



China: setting the agenda(s)?

by Alice Ekman

Under President Xi Jinping, China is pursuing a dual regional policy characterised by firmness on territorial and maritime disputes, on the one hand, and a more alluring economic diplomacy, on the other. The latter is mainly being conducted through two official concepts, the ‘New Maritime Silk Road’ and the ‘New Silk Road Economic Belt’, named after the 2000-year-old trade routes which connect East and West. The overland route aims to link China with Europe via Central Asia and the Middle East, whereas the maritime corridor would flow from China to Southeast Asia, eastern Africa and, ultimately, Europe.

According to official communications, at the core of both these projects lays large-scale infrastructure development, in particular the improvement of transport links. This will be financed by, among other institutions, the Asian Infrastructure Investment Bank (AIIB), a Chinese alternative to the Asian Development Bank (ADB) which was launched last year with representatives from 20 other Asian countries (Japan, Australia, and South Korea were, however, notably absent).

Beijing has emphasised that European countries, too, have a vested interest in supporting these new projects and related institutions, in part because the new Silk Road Economic Belt would facilitate

trade flows between Chinese and European markets. But with individual EU member states beginning to seriously consider China’s offer, the Union might look at how to shape a common approach based on its priorities in – and long-term views on – Asia.

China’s rationale(s)

Beijing’s motivations behind the new Silk Roads are manifold. Its current approach to the greater Asia-Pacific region is first and foremost guided by domestic economic development objectives. Former President Hu Jintao (2002-2012) was largely unsuccessful in his attempts to reduce the strong socio-economic imbalances which exist within China. As a result, Xi Jinping is facing an urgent challenge to develop the western and central provinces, which remain underdeveloped in comparison with the eastern part of the country. As the maritime opening-up strategy of the Deng Xiaoping era cannot be applied to these remote provinces, the aim of boosting economic growth is dependent on successful inland cross-border economic integration.

In this regard, Xi’s current focus on increasing regional trade and investments is no different to Hu

Jintao's – who pushed, for instance, for the economic integration of the southern inland province of Yunnan with greater Southeast Asia. The incumbent leadership is, however, accelerating the pace of official visits to neighbours, signing more contracts and frequently issuing declarations of interest. China's long-term ambitions are also growing: during an October 2013 visit to Southeast Asia, both Xi Jinping and Li Keqiang stated their desire for China-ASEAN trade to be worth \$1 trillion by 2020, two-and-a-half times the \$400 billion it generated in 2012.

Beijing is actively promoting regional infrastructural development across Asia (the main Silk Road projects are supported by an array of smaller projects such as the China-Pakistan Economic Corridor or the Bangladesh-China-India-Myanmar Corridor), in particular by building and upgrading roads, railways, docks and airports. Given that its economy is still largely export-oriented, China potentially stands to gain a great deal from these investments.

A second incentive relates to energy security. China's economy remains largely dependent on oil and gas imports (foreign supplies account for more than half of China's total energy consumption) and Beijing needs to diversify its sources as much as possible in order to limit over-reliance on one single country. Russia remains one of its main suppliers – as proved the \$400 billion gas deal signed last May – but, in parallel, China is also investing in energy-rich Central Asian countries like Kazakhstan and Turkmenistan. Energy security was, for example, also at the top of the agenda of Xi Jinping's Central Asian tour in September 2013.

In Beijing's eyes, the Silk Roads are not only linked to economic development or energy diversification plans. Security concerns also play a role. The situation in the western province of Xinjiang remains problematic for the Chinese authorities, with ethnic tensions running high between Muslim Uighurs and the Han population. Moreover, Islamic radicalism is becoming a serious threat to the region and beyond (several hundred Chinese nationals joined the Islamic State of Iraq and the Levant in 2014).

China is also concerned about the post-2014 situation in Afghanistan: following the departure of the NATO-led International Security Assistance Force, any escalation in violence may have spill-over effects in neighbouring countries and, ultimately, Xinjiang itself. Beijing thereby hopes to contain these risks by reinforcing security and

economic collaboration with its neighbours within the Silk Road framework.

More broadly, however, Beijing's Silk Road projects have to be understood in the context of growing Sino-American rivalry. Reinforced under Xi Jinping, China is currently competing with the US in the Asia-Pacific in the institutional, economic, monetary, and military realms. This heightened competition is now also clear in conceptual terms: since May 2014, China's diplomatic service has pursued the creation of an 'Asian community of shared destiny', echoing previous attempts by other countries in the region (e.g. Singapore's 'Asian values'). At the opening ceremony of the 4th summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA) – a marginal security framework which omits the US and Japan, and that China is hoping to revive during its presidency (2014-2016) – Xi Jinping declared that "it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia", implying that the US presence in the region is neither desired nor legitimate.

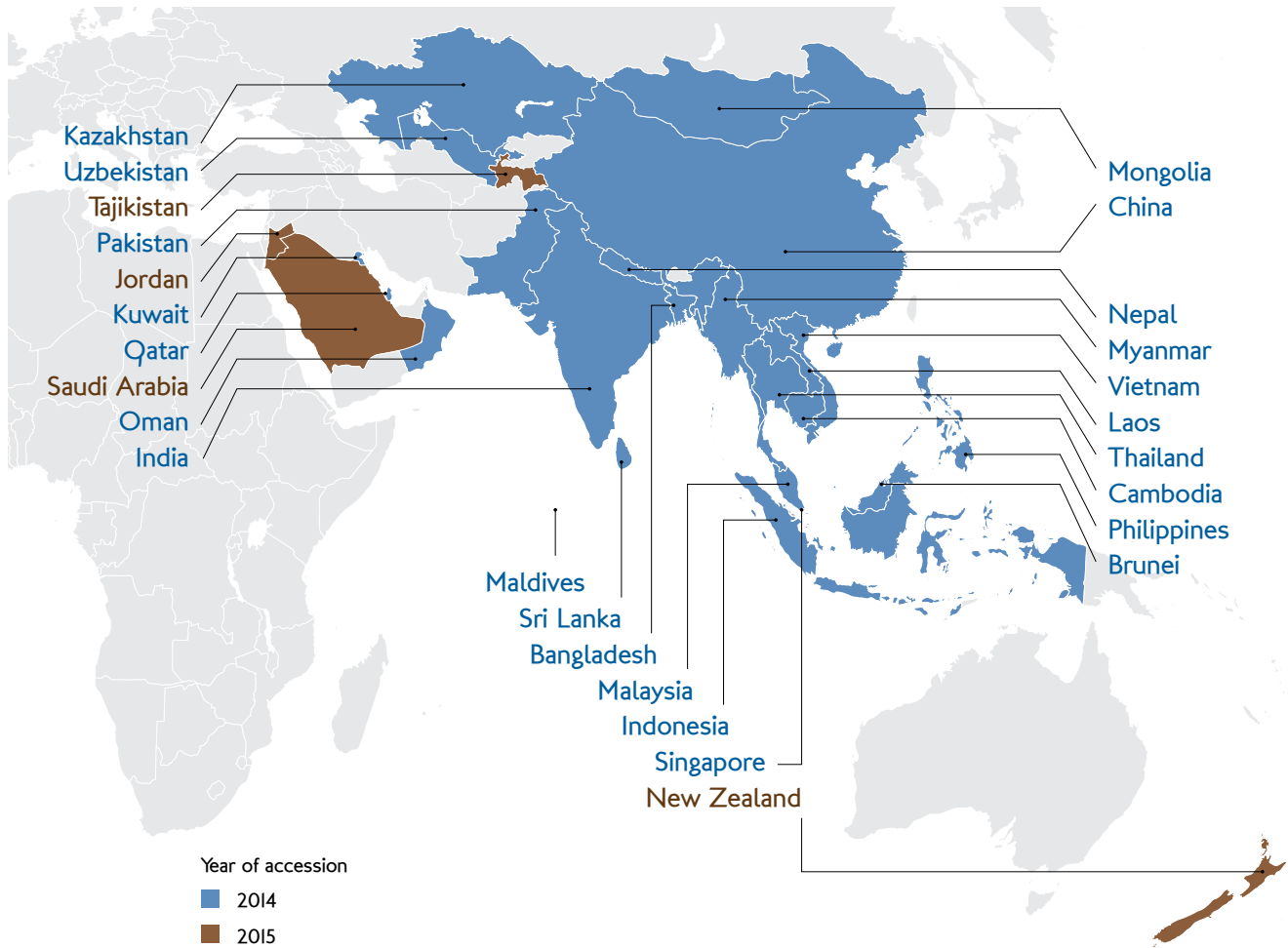
By reviving the Silk Roads – initially a US idea, first advocated by Hillary Clinton in 2011 to encourage the regional economic integration of post-war Afghanistan – the Chinese leadership believes that stronger economic ties will progressively translate into closer political and security ties with its neighbours and lead, in the longer term, to a more favourable balance of power in Asia.

It's up to you...

At this stage, aside from infrastructure development, how the new Silk Road projects are to be concretely implemented remains somewhat unclear. Inside China, the government is consulting officials, analysts and researchers on the matter. Outside China, many countries in the neighbourhood are asking for more information about the exact path of the routes and hubs, how they will be secured, and how they could affect their domestic economies.

For its part, Russia has reacted apprehensively to any project which may increase China's direct contact with the several Central Asian countries that have traditionally fallen within its sphere of influence, and which may overshadow Russia's own Eurasian Union. In fact, it was only after the bilateral gas deal was concluded last May that Moscow began to acknowledge the existence of the Silk Road projects.

Members of the China-led Asian Infrastructure Investment Bank



Data sources: Reuters, AFP

The pragmatic approach adopted by China to advance its plans at this early stage is to emphasise ‘complementarity’. Chinese diplomats float the Silk Roads concept to neighbouring countries as often as possible, then underline that it is based on ‘joint consultations’ and wait and see how each government interprets it in light of respective national interests. In short, Beijing is seeking to foster support by bringing neighbours on board at this early, ‘brainstorming’ stage. One of the most responsive countries seems to be Indonesia. A country traditionally seen as a US ally, its diplomats now often refer to China’s maritime Silk Road and advocate linking it with Indonesia’s own ‘maritime axis’ (between the Indian and the Pacific Oceans).

By underscoring complementarity, Beijing also hopes to avoid projecting an image of a powerful, anti-Western nation which is imposing its will on weaker neighbours. Chinese diplomats also highlight, for instance, how the AIIB serves as a supplement to existing institutions such as the World Bank, the International Monetary Fund (IMF) or the ADB. Although it is presented as an open and

multilateral institution, the AIIB appears to be a Chinese version of what already exists: it is headquartered in Beijing and most of its \$50 billion start-up funding was provided by China. Beijing’s decision to create the AIIB was, at least in part, due to China’s frustration over Tokyo’s dominance of the ADB – Japan’s voting share is more than twice that of China’s, despite the fact that it is no longer the largest Asian economy.

Beijing is also conscious of the fact that some of its stated aims are, for now, unrealistic. For instance, even though China supported the launch of a ‘collective strategic study’ on the Free Trade Area of the Asia Pacific (FTAAP) at the last APEC meeting held in Beijing last November, the Chinese authorities were well aware that no such zone could be created any time soon. This is evident considering the diverse nature of the national economies involved and the obstacles which already prevent the signing of a multitude of smaller-scale FTAs in the region. But the broader aim is to overshadow US-led regional initiatives with similar ones led by China: the FTAAP, for example, is presented

as a Chinese-led alternative to the Trans-Pacific Partnership (TPP).

At any rate, by casting itself as agenda-setter, China aims to gain more control over regional agreements and institutions and progressively position itself *vis-à-vis* the US, as well as Japan, as the uncontested regional leader. While it remains too early to talk about a fully-fledged Chinese grand strategy in the Asia-Pacific, the Silk Road projects undoubtedly mark the launch of a long-term plan designed by Beijing to gradually become the dominant player in Asia during Xi Jinping's mandate (which presumably ends in 2022).

In any case, this status is planned to be achieved at the latest by the centenary of the People's Republic of China in 2050 – the deadline set by the Communist Party to reach the 'Great Renewal of the Chinese Nation' and a number of associated socio-economic targets.

It's up to the EU...

China is now inviting several EU member states to support the Silk Road projects, and Beijing has also been actively lobbying countries throughout Europe to become funders of the AIIB.

This activism raises questions over the necessity and true added value of this new institution, given that the Asian continent already has a multilateral lender (the ADB); over its potential impact, given that its capital base starts with \$50 billion (about one third of that of the ADB and one fifth of that of the World Bank); and over its exclusive focus on infrastructure (whereas loans from other bodies aim at supporting a larger variety of projects such as those related to gender equality, sustainable development etc.). That said, not joining may lead to missed opportunities for both potential funders and eventual beneficiaries. A discussion at the EU level could therefore help collect additional information and adopt a common approach.

Even beyond the specific case of the AIIB, EU member states are likely to be increasingly invited by Beijing in the coming years to join other institutions or informal frameworks. Such lobbying may also occur indirectly, from China's neighbours involved in such initiatives or even by local European actors (including in the business community) who enthusiastically support specific projects. It is telling that, in reference to President Barack Obama's comment that China is and has been a "free rider for the last thirty years" by not fulfilling its international obligations, Xi Jinping declared last August

that "all countries are welcomed to board the train of China's development – either for a fast ride or for a free ride."

Chinese aims should be taken seriously, particularly because Beijing has many ways to achieve them. Even if the AIIB does not eventually become a competitor to other bodies, China should still be able to turn to additional funding tools – such as the \$40 billion 'Silk Road fund' created last year – to finance its infrastructure development plans.

Xi's proactive approach, which contrasts with China's traditional diplomatic posture under Deng Xiaoping as a follower in global affairs, is likely to be maintained and further developed. It is logically centred on the Asia-Pacific, where most of China's core interests are located, but is not specific to the region: Beijing is also becoming more active in Europe – as shown by its efforts to shape a '16+1' cooperation framework with central and eastern European countries (including 5 non-members of the EU), launched in Warsaw in 2012.

Last December, during an official visit to Europe, Li Keqiang announced the creation of an investment fund worth \$3 billion to ease access to funding for projects in central and eastern Europe (CEE), including those related to infrastructure and energy. The Chinese state news agency Xinhua covered the visit by presenting Chinese investors as 'a blessing for CEE countries, which were alerted by the 2008 economic crisis to their over-reliance on Western Europe', and the 16+1 framework as an 'engine for CEE countries to revitalise their sluggish economy and achieve recovery.'

Confronted with this, the EU may consider anticipating and coordinating its response(s) to China's calls. A lack of a clear-cut common vision could become a weakness when dealing with a strong partner which has only one. As China under Xi Jinping is determined to become an agenda-setter in Asia and, to a lesser extent, even in parts of Europe, the EU may now need to clarify its own priorities and positions in the wider Eurasian space.

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