CHINA’S “NEW SILK ROAD” DEVELOPMENT STRATEGY

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Abstract: China’s tremendous economic development has made China an increasingly attractive economic partner in the first and second decade of the 21st century. During this period, the ancient Silk Road trade route became attractive once again; today, it is a symbol for trade and investment involving China, Central Asia, Europe, the Middle East and Africa. China’s “New Silk Road” development strategy consist of two geopolitical initiatives – one of them is the “Silk Road Economic Belt”, with stronger ties with Central Asia (and special focus on trade and transport) as a goal; the other is known as the “21st Century Maritime Silk Road”, and it is an attempt to improve trade relations with South and Southeast Asia. The authors argue that Belt and Road Initiatives bear political and economic consequences. They could bring about better political understanding and economic benefits for all participants. However, both initiatives will have consequences on the US’ dominance in international relations. While there are condemnations of the two initiatives, some parts of the EU (especially the Central and Eastern European countries) and ASEAN have high expectations from these initiatives. A successful fruit-bearing of these initiatives in the following ten years should thus ease the opponents’ concerns. To use China’s favourite foreign policy catchphrase, it is a “win-win” situation – China can achieve a softer image for itself while increasing its regional influence.

Key words: New Silk Road, Maritime Silk Road, Silk Road Economic Belt, China, EU, ASEAN.

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INTRODUCTION

The China’s “New Silk Road” development strategy is among the most important geopolitical and geo-economics initiative of the early 21st century. Its importance is huge due to the number of countries they could encompass, and the potential political, economic, security, cultural, scientific and energy benefits for all of them. Just like a number of other initiatives, China’s the “New Silk Road” development strategy encountered some opposition and dissent, especially from major powers such as Russia and the USA which have their own geopolitical concepts of regional development or strategy of the “New Silk Road”; however, the “New Silk Road” strategy also encountered approval from the developing countries.

This paper will first give some introductory explanations regarding the concept of the “New Silk Road”, its origins and importance to China’s domestic development and cross-border cooperation. This part will also cover the possible (though still not strictly defined) routes of the “New Silk Road” initiatives. The next part will examine the possible economic benefits arising from the initiatives, and will be followed by an estimate of the two initiatives’ political and security effects (with particular accent given to the US response, EU’s internal debate, India’s stance, CEEC-China “16+1” platform, the position of China’s Xinjiang Province, Central Asian countries and the Russian reaction as well as the ASEAN countries). Finally, the paper will shed light on the two initiatives’ relevance to China’s energy security.

THE STRATEGIC CONCEPT OF THE “NEW SILK ROAD”

The strategic concept of the “New Silk Road” is not a new one. This idea was seriously taken into consideration in the 1990s after the disintegration of the Soviet Union. At that time, Deng Xiaoping confirmed his vision of economic reforms based on China’s coastal development (e.g. special economic zones in coastal provinces, open coastal cities, eastern comprehensive development zones). In this idea, there was no provision for the development of the inland parts of China. Nowadays, the situation is different. China is facing economic threats. The global economic crisis and domestic social problems have outdated the current export and FDI driven economic model. Against this backdrop, China needs to find new export markets or

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3 In 1978 when China began its economic structural reform, it also implemented a policy of gradual opening up. According to Deng Xiaoping proposal, in May 1984, the CPC Central Committee decided to designate 14 coastal port cities to open to foreign investment and trade – Tianjin, Shanghai, Dalian, Qinhuangdao, Yantai, Qingdao, Lianyungang, Nantong, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai. In February 1985, the CPC Central Committee decided to open the Yangtze River Delta, the Pearl River Delta and the Triangle Area of Southern Fujian, Xiamen and Quanzhou to be coastal economic open areas. (Hongyuan, Yun, Qifa, 2012, p. 128; China, Foreign Languages Press Co, Beijing, 2013, p. 117).
preserve existing ones, as well as to narrow development gaps between the well-developed coastal areas and the less-developed inland parts of the country, and to preserve the stability inside China and in its neighbourhood. This is the main reason why the actual Chinese Government and Chinese leaders came up with the concept of “New Silk Road,” which is widely quoted by political experts and prominent world media. From the political model of “Chinese Dream”, often summarised as a rejuvenation of the Chinese nation, the concept of ”the New Silk Road” (inspired by the ancient trade route) consists of two geopolitical initiatives. First one is the ”Silk Road Economic Belt”, which indicates stronger trade and investment relations with Central Asia, while the second one is ”Maritime Silk Road”, perceived as an attempt to improve trade relations with South and Southeast Asia on the basis of maritime security. Both initiatives were mentioned in a document exposed after the 3rd plenary session of the 18th Central Committee of the Chinese Communist Party held in mid-November 2013, in Beijing (Xinhua 2013a). With its “Peaceful Development Policy” and two “New Silk Road” initiatives, China could promote its own economic growth through trade routes that meet the Chinese demand for better regional cooperation, trade diversifications, investing in transportation, and in mining and energy sectors (Petrović Piroćanac, 2014, pp. 86-98). With the implementation of the so-called “New Silk Road diplomacy”, China will preserve stability on its borders and in the western part of China. In addition, China will secure export markets and energy supplies, develop inland transport routes as an alternative to unreliable sea-lines, and narrow the development gap between the eastern and western parts of China (Tianquan, 2012, pp. 33-51) In February 2015, Chinese Vice-Premier Zhang Gaoli distinguished their common priorities as: transport infrastructure building; trade and investment facilitation; financial cooperation; cultural exchanges and environmental protection and social responsibility (Xinhua, 2015a). Hence, “the New Silk Road” initiatives indicate a positive climate for building a new international system that could bring prosperity much like the ancient Silk Road.

**INTRODUCTION TO CHINA’S DEVELOPMENT STRATEGY OF THE “NEW SILK ROAD”**

The first initiative of the China’s development strategy of the “Silk Road Economic Belt” was presented during President Xi Jinping official visit to four...
Central Asian states: Turkmenistan, Kazakhstan, Uzbekistan and Kyrgyzstan, in September 2013. The concept was announced in his speech in Astana and reiterated in his address at the 13th Shanghai Cooperation Organization (SCO) summit in Bishkek. On this occasion President Xi Jinping put forward major initiatives of “jointly building the Silk Road Economic Belt with innovative models of cooperation”, between China, Central Asia and Europe. They are as follows: 1. strengthen policy communication, which may help “switch on a green light” for joint economic cooperation; 2. strengthen road connections, with the idea to establish a great transport corridor from the Pacific to the Baltic Sea, and from Central Asia to the Indian Ocean, then gradually build a network of transport connections between eastern, western and southern Asia; 3. strengthen trade facilitation, with a focus on eliminating trade barriers and taking steps to reduce trade and investment expenses; 4. strengthen monetary cooperation, with special attention to currency settlements that could decrease transaction costs and lessen financial risk while increasing economic competitiveness; 5. strengthen people-to-people relation (Xinhua 2013b). According to the initiative, “the Silk Road Economic Belt” is expected to include countries located along the ancient Silk Road trade route (China, Central Asia, the Middle East and on to Europe). One of the potential routes of Silk Road Economic Belt begins in Xi’an, in central China, before reaching the border with Kazakhstan. The Silk Road then continues southwest to Iran before passing through Iraq, Syria and Turkey. The new Silk Road then crosses the Bosporus and heads through Europe, traversing Bulgaria, Romania, the Czech Republic, Germany and Rotterdam in the Netherlands; there is a connection between Rotterdam and Venice, the terminal of the planned Maritime Silk Road.

On the other hand, the second initiative of the China’s development strategy of the “21st century Maritime Silk Road” was first suggested by the President Xi Jinping’s in his speech in the Indonesian parliament in early October 2013. The Initiative was made public during Li Keqiang’s attendance at the 16th ASEAN + China summit in Brunei. Two Chinese leaders used the 10th anniversary of the ASEAN-China strategic partnership to present this idea. The content of both speeches equals the viewpoints presented in Chinese President’s Astana address. The main emphasis was placed on stronger economic regional cooperation, which means the implementation of President Xi’s suggestion to establish the Asian Infrastructure Investment Bank (AIIB), with the purpose of financing infrastructure construction (e.g. building ports, roads and railways), and promoting regional interconnectivity and integration (Xinhua, 2015b). The result of this idea would be an improvement of maritime economy as well as environment protection, science, technology and security cooperation.

The difference between said two initiatives can be explained by technological differences that exist between maritime transport (which China greatly benefits) in relation to the railway transport (which China limited benefits), which opens the
possibility to transport both complement each other. Hence, it would be possible
to draw the conclusion that China will retain the role of a main trading partner with
the improved infrastructure for international trade; in addition, although the
infrastructural investment increases Chinese strength in international affairs, it must
be noted that for the time being, China is building commercial installations (and
not the military installations, as usually suspected) – naval strength is a goal for
Chinese navy, but only in the Western Pacific (Puten, Meijnders, 2015, p. 28, 33).5

Some authors believe that the initiatives coming because of China’s
dissatisfaction with financial order in the world, especially in terms of its efforts to
reform the World Bank, the IMF and the Asian Development Bank. In that context,
they believe that through the establishment of the Asian Infrastructure Investment
Bank (AIIB), with the purpose of financing infrastructure construction (e.g.,
bUILDING roads and railways), and promoting regional interconnectivity and
integration, China may find a higher degree of legitimacy in international relations
and the acceptance of its proposals for infrastructure projects which enable
multilateral and bilateral cooperation. Also, they suggest that for China, it is more
prudent to redirect funds from its US dollar reserves towards infrastructure than
to further acquire US treasury bonds; these infrastructure projects may also lead to
greater use of renminbi as a means of payment (Hilpert, Wacker, 2015, p. 2, etc.).

According to the recent information, published by the Xinhua state agency, the
Maritime Silk Road begins in Quanzhou (Fujian) and hits other southern Chinese
ports (Fujian, Zhejiang and Guangdong) before heading to the Malacca Strait. From
Kuala Lumpur, the Maritime Silk Road heads to Kolkata, crosses the rest of the
Indian Ocean to Nairobi and then around the Horn of Africa into the
Mediterranean – with final stops in Greece and Italy. The route will deliver Chinese
goods and services to ASEAN countries, Sri Lanka, the Horn of Africa, the Middle
East and the Mediterranean. Both of these initiatives are expected to become fully
operative by 2025 (Escobar, 2015).

A particularly important aspect of the development of Silk Road Economic Belt
is the construction of the railway network and rail corridors that need to connect
China with other continents. Currently there are three railway freight corridors in
China, connecting Asia and Europe, namely through the northern Eurasian corridor
(via Trans-Siberian Railway), through the Central Eurasian railway corridor (part of
the Second Eurasian Continental Bridge) and the future Southern Eurasian railway
corridor. China has already opened eight international railway lines related to the
Eurasian corridor and the Silk Road Economic Belt respectively, connecting national
railways of four countries. Chinese Railways have three connection points with Russian
Railways (Manchuria, Suifenhe and Hunchun) and one connection point to Mongolia.

5 Such goals do not exist in the Indian Ocean or the Mediterranean.
Railways (Erenhot); these four cross-border railway lines are connected with the northern Eurasian railway corridor (Trans-Siberian railroad). There are two connection points with Kazakhstan railways (Alashankou, Horgos/Huoerguosi), which is part of the Central Eurasian railway corridor through China’s Longhai railway line and Lanxin railway line. Finally, there are two connection points with Vietnam Railways (Pingxiang, Estuary), which belongs to the South Eurasian railway corridor, namely the Trans Asian Railway Passage. Through joint efforts of China, Mongolia, Russia, Kazakhstan, Germany and other countries, China’s railway authorities have organized several direct container trains, traveling to European countries. Currently there is a number of Eurasian direct container trains: Hohhot-Frankfurt container train, “Foxconn” international intermodal train, Beijing-Hamburg container demonstration train, Urumqi-Hamburg container train, “Yu-Xin-Ou” container train (connecting the city of Chongqing with Duisburg, Germany, via Urumqi in Xinjiang Province), “Su-Man-Ou” container train (Suzhou (China) – Manzhouli (China) – Poland), “Han-Xin-Ou” railway international freight train (Wuhan (China) – Czech Republic), “Rong European fast iron” container train (Chengdu (China) – Poland), “Zheng-Xin-Ou” (Zhengzhou (China) – Xinjiang (China) – Hamburg (Germany)) international freight train as well as November 2014-launched train between Yiwu (an important wholesale centre for small consumer goods located in Zhejiang Province) and Madrid, capital of Spain (a distance of 13 thousand kilometres, covered in around three weeks). The countries along the way, in addition to China and Spain, include Kazakhstan, Russia, Belarus, Poland, Germany and France. (Xinhua 2014a). The railway transport enjoys certain advantages over the maritime option. These include a CO2 emission which is 62 percent lower, but also the evasion of several naval choke points along the maritime way (the most notable being the Malacca Strait and the Gulf of Aden), and the potential terrorist attacks (Burgen, 2015).

THE POSSIBLE ECONOMIC BENEFITS

The Silk Road Economic Belt, the world’s most potential of economic growth, covers parts of Central, South and West Asia and Europe, connecting two major economic circles, both Asia and Europe’s together. The area consists of more than 50 countries, with a combined population of 3.6 billion, accounting for 51.4% of the total world population. As it was already mentioned, the “Belt and Road Initiatives” are expected to become fully operational by 2025. According to some estimates, their aggregate worth is expected to surpass 21 trillion US dollars, which could easily make it one of the landmark projects of the 21st century. These initiatives have been proposed with the purpose of benefiting both China and the countries along the land and maritime route. The most important economic benefits include 1) the improvement of trade and investment flows (facilitated through greater use of local currencies in cross-border exchange, and through currency swap
arrangements between the People’s Bank of China and other central banks) and 2) the improvement and upgrade of transport infrastructure (the railway and highway network, and the deep water port facilities) and greater economic integration (greater access to Chinese market for all countries along the route, and vice versa). There is, in addition, an economic benefit that will affect the still-developing provinces in China’s west. The infrastructure improvement, coupled with foreign trade and investment and cross-border exchange are expected to benefit regions (the today’s provinces of Gansu, Qinghai, Xinjiang, etc.) which have remained far from the main economic activity during the 35 years of China’s economic reforms.

The “Belt and Road Initiatives” are already being compared to the Marshall Plan, suggested and enacted by the US after the World War II. Some western political analysts see the deployment of economic strengths in order to achieve foreign policy goals (among which a particular place belongs to the sustaining of the domestic economy) as the common feature of both initiatives. Analysing the possible economic benefits of the initiatives, some authors concluded that the Chinese authorities hope to achieve it in the same extent as it was with the Marshall Plan after World War II. Through a strategy of “New Silk Road”, China has hence can be treated as bona fide super power (Tiezzi, 2014). On the other hand, however, some authors believe that the common features between China’s “One Belt, One Road” strategic initiatives and the U.S. Marshall plan, is included in the ambition of exporting countries to export the country’s capital, commodities, technology and other capacity to the countries in need. In this regard, particularly emphasize three in many ways crucial differences, namely: motivation - where it is thought that China is not motivated to be a great power or a hegemonic actor in Asia and beyond. In fact, China is satisfied with achieving a “win-win” situation with other participants in the initiative. In doing so, China underlines the fact that the “Belt and Road” initiatives are open to all countries, despite the fact that some of the participants would be inclined to take a ‘free ride’ on the initiative. Another difference concerns the challenges ahead of China’s “Belt and Road” initiatives, which are far more abundant than in the case of Marshall Plan. It is believed that in fact, in order to succeed, China’s initiative has to overcome the differences in values and beliefs and the potential resistance and distrust from the countries involved (none of which existed to such an extent in the case of Marshall Plan). Third difference is the potential impact – there is clarifying potential ranges of the “Belt and Road” strategic initiatives as much broader than any of the results achieved by the Marshall Plan. Contrary to the Marshall Plan, the “Belt and Road” initiatives could include the whole world, i.e. any country willing to cooperate with China and to benefit from its economic growth. An economic development without hidden political requests is appealing to many developing countries and the “Belt and Road” initiatives seem to be better suited to such a purpose than the Marshall Plan is (Chan, 2014).
THE POSSIBLE POLITICAL AND SECURITY EFFECTS

While it is certain that the Belt and Road Initiatives were launched with a purpose of achieving economic goals, at the time of their realisation they will imminently cause some political and security consequences. According to Asanga Abeyagoonasekera (executive director of the Lakshman Institute of International Relations and Strategic Studies, Sri Lanka), the most important political consequence, involving all participating countries, will amount to an increased political understanding and trust, but also to broader political channels of communication through which it will be possible to exchange political viewpoints and the values and norms in their basis (Xinhua, 2015c). In the end, the likelihood of achieving a common political position will be increased. It is also worth mentioning that mutually beneficial economic cooperation will also raise awareness of the security threats that could undermine the successful functioning of the trade routes. As a result, the countries concerned will dedicate more attention to combating terrorism threats, and to achieving greater stability along the trade routes.

THE US RESPONSE

Flynt Leverett and some other political analysts have also analysed the political and strategic calculus behind the “Belt and Road” initiatives, as well as Chinese Government’s advocacy of greater influence of Asian countries in strictly Asian affairs. They have described the initiatives as China’s response to US “pivot to Asia”, a landmark policy during both Barack Obama presidencies – as they believe, Chinese political elites are aware of US’ ambition to contain China by using economic, political and military means (Leverett et al, 2015). They view the transformation of the contemporary international relations as the long-term goal of the Chinese leadership; the Chinese leadership strives for a truly multipolar international order and the ability to match the US dominance (Leverett et al, 2015). The “Belt and Road” initiatives could (after reaching the proclaimed goals) contribute to the decline of US supremacy, especially in the Middle East and other regions along the trade routes. The conclusion made by Leverett is that a successful implementation of the “Belt and Road” initiatives will almost inevitably lead Beijing to ignore US displeasure on multiple fronts in the near-to-medium future (with one of the examples being the Iran policy – Chinese Government will be in a position to choose between greater understanding for the US’ Iran policy and forthright deepening of Sino-Iranian relations).

Christina Lin, a former visiting fellow at the Washington Institute for Near East Policy, determined the China government call on the “New Silk Road” strategy desire to diversify and increase its energy supplies via natural gas and other options that has led it to greater engagement with countries rich in resources, in Central
Asia, the Caucasus, and the Middle East. She believes that inclusion of the foreign affairs, security, and military intelligence apparatus reflect the government’s deep concerns about energy security. To address these concerns, Beijing has turned to the Shanghai Cooperation Organization (SCO). Established in 2001, the SCO consists of China, Russia, and the four Central Asian republics of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, along with four observer states (Iran, Pakistan, India, and Mongolia). China has used the organization to achieve gradual economic integration with the Central Asian/Caspian region and meet three main goals: (1) pacifying the restive Xinjiang province, home to significant Muslim-Uyghur separatist forces, (2) diversifying energy sources from the Persian Gulf and hedging against any maritime embargoes, and (3) projecting Chinese hegemony across Eurasia. This strategy has largely centred on using financial means to create dependency among regional governments, building on increased political, military, and hydrocarbon cooperation (Lin, 2011).

Other American experts for foreign affairs point out to the potential competitor status of the China-supported Asian Infrastructure Investment Bank against the World Bank and Asian Development Bank, both of which are institutions with crucial influence exerted by the US and its Asian allies (Daily Star, 2014). The Chinese Government has, however, praised the experience of the World Bank and Asian Development Bank as precious, pointing to the sufficient number of projects available for all lenders. Jeremy Page is one of the reputable political analysts who are noting the debate among Western and Asian governments regarding the Belt and Road Initiatives. In his study about this topic, he exposed the positive view and great expectations of China’s ambitions, but also he highlighted the critical posture towards China’s initiatives (with arguments focusing around the strategic dimension of the initiatives and the potential undermining of the governance standards at existing lending institutions, such as the World Bank or the Asian Development Bank) (Page, 2014).

THE EU’S INTERNAL DEBATE

As regards the European Union’s posture towards the “Belt and Road Initiatives”, a number of analysts have highlighted the positive effects of these initiatives, expressing belief that they will reinforce China-EU ties. According to David Gosset of Shanghai’s China Europe International Business School, the proposal made by Chinese President Xi should not be ignored, for successful realization of the initiatives would reshape Eurasia. Gosset foresaw the new levels of prosperity and cohesiveness for all Eurasian actors if the two initiatives are fully embraced. Bai Ming of Chinese Academy of International Trade and Economic Cooperation pointed to the contribution of two trade routes to greater China’s openness to the West and the EU’s openness to the East, describing it as a real “win-win” deal. Bai noticed the likelihood
of an increase in business opportunities in Asia available to the EU. Finally, Zhu Dan of European Union Chamber of Commerce in China highlighted the policy dividends of the “Belt and Road Initiatives”, and their attractiveness given the economic hardships the European economy is facing. She pointed to the complementary economic structure of China and Europe, describing it as a good starting point for bilateral trade and cooperation, and an increase in Chinese investments abroad (Xinhua, 2015d). On the other hand, Dragan Pavličević highlighted the ambiguous attitude of the EU toward China’s growing involvement in its backyard. He noted the intra-EU discussion regarding the nature of China-Central and Eastern Europe cooperation, and the existing concerns that it could be used to split the EU in a way that could benefit China. In December 2014, Chinese Premier Li Keqiang attempted to allay such concerns by reiterating China’s support to the European integration process and the European unification. According to Li, the EU would benefit from successful China’s cooperation with Central and Eastern Europe (an important part of the overall China-Europe cooperation) due to the narrowing of the development gap between different parts of the EU. In addition, Li announced the adherence to EU laws and standards in the conduction of China’s infrastructure projects in Europe. As a conclusion, Pavličević described the future China’s relations with Central and Eastern Europe as dependent on the overall EU posture towards China’s interests in the region. Due to the Brussels’ political leverage over the EU’s east, the China-CEE relations will deteriorate should the EU decide to treat China’s incursions as harmful (Pavličević, 2015). Bearing in mind the expressed opinions in order to give the final assessment of EU-China relationship, the following facts are notable. China has been always attaching great importance to good relations with the EU not only because the EU’s development represents an important trend of multi-polarization (which is in line with China’s view of the international order), but also because Europe is the largest trade partner to China. A prosperous Europe can provide overseas market, advanced technology and investment for China’s economy. Nowadays, Chinese leadership regards China-Europe relationship as the focal point and growth point. This positioning is proven by frequent diplomatic actions taken by the new Chinese leadership since 2013. The benefits of One Belt, One Road initiative to Europe had also been addressed by Wang Yiwei. Wang highlighted the easier EU participation in Asia-Pacific affairs and EU benefit from Asia-Pacific economic development, as well as greater EU influence worldwide (in the latter case, the countries of the One Belt, One Road will call for European experience and practice in global and local governance) (Yiwei2015, p. 105). Finally, Wang mentioned an upgrade of China-EU comprehensive strategic partnership (a symbol of which is the negotiations for the Bilateral Investment Treaty (BIT) and the prospect of a China-EU free trade agreement) and a chance for European countries to balance the development of trans-Atlantic partnership (i.e. to improve the European standing position vis-à-vis the United States) (Yiwei 2015, p. 106).
According to the Joint Statement made during the President Xi’s trip to the EU headquarters, China and EU decided to develop synergies between China’s “Silk Road Economic Belt” initiative and EU policies and jointly to explore common initiatives along these lines. Due to the fact that Central and Eastern Europe (CEE) is an important part of Europe and is located at the gateway for China to Europe, China also calls on CEE countries to join “the New Silk Road” Initiative. “The New Silk Road Economic Belt” initiative and the China-CEE cooperation, both in their objectives and pathways, are accommodating and complementary to each other. And the latter is expected to become a positive driving force in the development of this large strategic plan (Jing, 2015) (China Daily, 2014).

Relations between China and the CEE, have been increasingly attracting attention around Europe since the opening-up of the “16+1” platform. Chinese Premier Wen Jiabao took the first steps towards this platform in 2011 in Budapest, at the China-CEE Economic and Trade Forum, where he announced a “5-point proposal” to enhance bilateral cooperation. A year later, in Warsaw during the first summit of leaders of China and CEE, this became the “12-point initiative“. This document is perceived as China’s new engagement strategy in the region (Szczudlik-Tatar, 2013). The first point from the “12-points initiative“ was the establishment of a Secretariat for Cooperation between China and the 16 CEE countries which was officially established in September 2012, in Beijing, in the presence of the National Coordinators of all 16 European countries, and China. The other 11 points included the establishment of a 10 billion US$ special credit line for the CEE countries; setting up an investment cooperation fund between China and CEE countries with the goal of raising 500 million US$ in the first stage; increase of the total trade volume between China and CEE to 100 billion US$ by 2015; stimulation of Chinese enterprises to invest in special economic and technology zones in CEE; exploration of potential financial cooperation such as “currency swap, local currency settlement for cross-border trade, and establishment of bank branches in each other’s countries”; establishment of an expert advisory committee on the construction of transportation network between China and CEE countries (e.g. regional highway or railway through joint venture, joint contracting and other means); expansion of cultural cooperation; provision of scholarships to the CESEE countries and support of the Confucius

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7 The 16 CEE countries, which are involved in the Chinese initiative present heterogeneous group – there are 11 EU members (Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia) and 5 countries with ambition to become EU members (Albania, Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia).
Institutes and Confucius Classrooms programs, and invitation of Chinese language students to China; establishment of a tourism promotion alliance between China and CESEE countries, coordinated by the China Tourism Administration; establishment of a research fund on relations between China and CESEE; hosting of the first young political leaders forum of China and CESEE in 2013 (Vangeli, 2014).

On 26 November 2013, the Meeting of Heads of Government of China and Central and Eastern European Countries was held in Bucharest, Romania. To further improve China-CEEC cooperation, parties at the meeting jointly formulated and issued the “Bucharest Guidelines for Cooperation between China and CEE“. The Bucharest Guidelines are focused on the theme of the "win-win" cooperation, which implies increased investment and trade volumes, as well as increased cooperation in the fields of science, technology, innovation, environmental protection and energy (especially in the matter of nuclear power, wind power, hydro power, solar power and other sources of clean power). The document promotes people to people exchanges and cultural exchanges and cooperation. Special emphasis is given to infrastructure development such as construction of roads, railways, ports and airports based on the principle of mutual benefit. The “Bucharest Guidelines” encourage China and CEE countries to build an international railway transportation corridor connecting China with CEE countries; along this railway corridor, distribution centres will be established in order to build a new logistics passage between China and Europe. The document particularly supports the establishment of cooperation in the area of free movement of capital and financial services in China and CEE countries financial institutions. It establishes the obligation of their financial institutions to engage in cooperation in flexible and diverse forms and bring into full play the role of the 10 billion US$ special credit line in promoting China-CEE economic cooperation and trade. It welcomes the official launch of the China-CEE Investment Cooperation Fund, commends the efforts made by Chinese, Polish and Hungarian financial institutions, supports the relevant financial institutions in launching stage two of the fund at an appropriate time and encourages more financial institutions and businesses to contribute to the fund. “The Bucharest Guidelines” also support the People’s Bank of China and the central banks of CEE countries in signing agreements of currency swaps as they see necessary and promote local currency settlement as one of the means to promote trade and investment.8

On 16 December 2014 in Belgrade, at the third meeting between China and the CEE countries (held from 16-17 December), the parties announced the “Belgrade Guidelines for Cooperation“. According to “the Guidelines“, the parties will expand

trade, investment, and economic cooperation (EurActiv, 2014). They will also support the establishment of the executive body of the China-CEE countries business council in Warsaw, Poland, and urge “relevant business organizations from both sides to cooperate on a voluntary basis”. The “Belgrade Guidelines for Cooperation” welcome the founding of the secretariat of the contact mechanism for China–CEE investment promotion agencies in Beijing and Warsaw. Inter alia, the document supports the role of Bulgaria in leading joint efforts to set up a Chinese-CEE consortium in promoting agricultural cooperation in the first half of 2015, and calls on the parties to fully utilize 10 billion US$ in special loans and other financing tools, provided by China, for the promotion of trade and economic cooperation. The document considers the signing of currency swap agreements between China and Hungary and Albania, with the use of RMB by business circles as the settlement currency in cross-border trade and investment, notes the parties’ common will to boost cooperation in science, technology, innovation, environment protection and energy, among other fields, and pledges to deepen people-to-people exchanges and cooperation at various levels (Xinhua, 2014b).

At the third meeting in Belgrade under the platform “16+1”, China announced the provision of new funds to pursue new ventures with the CEE countries, “stressing that the cooperation will be in line with European standards”. The most discussed project at the summit was the modernization of the Belgrade-Budapest railroad, in connection with which China, Serbia, and Hungary signed agreements at the meeting. The project, which would cost between 1.5 and 2 billion € (about 1.8 -2 billion US$) and shorten travel time from 8 to 2.4 hours, is scheduled for completion in two years, with a subsequent planned extension to Skopje and then Athens. China sees the railroad as an eventual “land and maritime express line” between China and Europe (Zeldin, 2015).

Professor Liu Zuokui is among the experts who have analysed the importance of cooperation with CEE countries to China’s initiatives. He voiced his support in the early tackling of easy issues, followed by a gradual increase in complexity. In addition, the evasion of economic and political risks is his advice to the Chinese Government; the Chinese Government should, according to his assessment, fully respect the market laws, assign the leading role to the enterprises and let the key projects be the driving force (Zuokui, 2015, p.193). When analysing all effects of all of these summits between China and CEE countries, it can be concluded that the “16+1” platform may serve as a catalyst which would bring some new approaches to development and strategic partnership in various productive spheres. Even more, the cooperation between China and CEE countries is in line with China’s objective of being a partner for growth with the EU. In other words, China regards the renewal of its relationship with CEE countries as a growth driver in the framework of China-EU relations, and believes that, by enhancing the overall
level of China’s relations with CEE countries, she will be promoting a more stable and healthy China-Europe relationship as well.9

**XINJIANG PROVINCE AND THE RUSSIAN REACTION**

In order to preserve its territorial integrity, the Chinese government has made combating what it calls the ‘three evils’ - religious extremism, separatism and terrorism. To achieve its aims and reduce local discontent, the Chinese government has replaced its policy of ‘stability above all else’ – with a strategy of regional economic development. Part of this strategy entails promoting the export of goods produced in Xinjiang to China’s Central Asian neighbours - Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. 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, the Chinese government has already invested more than 91 billion US$ in trade-related infrastructure in the Western province (including in roads, hydropower plants, and primary industry facilities). These 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 (Brugier, 2014). Hence, security and stability in Central Asia is not only a matter of protection of China investments, but also a matter of protection of possible spill over effects that insecurity and instability might have within China’s northwestern region of Xinjiang. Furthermore, China has started to become a player, although until now only tentatively, in Central Asia’s security landscape.

Australian analyst Colin Mackerras from the Griffith University has shed light on China’s stance towards its Xinjiang province in the aftermath of the July 2009 terrorist attacks. He recognised the aim of China’s domestic economic policies related to the Xinjiang province as an attempt to improve the economic

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9 During the fourth meeting between China and the CEE countries, held in November 2015, at Suzhou, China, the participants state their readiness to formulate the Medium-Term Agenda for Cooperation between China and Central and Eastern European Countries which will aims to improve 16+1 cooperation and further unleash its potential by setting out directions and priorities for 16+1 cooperation from 2015 to 2020. The Agenda taking the China-EU 2020 Strategic Agenda for Cooperation as the guideline document for China-EU relations and in accordance with the Press Communiqué of the Meeting between the Prime Ministers of China and Central and Eastern European Countries, China’s Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries, the Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries and the Belgrade Guidelines for Cooperation between China and Central and Eastern European Countries.
performance of the province, as well as the living standard of its inhabitants (with the purpose of at least mitigating the ethnical tensions) (Mackerras, 2015). Such policies are matched with initiatives to improve the cross-border economic and cultural exchange with the neighbouring Central Asian countries (which, as such, originated long before the Belt and Road Initiatives were officially proclaimed). Mackerras pointed to the Central Asian countries’ stance towards the Xinjiang ethnic tensions and July 2009 terrorist attacks, which caused China’s concern; China’s attempt to alleviate the economic causes of the tensions led China to forge strong economic ties with Central Asian countries. As a result, China’s influence in the region increased substantially, coinciding with the decline of Russia’s influence and the expected US withdrawal from Afghanistan (Mackerras, 2015). While Mackerras acknowledged the absence of China’s plans for establishing hegemony among these countries, he described China’s overwhelming influence in the region as the inadvertent consequence of China’s economic policies aimed at Xinjiang and the bordering areas. Finally, Mackerras is among the analyst who noticed the unease on the Russian side regarding China’s initiatives as well as the possibility of Sino-Russian competition for the dominant position in the region (which still lingers on despite examples of successful Sino-Russian cooperation).

Sino-Russian relations and Russia’s perception of the “Belt and Road” initiatives has been particularly explained by experts such as Yu Bin of Wittenberg University. Yu stressed the coinciding of the Silk Road Economic Belt with Russia’s attempts to gather the former Soviet republics under the auspices of the institutions such as the Commonwealth of Independent States (CIS), Collective Security Treaty Organisation (CSTO) and the Eurasian Economic Space, in which Russia will have the most say (Yu, 2014). Yu described Russia’s approach towards the region as geopolitics-laden and facing competition from the West (accessing the region with a mixture of economic aid and political conditions to be fulfilled) and China (mostly restraining itself to achieving economic goals). Yu also noted the Russian unease related to the fact that China and Central Asian countries have become economically intertwined over the last 20 years, with an example in trade volume between China and the region (which rose from 460 million US$ in the early 1990s to the 46 billion US$ in 2012) as well as billions of US$ in Chinese investment (Yu, 2014). As in other regions, an important share of Chinese investment is directed at the infrastructure; Yu had highlighted Russia’s particular sensitivity to China’s attempts at constructing a railway connection between China’s Xinjiang province, Kyrgyzstan and Uzbekistan (due to Chinese attempts to replace the existing Russian track gauge of 1,520 mm with Chinese-standard 1,435 mm gauge). Finally, Yu explained the subsequent Kyrgyzstan withdrawal from the project as a consequence of strong Russian lobbying (Yu, 2014). From this analysis, we can make subsequent conclusions. Russia and China obliviously have different strategies, different interests, and different priorities in Central Asia that at times appear irreconcilable.
with China’s emerging role. While cooperation between them in energy, investment, high technology, and military equipment has significantly increased over the past two decades, given Russia’s strategic *rapprochement* to Central Asia it is too early to say whether the phenomenon of collaboration or competition between Russia and China will lead to reaching an agreement on jointly controlling the region, or whether the region will serve as a field of confrontation between them (Mariani, 2013). 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. It is oblivious that the new Silk Road allows China to bypass Russia economically, politically, and geographically. It also has domestic (development in Xinjiang), regional (cross-border trade and infrastructure) and global benefit potentials (creation of supply lines). By creating a faster 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 the second and third China-CEE leaders’ summits in Bucharest 2013 and in Belgrade 2014 under the platform of the 16+1, which has injected new impetus into mutually beneficial cooperation.

Zhang Hongzhou gives another assessment of the potential consequences of New Silk Road initiatives to Central Asian countries. In his opinion, leaders of Central Asian countries formally approve the initiatives while actually being at unease about closer ties with China and the negative consequences they might bring (for example, the decrease in domestic productivity due to inexpensive Chinese imports such as textiles or light industrial products). Further on, the leaders of Central Asian countries are not totally calmed down by Chinese leaders’ promised non-interference in internal affairs – an eventual Chinese intervention, with the purpose of protecting the then-substantive Chinese investment, is not excluded in the future. The realization of Silk Road Economic Belt is also made difficult by occasional outbursts of anti-Chinese sentiments, by the perceived low quality of Chinese products, by Chinese businesses’ scarce knowledge of local cultural and religious traditions, by the widespread condemning of China’s handling of the Xinjiang issue, and by Chinese Government’s preferred dealing with ruling political elites (which causes heavy criticism by the opposition in each of these countries). Zhang’s advice to Chinese side is to go one step at a time and to seek success in smaller scale projects before switching to larger ones; China should also include into cooperation fields other than energy, fields (such as agriculture or technology) that benefit the broader population of each of these states. Finally, Zhang recommended a greater emphasis on Silk Road Fund than on the Asian Infrastructure Investment Bank – with the participation of European countries, South Korea and Australia, the AIIB loan-issuing criteria might include human
rights, which would lead the current Central Asian administrations away from seeking financial support from this institution ((Hongzhou, 2015, p. 10-15).

INDIA’S APPROACH

India met the New Silk Road with mixed feelings. On the one hand, Indian businesses and military circles have shown support of the initiatives. On the other hand, India has been much more supportive of the Bangladesh-China-India-Myanmar Economic Corridor (due to the importance of a link between Kolkata and southern China). Hence the relationship is more ambivalent, especially because Indian policy-makers prefer projects they have designed and do not show enthusiasm to merely execute pre-formulated projects (Price, 2015).^{10}

THE ASEAN COUNTRIES – BETWEEN APPROVAL AND WARINESS

ASEAN countries are the most interested in the success of China’s initiatives. On the other hand, China is interested to enhance the idea which has been promoted as the “2+7” cooperation framework (suggestion drawn by Li Keqiang during his presence at the 16th ASEAN + China summit in Brunei). The idea “2+7” means consensus on two issues - strategic trust as part of the good neighbour principle and economic cooperation based on mutual benefits. It also means seven plans: 1) Signing the China–ASEAN good neighbour treaty; 2) More effective use of the China–ASEAN Free Trade Agreements (FTA) and intensive Regional Comprehensive Economic Partnership negotiations (the FTA between ASEAN and China, Japan, South Korea, India, Australia and New Zealand); 3) Acceleration of joint infrastructure projects; 4) Stronger regional financial and risk-prevention cooperation; 5) Closer maritime cooperation; 6) Enhanced cooperation on security; 7) More intensive people-to-people contacts along with increased cultural, scientific and environmental protection cooperation (Parameswaran, 2013, p. 10).

A number of analysts from ASEAN countries expect the sooner establishing of Asia-Pacific economic community and growth of the emerging markets as a consequence of the initiatives. Political analyst Zhao Hong from the Singapore Institute of Southeast Asian Studies described the transportation infrastructure and connectivity in the region as hungry for improvements and large-scale investments. To support this argument, Zhao quoted an estimate by Asian Development Bank,

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^{10} The TAPI (Turkmenistan-Afghanistan–Pakistan–India) pipeline is one of the important geostrategic factors of the “New Silk Road” strategy proclaimed by the US Government in 2011. Funded by the Asian Development Bank, the 1078-mile pipeline is expected to transport Caspian gas from Turkmenistan through Afghanistan and Pakistan into India (Fedorenko, 2013, pp. 4, 6).
according to which as much as 730 billion US dollars will need to be invested in infrastructure throughout Asia by 2020, which would, in his opinion, leave sufficient room for all lending institutions interested (Association of International Accountants, 2015). Another analyst in support of China’s initiatives is Zheng Yongnian from the Singapore East Asian Institute. He argued that China preferred “win-win” cooperation with countries in Asia, Africa and Latin America to hegemony, adding that the Maritime Silk Road could be used as a vehicle to transfer capital and technology to developing countries, but also as a mean to reduce trade friction between China and the developed countries (through redirecting Chinese investments away from the developed countries and to the developing countries) (Association of International Accountants, 2015). Some experts, however, point out to the ongoing maritime dispute in South China Sea as a possible hindrance to “the Maritime Silk Road” initiative. After noting that the South China Sea is an important corridor for the initiative, Chen Dingding pointed out to the Southeast Asian countries’ concerns that in return for economic benefits from the initiative, they will be compelled to give in to China’s interpretations and viewpoints of the South China Sea dispute (that is to say, if China remained stiff in its policy towards the dispute, “the Maritime Silk Road” initiative would cause more concessions of these countries to the US with the purpose of protecting them from China) (Chen, 2014). Taking into account the maritime disputes in the South China Sea that have been aggravated since 2011, the China’s leaders’ skillfully used “New Silk Road” strategy for defusing tensions. Although its elements are not entirely new in China’s policy, the fact is that this approach is based on a lucrative economic offer, which includes security guarantees to the ASEAN states. Despite this foreign policy raison d’être, this allows the Chinese stronger presence in the region as a response to the U.S. pivot to Asia-Pacific (Szczudlik-Tatar, 2012, p. 6).

**RELEVANCE TO THE CHINA’S 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. Political analyst Camille Brugier’s assessment of the two initiatives’ energy aspects is constrained to the assessment of Sino-Russian energy relations since the early 2000s (Brugier, 2014). Brugier described the increase of Chinese energy imports from Russia in early 2000s as an attempt to limit China’s energy dependency on the Middle East and sub-Saharan Africa (due to the lack of political stability in the two regions and the possibility of terrorist attacks during the sea-based transportation of energy resources to China). Further on, Brugier describes the recent China’s stance towards Russia as more cautious, resulting in greater importance given to the Central Asian states (most
notably, Kazakhstan and Turkmenistan). By her words, China has taken the same
cautious approach towards Russia that it had earlier towards Middle East and Africa;
she expects the New Silk Road to result in greater energy imports to China
originating in Central Asian states (Brugier, 2014). Nadège Rolland of the National
Bureau of Asian Research also acknowledged China’s ambition to redirect
transportation corridors for its energy away from the Malacca Strait, attributing it
however to China’s fear of US naval blockade, which would be likely to happen in
case of a conflict between East Asian nations (Rolland, 2015). When we know that
almost 85% of imports to China are transported along this route, including 80%
of its energy imports, then the Malacca Strait is in fact one of the busiest littoral
sea lanes to Malaysia, Indonesia and Singapore. Hence, China not only strives to
secure those sea-lanes, but also to boost inland transport or find the means to gain
access to the Bengal Bay and Indian Ocean and bypass Malacca. This is the reason
for China’s great engagement in Myanmar, which is seen as a gate to Bengal Bay
and the Indian Ocean. It is also worth mentioning China’s relations with Pakistan.
Close cooperation with Islamabad on such infrastructure projects such as roads,
railways and pipelines, and the recent decision by Pakistan to give operational control
and management of the Gwadar port on the Arabian Sea to a Chinese company,
ofer China access to the Persian Gulf and the whole Middle East. The additional
attention to an inland transport network is meant to shorten transport times and
make trade less dependent on those unstable littoral sea lanes. Through enhancing
relations mainly with Central Asia, China not only tries to circumvent Malacca and
decrease dependence on sea transport, but also to establish an inland transport
network (construction of roads, railways, pipelines) to ensure a stable supply of
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**SUMMARY**

After entering into the new century, with the rise of the comprehensive national
strength, China has become more widely and deeply involved in the international
affairs. While sticking firmly to its position as a developing country, China gradually
began to accept the tasks ahead of a great power and to act as a major responsible
country, especially since President Xi Jinping’s promotion of the concept of “major-
country diplomacy with Chinese characteristics”. China’s diplomacy in the new era
is taking a more global perspective with a more enterprising and innovative spirit.
This strategy contains many new concepts and new thoughts, including the concept of “a new model of major-country relationship”, which refers to China-Russia relationship and China-US relationship, the principles of “amity, sincerity, mutual benefit and inclusiveness” regarding China’s periphery policy, and also the new concept of “morality and interest” when China promotes the relations with other developing countries. The proclaimed economic, political and social goals of the New Silk Road Strategy and its “Belt and Road” initiatives are very ambitious, with the potential of being among the most important phenomena of the 21st century. If conducted properly, the initiatives would amount to a good choice (in a political, economic, cultural and any other sense) to all participant countries. Although the initiatives are open to all the countries along the old Silk Road trade route and have the potential of reaching out to all the countries in the world, they have also stirred some concern among the developed countries, especially when it comes to China’s real motives. The achieved success of the “Belt and Road” initiatives (measured through an improvement of infrastructure and living standard, greater cross-border exchange and greater observing of the environmental protection standards) will make it easier for the Chinese Government to convince the countries concerned into their non-aggressive nature. These conclusions are particularly important for cooperation between China and the countries of Central and Eastern Europe (CEE) in the framework of political platform “16+1”. This platform has injected new impetus into bilateral ties and cooperation that benefits all sides. Through this mechanism, the comprehensive strategic partnership China and CEEC will be achieved and consolidated.

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