



## China's "new Silk road": Focus on Central Asia

Author: Patrick Bessler, Berlin

**With the One Belt, One Road initiative, China is embarking on a huge project which plans to connect the East and West via the extensive development of infrastructure. It is an expression of Chinese expansion and is aimed at promoting a whole range of Chinese interests. The main focus of the initiative is on the countries within Central Asia, which is precisely where these interests are highly complex.**

2015 is to be the year of maritime cooperation between China and ASEAN, China's Deputy Prime Minister Zhang Gaoli announced in September 2014 with great conviction. He was speaking at the China-ASEAN Expo in Nanning, which came about as a result of the "21st Century Maritime Silk Road" strategy. Just a few months previously, a huge railway project worth 20 billion U.S. dollars in the ASEAN member country of Myanmar was stopped due to large-scale protests by local residents. It would have been built using Chinese money and would have been an important part of Beijing's One Belt, One Road initiative (OBOR) – a major infrastructure development plan often referred to as China's "new Silk Road".

This is a classic example of where external appearances and reality can be worlds apart. It has been the subject of much discussion ever since it was first announced in autumn 2013 during a speech by the Chinese President Xi outside the Nazarbayev University in Kazakhstan. He explained that


the "new Silk Road" is intended to provide China with its third opening to the West after setting up special zones and becoming a member of the World Trade Organisation. It should strengthen the country's position as a leading nation in both Asia and throughout the world. And it ought to bring Asia and Europe closer together and ensure economic development and trade along its routes. There are many questions about what this should and might mean in reality, whether the vision will work out, what conflicts will arise and, ultimately, who will benefit from it – particularly given the various challenges and hurdles which are now coming to light and the complex interests in Asia.

However, there can be little doubt that China is serious about OBOR and that 2015, just like 2014, has driven both the planning and the implementation of this initiative forward. The network of investment agreements in the countries along the two planned main routes of the "new Silk Road" is continuing to grow, accompanied by newly founded institutions such as development banks and investment funds.

### **Two routes – more than concrete and steel**

With the One Belt, One Road initiative, China plans to establish a link to the historical "Silk Road" which connected East Asia, Central Asia and the Mediterranean region over roughly 800 years ago. The extensive network of trade routes not only resulted in the exchange of goods, but also of cultures, ideas and political influence between the West and the East.

Following this tradition, China intends to close the gaps between Asia and Europe with roads, railways, shipping lines, ports and industrial corridors. Beijing is promising better relations with, closer connections to and greater influence on its neighbouring countries in the region, right across to East



Africa, the Middle East and Europe. For China, OBOR is also a way of supporting its own underdeveloped regions situated along the planned corridors. The protection of resources such as oil, gas, uranium, copper and gold is another key motive, along with the set-up and expansion of new trade routes and sales markets. According to a report by the news agency Reuters, Xi told a delegation of Chinese entrepreneurs that he hopes to achieve a trade volume of over 2.5 trillion dollars with the OBOR countries in around ten years' time.

Although South and South-East Asia, along with India and the ASEAN countries, are also central components of the initiative, particular emphasis is being placed on the Central Asian countries of Kazakhstan, the Kyrgyz Republic, Turkmenistan and Uzbekistan. With a trade volume of around 50 billion dollars, China has been their most important trade partner since 2013, ahead of Russia. According to figures from the International Monetary Fund (IMF), at the start of the millennium, this volume was only 1.8 billion dollars. Furthermore, China is not just the largest investor in the region, but also one of the largest importers of resources.

In March 2015, China's National Development and Reform Commission (NDRC) – the country's highest authority for economic planning – and the Chinese Ministry of Foreign Affairs published a programme revealing the details of the plan for the OBOR initiative. China's new Silk Road is primarily a collection of major infrastructure projects divided into two routes:


The "Silk Road Economic Belt" is an overland connection extending towards the West. It spans from Xian in Central China via the mainland into Central Asia to Samarkand, Tehran, Istanbul, Moscow, through Eastern Europe to Duisburg and finally to Rotterdam. Key elements include the expansion of transport routes and of natural gas pipelines. Via cargo train con-

nections, goods should in the future be able to reach their destination faster than by sea. The corridor spans seven provinces within China itself. The first international rail connection between Lianyungang in the province of Jiangsu and Kazakhstan was started in February.

The "Maritime Silk Road" extending towards the South is a trade route focusing on sea routes which is being set up to link South-East Asia with the Middle East, East Africa and Europe. Starting in Fuzhou, it runs along the Chinese coast southwards to Hanoi, to Jakarta and Kuala Lumpur, through the Strait of Malacca into the Indian Ocean via Colombo to Nairobi and, finally, past the Horn of Africa over the Red Sea and the Mediterranean via Athens to Venice. Here too, the necessary infrastructure will undergo major expansion. China is also planning investments in port facilities and shipyards, for example in Bangladesh, Sri Lanka, the Maldives and Pakistan.

As emphasised in the plan by the NDRC and the Ministry of External Affairs, this refers not just to "hard" infrastructure made of asphalt, concrete and steel. The expansion of communication and information exchange between all countries and players involved, as well as the political and economic cooperation, is a key aspect of the "new Silk Road of the 21st century". One example is the collaboration relating to customs processing. Here, China is already looking for closer cooperation with Kazakhstan, Poland and Russia, for example. The intention is also to promote financial integration and collective maritime security.

This affects over 60 countries from the seven regions of South Asia, Central Asia, ASEAN, Central and Eastern Europe, West Asia and North Africa. The key countries include the ASEAN countries, Russia, Poland, Belarus, Turkey, Saudi Arabia, Sri Lanka, India, Mongolia, Kazakhstan, the Kyrgyz Republic and Pakistan. According to a widespread estimate, these countries



should comprise up to 4.4 billion people with an available income of 21 trillion dollars. A report by the Chinese Renmin University claims that the countries affected by OBOR should cover 55 per cent of the global GDP and 75 per cent of the known energy reserves, as reported by the news agency Xinhua. Trade with these countries accounts for around a quarter of China's total trade volume. In 2013, this figure was over a trillion dollars and, at around 19 per cent, grew faster on average than China's total foreign trade, according to Wang Yiwei, Head of the Institute of International Affairs at Renmin University.

For the countries in Central Asia in particular, the "new Silk Road" could result in a noticeable boost in development. Intraregional trade could benefit from it. This only accounts for roughly 6.2 per cent of the cross-border economic activities of these countries, according to an analysis by the European Council on Foreign Relations. In addition, OBOR could offer a way out of the dependency of a large number of Central Asian countries on Russia, particularly with regard to foreign remittances. Due to the tense economic situation in Russia, foreign remittances dropped by 15 per cent in 2014.


### **Huge sums required**

According to a report by the China-Britain Business Council, the condition of the infrastructure in the countries along the route is below the global average. The International Monetary Fund (IMF) claims that just seven of the 64 countries involved are classed as economically developed. The consultancy firm PwC estimates that investments in transport infrastructure of five trillion dollars are needed by 2020. The Asian Development Bank (ADB) estimates that in the Asia-Pacific region alone there is a deficit of around 800 billion dollars a year in terms of investment in infrastructure.

Beijing is willing and able to hand over money and invest this via various channels. It is planning to provide around 40 billion U.S. dollars via the Silk Road Fund (SRF) which it created for this purpose in December 2014. The State Administration of Foreign Exchange, the China Investment Corporation, the Export-Import Bank of China and the China Development Bank are behind this. The fund targets specific infrastructure projects such as railway lines and pipelines, primarily in Central Asia. 50 billion dollars are being invested in the newly founded Asian Infrastructure Investment Bank (AIIB). This was also launched on China's initiative in 2014. 57 nations, including Germany, are currently members of this multilateral bank. China holds the largest share by far and therefore has the most voting rights. The AIIB is also primarily aimed at infrastructure investments. Unlike the SRF, however, the money is not provided solely by domestic capital. The SRF will also invest in projects with a higher risk and higher rates of return. A further 10 billion dollars are to be distributed via the New Development Bank, which was founded in summer 2014 by Brazil, Russia, China and India as an alternative concept to the World Bank and the IMF.

In its analysis, the European Council on Foreign Relations goes as far as investments of up to 300 billion dollars in infrastructure as part of the OBOR initiative via various other bilateral and multilateral channels. This is in addition to private investors and "competitors" such as the Asia Development Bank (ADB), via which Japan, for example, is trying to strengthen its influence in the region and over China in particular. It was not until the middle of 2015 that Tokyo announced investments in an ADB fund of 110 billion dollars in response to Beijing's efforts in support of the AIIB.

### **Implementation already in full swing**



President Xi Jinping announced the process for implementing OBOR in his speech outside the Nazarbayev University: He explained that at the start, the communication between the countries involved would need to be increased, that all decisions should be made jointly and that China does not want to adopt a unilateral approach. He stated that the second stage would involve creating the transport infrastructure and that the third would need frameworks for trade and investments. A fourth stage would involve the standardisation of the monetary system. According to media reports, as of 2016, five years of strategic planning should ensure a smooth start to the implementation of this major project from 2021. This would mean that all central sub-projects relating to the Silk Road could be completed by 2049 – right on the 100th anniversary of the foundation of the People's Republic of China.


However, OBOR can also be considered as more than an attempt to bring developments which have already begun within a framework and to further develop them – this is a genuine project. The implementation of parts of the plan has already begun. An example of a part of the OBOR initiative is the Bangladesh-China-Myanmar corridor, which links Kashgar in the Xinjiang province to the deep sea port of Gwadar in Pakistan. This is where, in spring 2015, Xi announced an investment plan of 46 billion dollars for the development of the local energy and transport infrastructure. That's around a fifth of Pakistan's GDP and roughly ten times the amount being invested in this country by the USA, according to Shuaihua Wallace Cheng, Head of the International Center for Trade and Sustainable Development (ICTSD) in Geneva. The 56 projects planned include, for example, investments of 1.65 billion dollars in a hydroelectric power plant, as well as in the expansion of the port, parts of which are already under the control of the Chinese management.

Around 80 per cent of Chinese oil imports go through the Strait of Malacca, where the U.S. military dominates the security situation. A route via Gwadar could get around this issue and would also save time, according to Cheng.

In Colombo, Sri Lanka, China is investing 1.4 billion dollars in the development of the port. This is intended to increase its competitiveness vis-à-vis the ports of Singapore and Dubai, which are at risk of reaching the limits of their capacity due to increasing trade. As part of a four-country tour by Xi in autumn 2014 through Central and South Asia, the President of Sri Lanka at that time, Mahinda Rajapaksa, affirmed his country's aim to become part of the Maritime Silk Road. The port is to cover 233 hectares and feature offices, hotels and shopping areas. It will be built by the Chinese state company China Communications Construction Co. (CCC). According to Bloomberg, a total of around 20 billion dollars will be invested over the next fifteen years. Sri Lanka will keep 125 hectares of the country under state ownership and 20 hectares will be given to CCC. The rest will be leased out to the company for a period of 99 years. Colombo is of particular strategic importance. The port is the only one in South Asia that can accommodate 18-metre deep cargo ships.

During his visit to the Maldives in December 2014, Xi and the Maldivian President Abdullah Yameen signed an agreement on Chinese investments in the expansion of the local airport and a bridge connecting it to the capital. According to media reports, Yameen suggested calling the finished bridge "China Bridge" or the "Bridge of Chinese friendship".

China's government signed other similar agreements in 2014 with countries including Kazakhstan, Uzbekistan and the Kyrgyz Republic which are worth a total of 48 billion dollars.



In Korgas in Kazakhstan, near the border with China, Kazakhstan's national railway company, Kazakhstan Temir Zholy (KTZ), invested around 900 million dollars in building a dry port. This aims to make moving cargo from Chinese trains to Kazakh ones more efficient. The Chinese province of Jiangsu in eastern China announced it would pay around 600 million dollars towards the project. A report by the Financial Times claimed that the number of cargo containers handled there rose eighteen-fold between 2011 and 2014.

China also plays an active part in matters relating to OBOR in the ASEAN countries, even if many countries in the loose confederation are sceptical about their large neighbour. In Laos, China is building a rail link between the capital city of Vientiane and the Chinese province of Yunnan, using a Chinese loan of 7.2 billion dollars. The GDP of Laos is around 8.3 billion dollars. In Indonesia, China fought off stiff competition to win the contract to build a high-speed rail link roughly 150 km long between Jakarta and Bandung. In a second stage of construction, the line is to be extended to Surabaya, 570 km from Jakarta. Japan was also interested in the project and, according to a report in the Jakarta Post, estimated costs of around 4.4 billion dollars for the first stretch. To make the decision easier for the Indonesian government, China offered a loan of 5.5 billion dollars to finance the project. After repeated adaptations, this offer was ultimately better than the Japanese one.

China is also following its "Silk Road" in Europe. In Serbia, Beijing invested 167 million dollars in a bridge over the Danube – just the first of many projects in this country, as China's Prime Minister Li Keqiang announced at the opening ceremony. This includes a planned high-speed rail link between Belgrade and Budapest worth an estimated 1.9 billion dollars. The rail link has been set up to be part of a land-sea link

involving a bridge leading towards China starting in Piraeus, taking in Budapest, Skopje and Belgrade. Li signed a corresponding agreement on this in November at the fourth China-Central and Eastern Europe Summit (CEE) in Suzhou. In addition to Hungary and Serbia, representatives from 14 other European countries such as Bulgaria, Croatia, Hungary, Poland and Slovakia were present.


In the Greek port of Piraeus, the Chinese state-owned shipping company, COSCO, has already leased large parts of the container port. Now it also wants to buy further parts of the passenger port which is being put out to tender for privatisation. For China, Piraeus – as one of the largest ports in the Mediterranean – is a strategically important gateway to Europe.

The first Chinese trains started to arrive in Madrid back in December 2014, using the new and supposedly the longest rail link in the world. It spans 13,000 kilometres and starts in Yiwu, in the Zhejiang province on the Chinese coast near Shanghai. The journey takes around three weeks – just roughly half as long as it would take by container ship. Trains now travel between Duisburg and Chongqing in the south-west of the country five times a week.

### **China's implicit motivation**

In addition to the explicit motives, such as protecting resources and expanding trade, with OBOR, China is following a few motives that only emerge on second glance. However, this does not mean in any way that the Chinese government would try to hide these implicit motives.

It is very often assumed that OBOR is a way for China to reduce or compensate for the over-capacities built up in some industries over the last few years of booming economic growth. The problem came to light in some state-run industries even before the global financial crisis of 2008/09.




Following this, the government pumped even more subsidies into these sectors than before. The intention was to compensate for the feared slumps in demand in Western countries. At that time, China invested almost 500 billion dollars via economic stimulus packages, for example, in public infrastructure such as railways and state housing.

Competition between the local governments is also a factor supporting the expansion of over-capacities. Through financial subsidies, these have tried in the past to establish and build up industries in order to increase their local growth figures. It is those industries which have already built up over-capacities which will benefit from this. At present, China's steel industry has unused capacities double those of steel production in the USA. Other sectors such as iron, cement, aluminium, glass, coal, ship building and solar panels are suffering under similar conditions. According to Shuaihua Wallace Cheng from the ICTSD, the over-capacities in some of these sectors have reached over 30 per cent. Domestic demand is nowhere near able to absorb this surplus. International demand likewise provides no major relief here due to weakening performance in a few core buyer countries. Reducing over-capacities without substitution would mean massive job cuts. This would be costly for China, both politically and socially, particularly at a time when the country is in a phase of economic transition anyway, in which the government is having to communicate to the population and the markets lower growth rates than normal.

Beijing is hoping that investments in foreign infrastructure, which will be implemented using Chinese materials and labour, could be a welcome remedy. The extent to which OBOR projects can achieve this is, however, questionable. Exporting the large and heavy materials used in heavy industries alone could prove to be complicated and not very lucrative.

At the same time, the new "Silk Road" links with other countries abroad are intended as a means of further developing China's hinterland. There is a huge divide between the well-established coastal regions which are becoming richer and the underdeveloped provinces in western China. The majority of provinces through which the overland section of OBOR passes are located in these structurally weak regions, which make around just one sixth of the GDP according to an analysis carried out by HSBC. The western province of Xinjiang is the core area of the Silk Road Economic Belt and is to be developed as a financial hub, for example. Foreign companies are already seeing extensive new business opportunities in the expansion of roads, towns and trade relations in provinces such as Chongqing, Shaanxi, Sichuan and Yunnan. However, the coastal provinces such as Fujian, Guangdong, Jiangsu and Zhejiang in the east are also experiencing new opportunities for further developed sectors such as finance or professional services, healthcare, logistics and e-commerce, according to an analysis by the China-Britain Business Council (CBBC). The details about the regional development of individual provinces within China are still not known. It is nevertheless clear from discussions with the local authorities that all provinces in the country are expecting to benefit from OBOR and are drawing up appropriate plans, according to the CBBC.

From the point of view of many observers, China's venture is also a response to the development of closer economic ties within the Asia-Pacific region as part of the "Trans-Pacific Partnership" (TPP). The twelve TPP nations, including Japan and the USA, are China's main competitors for regional political and economic dominance. While China attempts to project a low-key rhetoric in this regard, the matter appears to be clear from the point of view of Japanese conservative critics in particular: "Bei-




China has ambitions to bring a significant area of the Pacific under its influence," according to the Japanese business journal Nikkei in September 2015 with reference to the "new Silk Road". In fact, Japan publicly decided to participate in the negotiations for the TPP in the first half of 2013. China kept out of this planned agreement from the very beginning – and only responded a few months later with the first public announcement of the OBOR initiative.

Another of China's core motives is its desire to **internationalise its currency**. Up until now, the Chinese yuan has played a minor role as an international means of payment compared to the dollar and the euro, even though it has now become the world's fourth most used currency. This is because, with a share of around 2.8 per cent of all global payments, it only occupies a weak fourth place. The pound comes in at 9 per cent, the euro at 29 and the dollar at 45 per cent. China wants this to change, particularly as the country is responsible (with a figure of around 12 per cent) for a share of global trade similar to that of the USA. The government has been pursuing this internationalisation for some time now via various channels. In 2010, Russia and China jointly announced their desire to use their own currencies for bilateral trade. In 2012, China and the United Arab Emirates signed a currency swap agreement to the value of around 5.5 billion dollars. This was followed by similar agreements such as the one with Turkey worth 1.6 billion dollars. The foundation of the AIIB was also a step towards the internationalisation of the yuan. China was able to report further success in this direction in November 2015, when the IMF decided to include the Chinese renminbi in the fund's basket of reserve currencies and thus, at least symbolically, to recognise it as a key currency.

### **Complex interests**

China is not the only country with ambitions in East, South and Central Asia, Eastern Europe and North Africa. The interests here are as complex as the countries are different. And China's OBOR is not the only "Silk Road" plan.

From the point of view of the USA in particular, the One Belt, One Road initiative is seen as a welcome response to the Obama government's "Pivot to Asia" strategy announced in 2011. Alongside the involvement in the TPP, this includes the plan to station 60 per cent of the U.S. naval and air forces abroad in Asia by 2020. From a Chinese point of view, this is seen as an attempt to contain the Chinese influence in the region. In 2011, the USA also revealed its version of the "Silk Road" using a plan to strengthen the integration of economy and infrastructure in Central Asia, as reported by the U.S. think tank, Council of Foreign Relations (CFR). This was designed to focus on Central and South Asia, starting with Afghanistan. This "Silk Road" comprises a range of related investment projects and regional trade blocks with the aim of promoting growth and stability in the region. The basis for this is to be established so that the war-torn country can undergo economic development independently after the planned withdrawal of the U.S. troops. The U.S. policy also focuses on establishing a regional energy market in Central Asia. According to the United States Department of State, Washington has invested around 1.7 billion dollars in energy projects there since 2010 alone. Various agreements with countries in the region, such as the Almaty Consensus and the Cross-Border Transport Accord (CBTA) between Afghanistan, Tajikistan and Kazakhstan, aim to remove trade barriers and expand export capacities. The CASA-1000 electricity network is an initiative designed to enable the transport of electricity generated using hydroelectric power from Tajikistan and the Kyrgyz Republic to Afghanistan and Pakistan. The



USA has allocated 15 million dollars to this project. However, according to the CFR, compared to the huge sums that China is prepared to invest, this is a rather small investment. This ties in with the fact that the USA is focusing less on its role as a financial backer than on being a diplomatic negotiator.

Another U.S. project is a gas pipeline between Turkmenistan, Afghanistan, Pakistan and India, known as TAPI for short. This would allow Turkmenistan – a country rich in natural gas reserves – in particular to diversify its buyers and supply 33 billion cubic metres of natural gas to the other three countries. However, the 10 billion dollar project has been on hold for a long time now due to a lack of money owing to the fact that Western investors and the government of Turkmenistan could not reach an agreement. In the meantime, the compilation of media reports is about to begin.

At present, China is Turkmenistan's most important and only buyer worth mentioning, particularly after Russia significantly reduced its imports. It was not until the end of 2014 that Turkmenistan opened a new 1800 km-long pipeline which is designed to transport 40 billion cubic metres of gas to China every year. This was financed by the China National Petroleum Corporation (CNPC). However, according to the Central Asia-Caucasus Analyst, business involving the supply of gas to China is not very lucrative. The profits largely go towards paying off the Chinese loans of the CNPC.

India also has its own interests in the region, in which Afghanistan, for example, plays a major role. New Delhi responded to the announcement of the "new Silk Road" by President Xi with its own "Silk Road" concept – the "Mausam Project". Since Prime Minister Narendra Modi came into office in 2014, India has noticeably increased its efforts regarding foreign policy


vis-à-vis Afghanistan, Bangladesh, Pakistan and Sri Lanka.

China's ambitions in and with Pakistan and Sri Lanka in particular, for which China had already become the main trade partner back in 2013, are a thorn in the side for India. China currently grants two to three times as many development loans to this country than Western lenders.

In Afghanistan, India is seen to be supporting the USA, where it is one of the largest donor countries in terms of development cooperation. In 2015, India and the USA signed a "Joint Strategic Vision", according to which both countries will promote economic integration together in order to link South, South-East and Central Asia. This covers energy, free trade and the movement of persons as well as security – particularly in the South China Sea where the situation has been tense for a long time now due to unresolved territorial claims in which China plays a central role. According to the declaration, both countries want to develop a common roadmap and strengthen regional dialogue over the next five years, in addition to striving for trilateral consultations with the countries in the region. India is also a founding member of the China-initiated AIIB and is endeavouring to establish closer diplomatic relationships with Beijing.

The picture that emerges is ambivalent. The situation is similar for Russia, which is often considered to back the Chinese "Silk Road" initiative. However, together with Belarus, Kazakhstan, Armenia and the Kyrgyz Republic, Russia follows its own free trade and investment initiative called the Euroasian Economic Union. This came into force at the beginning of 2015. At the end of 2015, during a visit to China to celebrate the 70th anniversary of the end of the Second World War, Russia's President Vladimir Putin talked about the possibilities of how the two initiatives could be brought in line. However, one popular interpretation is also





that there is competition between the Eurasian Economic Union and OBOR. Thus according to an article on this topic in the Financial Times from October 2015, Moscow has also made efforts in the past to thwart Chinese ambitions in the region by means of the Shanghai Cooperation Organisation. In South-East Asia, interests are dominated by ASEAN, which is currently being strengthened. The ten members [want to start their own free trade zone with the ASEAN Economic Community from 2016](#) with which they ultimately want to break away from China's regional claims. Nonetheless, Chinese investments are also welcome here in order to satisfy the demand for new infrastructure.

Japan has in the past restricted its ambitions and interests primarily to East Asia and the ASEAN region, and can be seen in these countries as a direct competitor of China in the race for economic and political influence. Whether and to what extent Tokyo will also be involved with Central Asia in the future remains to be seen.

### **Problems, obstacles and resistance**

Likewise, the dynamics which may unfold due to these complex interests and how these will impact the OBOR initiative are still unknown. However, we do already know at present that China will face a few other major problems during implementation.

China is often seen as pragmatic in terms of development work. Compared to Western countries, it is often not concerned with international conventions, nor does it pay particular attention to the local population and the environment, according to current criticism. This also explains why China has supposedly implemented more successful projects than others on the Dark Continent. However, in regions with weak state structures and a weak rule of law, as is the case in many places along the OBOR routes, various

hurdles and challenges arise even for China's projects: The mood of the public in the countries affected is often difficult to assess and generally even harder to control. There is also often resistance to Chinese projects in particular precisely because they do not always take into account the full extent of the needs of the local stakeholders. Or, for instance, because large parts of projects abroad use Chinese labour instead of the local workforce. Failure and corruption are considered to be frequent occurrences in China's development cooperation abroad. This was also true in the case of Myanmar mentioned earlier, where public pressure caused a planned rail link costing 20 billion dollars between the Myanmar city of Kyaukpadaung and Kunming in China to be stopped. The residents had not been involved in the project and had concerns about environmental pollution. In Sri Lanka too, following the elections in 2015, investment agreements criticised as not being transparent by the opposition at that time, which were previously out of the public gaze, must now be reviewed. In Greece, the political turbulences of 2015 initially interrupted the Chinese plans to acquire more sections of the port of Piraeus. At the beginning of the year, the newly elected government under the leadership of the Syriza party stopped the negotiations relating to the project. A few weeks later, however, there was another about-turn and Greece's Deputy Prime Minister at that time, Dragasakis, confirmed a further privatisation of investments, according to Xinhua. As President Xi himself emphasises, China's "new Silk Road" is not actually a unilateral project. Decisions about building roads, ports, railway tracks, etc. lie not wholly in the hands of Beijing. They must always be made in coordination with the relevant partner country, and in the case of cross-border projects, with multiple partner countries where there is any doubt. This can take a long time. The involvement of a



large number of institutions, such as the World Bank, ADB, African Development Bank, European Bank for Reconstruction and Development, Chinese Silk Road Fund, China Development Bank and many other similar ones, can also complicate projects. Geographical conditions such as rough terrain and threats from military groups such as the Taliban in Afghanistan, as well as attacks by separatist groups, which have affected the province of Balochistan in Pakistan in recent years, can also have an impact. China itself has repeatedly been the victim of such incidents in the past, most recently in November 2015, when three Chinese employees of the China Railway International Group died in a terrorist attack on the Radisson Blu Hotel in Bamako, the capital of Mali. In the Xinjiang province, which is very important for OBOR, Beijing is having to deal with the problem of the Uighur separatists. Piracy is another concern which has emerged over the past few years. Low rates of return represent another economic risk. The conditions under which development loans are granted for local infrastructure projects are often barely economical anyway. There is also a risk that a recipient country could totally default on a payment. The fact that the majority of Chinese infrastructure projects abroad are implemented by state-run Chinese companies increases this risk further. In general, they are considered to be less efficient, profit-oriented and risk averse since they are guaranteed by the state. As an example, the media reported in 2014 that the Head of the China Mining Association admitted that in 2013, up to 80 per cent of all Chinese mining projects abroad were economic failures.

According to an analysis by the European Council on Foreign Relations, opposition and competition within China itself are growing amongst all the parties involved, which could lead to undesirable developments. We only have to think back to the


poor planning under Mao, particularly in terms of domestic development.

### **OBOR as a Marshall Plan?**

OBOR is often compared to the U.S. "Marshall Plan", which made a huge contribution to rebuilding Europe after the end of the Second World War and therefore not only ensured peace and prosperity on the "old continent", but also established a sales market for U.S. products – a win-win situation for both sides. In fact, back in 2009, the former Deputy Director of the China State Administration of Taxation, Xu Shanda, submitted a proposal entitled the "[Chinese Marshall Plan](#)" to the Chinese Ministry of Economic Affairs. The concept proposed using China's extensive foreign exchange reserves to create external demand against the background of the global financial crisis.

According to an analysis by Wang Yiwei, however, there are clear differences between the two strategies. The Marshall Plan was ultimately set up to prevent communism in Europe. OBOR has no ideological foundation of this kind. In addition, the Marshall Plan was initially a "one-way street" whereby investments flowed from the USA into Europe. In the case of the OBOR initiative, the focus is on the distribution of production capacities in terms of comparative cost advantages. The time-scales also differ: The Marshall Plan was created based on a period of four years, whereas OBOR is designed to span a period of roughly 35 years.

So what exactly is China's "new Silk road"? The historical Silk Road grew organically and linked the Orient and the Occident, carried exotic goods from faraway countries and resulted in new cultural influences. The "new Silk Road" is not a coherent plan which has been finalised down to the smallest detail. But it does represent endeavours to strategically open up new trade routes, markets and resources and to incorporate



developments which have already begun into a corresponding framework.

In any case, it can be understood to be an expression of efforts to expand what may soon be the world's largest national economy. It appears to be a mixture of the traditional Chinese approach of non-intervention and China's ambitions – which are becoming increasingly clearer and more confident – to shape the world.

China's ambitions in terms of having a regional influence on East and South-East Asia in particular have been under discussion for some time now, followed by Africa and Latin America. The focus has also included Central Asia ever since Xi's speech outside the Nazarbayev University in Kazakhstan.

However, the end of the "new Silk Road" is located elsewhere – in Europe.

**About the author:** Patrick Bessler is a freelance journalist and communication consultant. Prior to this, the Japanologist and political scientist managed the PR Department at the Japanese Chamber of Commerce and was editor-in-chief at "Japanmarkt".

E-mail: [patrick.bessler@gmail.com](mailto:patrick.bessler@gmail.com)



Social and Economic Governance Programme Asia /  
Japan Office

OAG-Haus 4F  
7-5-56 Akasaka, Minato-ku  
Tokyo, 107 0052 Japan  
Tel. +81 3 6426 5041  
Fax. +81 3 6426 5047  
[KAS-Tokyo@kas.de](mailto:KAS-Tokyo@kas.de)  
[www.kas.de/japan/en](http://www.kas.de/japan/en)  
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