contact with countries that have long been in Russia's alleged ‘zone of influence’. This includes Europe itself, where China has already become much more active – as shown by the participation of Prime Minister Li Keqiang in a summit with central European leaders in Bucharest last November.

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