



In This Issue:

IN A FORTNIGHT

By Nathan Beauchamp-Mustafaga	1
MISSION MOSTLY ACCOMPLISHED: CHINA'S ENERGY TRADE AND INVESTMENT ALONG THE SILK ROAD ECONOMIC BELT	
By Erica Downs	3
THE MARITIME SILK ROAD AND THE PLA: PART ONE	
By Morgan Clemens	7
FUTURE SCENARIOS ON THE NEW SILK ROAD: SECURITY, STRATEGY AND THE SCO	
By Jacob Zenn	10
XI'S BOLD FOREIGN POLICY AGENDA: BEIJING'S PURSUIT OF GLOBAL INFLUENCE AND THE GROWING RISK OF SINO-U.S. RIVALRY	
By Timothy Heath	14



Professor Wang Jisi, former Dean of Peking University's School of International Studies, who proposed "March West." (Credit: Xinhua)

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For comments and questions about China Brief, please contact us at
< beauchamp@jamestown.org >

1111 16th St. NW, Suite 320
Washington, DC 20036

Tel: 202.483.8888
Fax: 202.483.8337

EDITOR'S NOTE: Following the conclusion of Jamestown's Fifth Annual China Defense and Security Conference on March 12, China Brief plans to integrate the papers presented during that conference into our publication over the next six weeks. These papers represent a diverse array of views on military, political and security issues. This week China Brief will present a sampling of the papers from the panel entitled: A Net Assessment of the New Silk Road. We thank Professor Aaron Friedberg for moderating the panel and Ms. Nadège Rolland for commenting on the papers as a discussant.

In a Fortnight

NPC MEETING TOUTS NEW SILK ROAD AS NEW DRIVER FOR ECONOMIC GROWTH

By Nathan Beauchamp-Mustafaga

China's parliamentary showcase, the annual meetings of the National People's Congress (NPC) and the National Committee of the Chinese People's Political Consultative Conference (CPPCC), collectively known as the "two sessions," took place in Beijing earlier this month and set the country's governing agenda for the coming year. Most importantly, Premier Li Keqiang announced in his work report that the country's GDP growth target for 2015 was "around 7.0 percent," a

continued slide from 2014's 7.4 percent growth rate and a long ways from China's accustomed nearly double-digit growth. A multitude of statements from senior Chinese officials at the two sessions suggest this slower growth, termed the "new normal" by the Chinese Communist Party's (CCP) deft public relations team, can be solved—through the "New Silk Road" initiative.

First used in May 2014 and developed over the course of the year, Chinese President Xi Jinping explained at the November 2014 Asia-Pacific Economic Cooperation (APEC) summit that China's economic "new normal" had three "notable features": "First, the economy has shifted gear from the previous high speed to a medium-to-high speed growth. Second, the economic structure is constantly improved and upgraded. Third, the economy is increasingly driven by innovation instead of input and investment" ([Xinhua](#), November 9, 2014). The consequences of China's economic slowdown—a continued reliance on exports and manufacturing overcapacity—makes the New Silk Road perfectly positioned to function as the escape hatch to channel China's excess domestic supply into overseas markets, in part by stimulating demand for those exact goods abroad.

Connecting the New Silk Road with China's domestic economic development strategy in his speech at the NPC, Premier Li said, "We will integrate the development of the Silk Road Economic Belt and the 21st Century Maritime Silk Road with the development and opening up of related regions. We will promote development of the new Eurasian Continental Bridge as well as major coastal and border ports which serve as hubs for the Belt or the Road" ([NPC](#), March 17). As the *Global Times* put it, "China's 'One Belt, One Road' initiative could offer a new growth engine for the country's economy as it enters a 'new normal' of slower yet more balanced growth" ([Global Times](#), March 10). Zhang Yansheng, an academic under the National Development and Reform Commission (NDRC), said that "future growth [...] will depend increasingly on the country opening-up less developed economies and a greater focus on developing China's western regions, with the 'One Belt, One Road' initiative mapping out the vision for the road ahead." Chan King-wai, chairman of the Hong Kong China Chamber of Commerce, added that "this will involve increasing exports of China's capital and transferring overcapacity in sectors such as iron, steel and cement"

along the route ([Global Times](#), March 10).

Surveying Chinese economists during the two sessions, Xinhua positioned the New Silk Road as a new driver of economic growth. Zhang Yansheng, from the NDRC, said "the meaning of the 'One Belt, One Road' is a new way for China under the new normal to export capital to the Asia Pacific and Europe, and build a new structure of comprehensive openness that permeates Eurasia." Li Yining, a Peking University economist who was a leading voice for privatization and taught Premier Li and other senior leaders, said that the Shanghai free trade zone (FTZ) can serve as a "promotable model" for the New Silk Road. Justin Lin, a former senior official at the World Bank, said that "under the new normal, China's economy still has many growth drivers, and the infrastructure investment spurred by the 'One Belt, One Road' strategy is an important economic growth driver, and the investment in infrastructure for the 'One Belt, One Road' will create big market demand for cement, steel and aluminum"—three of the biggest industries facing overcapacity issues right now in China ([Xinhua](#), March 7). A researcher under China Ocean Shipping Company (COSCO) added that the New Silk Road has focused investment on six regions, including Xinjiang and Jiangsu, in the shipping, construction, energy, commerce, tourism and comparative advantage manufacturing sectors ([Xinhua](#), March 11).

Local officials also touted the New Silk Road as perfectly suited to their local economies, but also as a solution to their problems. The Party secretary of Sansha city, which administers China's territorial claims in the South China Sea, said Sansha can play a role in the initiative as a "platform for cooperation" and as a "service base." The mayor of Xi'an, the starting point for the Silk Road Economic Belt, called it a "new window" for opening up toward the west, while the Party secretary of Tibet cited the region's role as a "main international thoroughfare" and called it a "historic opportunity" for the region's development. The head of Shaanxi's Development and Reform Commission said the New Silk Road gives the interior provinces access to new growth opportunities and will help China avoid the "middle income trap." Reflecting, perhaps, the underlying goal of tying the New Silk Road to China's future economic growth, the Party secretary of Kasghar, in Xinjiang, said the "One Belt, One Road" is an important historic opportunity to

safeguard social stability and lasting political order,” and *People’s Daily* inserted into the end of his statement “in ethnic minority regions” (*People’s Daily*, March 13).

Chinese companies facing a weaker economy at home are also jumping on the New Silk Road bandwagon to access new markets and follow the money from Beijing’s latest quasi-external stimulus. At the two sessions, Lenovo’s chairman proposed that “information technology infrastructure should also be an important part” of the initiative (*Global Times*, March 10). This is in part because, unlike China’s RMB 4 trillion (\$650 billion) 2008 stimulus that was directed toward domestic infrastructure and led to massive waste and debt, the recently reported RMB 10 trillion (\$1.6 trillion) spending plan is “focused on improving people’s livelihoods and on necessary infrastructure projects, especially those in the central and western regions, as part of efforts to implement” the New Silk Road (*Global Times*, January 8).

Although the New Silk Road transformed at the two sessions into a nearly catch-all policy, even reflecting President Xi’s “four comprehensives” and his “Chinese Dream,” China has already announced that it will release more details and specific plans for the New Silk Road at the upcoming Boao Forum in late March (Xinhua, March 7; [China.org](#), March 11; [Xinhua](#), March 16).

Nathan Beauchamp-Mustafaga is the editor of China Brief.

Mission Mostly Accomplished: China’s Energy Trade and Investment Along the Silk Road Economic Belt

By Erica Downs

Chinese President Xi Jinping’s efforts to build the Silk Road Economic Belt (SREB)—a network of transportation infrastructure across Eurasia—are unlikely to drive a step change in China’s energy trade with and investment in Central Asia. This is not only because of the already robust energy linkages developed over the past two decades, but also because a primary objective of the SREB is not to increase China’s imports of energy and other goods. Rather, the SREB is intended to spur the export of excess capacity in industries hurt by China’s economic slowdown. That said, the SREB will reinforce the geopolitical logic that underpins China–Central Asia energy trade. Moreover, the SREB is likely to encourage China’s national oil companies (NOCs), especially China National Petroleum Corporation (CNPC), to make more investments in Central Asia. This is because the high priority the Xi administration attaches to developing the SREB makes it a politically safer destination for China’s NOCs to step up their international mergers and acquisitions after a year of largely sitting on the sidelines due to the ongoing anti-corruption campaign.

China’s Interest in Central Asian Energy Predates SREB

Nearly twenty years before President Xi proposed the creation of the Silk Road Economic Belt in Astana, Kazakhstan, in September 2013, CNPC made its first foray into Kazakhstan in search of upstream assets. The company had initially set its sights on Russia because of the country’s abundant oil and natural gas resources and the experiences of CNPC executives, including former president Wang Tao, studying there. However, after having its efforts to enter the Russian upstream sector rebuffed, CNPC turned its attention to Kazakhstan. In 1996, the company made a bid for Uzen, one of Kazakhstan’s largest oil fields, where production had plummeted from 340,000 barrels per day (b/d) to around 4,000 b/d, after Russia withdrew personnel and capital following the



A map of the Silk Road Economic Belt and the 21st Century Maritime Silk Road. (Credit: Xinhua)

collapse of the Soviet Union. CNPC assessed that it could raise production using its own technology and drawing on its experiences at China's Daqing oil field due to some geological similarities between the two fields. One condition of CNPC's winning bid was the construction of an oil pipeline from Kazakhstan to China, which CNPC's then-vice president, Wu Yaowen, had promised to build during pre-bid negotiations. However, China's State Council did not approve the pipeline proposal. Although the government of Kazakhstan subsequently decided not to privatize Uzen and CNPC lost its \$500 million signing bonus, the experience paved the way for the company's subsequent expansion in Kazakhstan and neighboring states in Central Asia (*Energy of China*, December 2014).

Over the next two decades, CNPC established itself as a dominant foreign producer in Kazakhstan and the dominant foreign company in Turkmenistan. CNPC currently accounts for about one quarter of Kazakhstan's oil output (*International Oil Daily*, December 16, 2014). Meanwhile, the 600,000 barrels of oil equivalent per day (boe/d) that CNPC pumped in Kazakhstan in 2013 accounted for one quarter of the company's overseas production of 2.46 million boe/d in that year

(*International Oil Daily*, January 20, 2014). CNPC occupies a more privileged position in Turkmenistan, where it is the only foreign company to have been awarded an onshore production-sharing contract (at Bagtyyarlyk). In addition, CNPC currently has a technical services agreement to help develop Galknysh, the world's second largest natural gas field.

More than a decade before President Xi spoke of how he could practically hear the camel bells and see the smoke in the desert along the old Silk Road, CNPC started to establish, albeit on a small scale, the type of continental connectivity that the SREB envisions through the construction of oil and natural gas pipelines (*Xinhua*, September 22, 2013). The first project, put into operation in 2005, was the Kazakhstan-China oil pipeline, for which CNPC dusted off its earlier plan and that, this time around, received a green light from the State Council. Next was the Trans-Asia Gas Pipeline (TAGP), which stretches from Turkmenistan to China (via Uzbekistan and Kazakhstan) and began deliveries in 2009. The pipelines, especially the TAGP, have played a role in deepening economic linkages in one of the least economically integrated regions in the world.

The Silk Road Economic Belt Will Reinforce the Geopolitical Logic of China-Central Asia Energy Relations

A strong geopolitical logic underpins both projects, which were built when Beijing was much more anxious about energy supply security than it is today. During the mid-2000s, China's energy demand grew much faster than most people inside and outside of China had projected, and China found itself increasingly dependent on a global oil market that officials did not fully trust or understand as well as they do today. Pipelines were—and still are—viewed in Beijing as enhancing China's security of supply by diversifying not only the countries from which China imports oil and natural gas but also the routes by which those imports reach China (*Yangcheng Evening News*, September 18, 2014; *21st Century Business Herald*, August 31, 2004). While both pipelines have furthered such diversification, the TAGP has contributed more. China's oil imports from Kazakhstan were less than 26,000 b/d in 2004, the year before the pipeline went into operation. Last year, the pipeline delivered 240,000 b/d to China, accounting for just 4 percent of China's total crude oil imports. In contrast, China imported 997,000 b/d—19% of its total crude oil imports—from Saudi Arabia (China Customs, January 21). In contrast, Turkmenistan is by far and away China's largest supplier of natural gas, delivering 44 percent of China's imports last year (China Customs, January 23).

The pipelines and Chinese upstream investments have also paid geopolitical dividends for Central Asian countries by providing them with an outside power to balance against Russia. Turkmenistan is a case in point, having traded economic dependence on Russia for economic dependence on China. The TAGP has been praised by analysts, including this author, for increasing Turkmenistan's independence from Russia by providing Ashgabat with a non-Russian outlet for its natural gas exports. But now that Gazprom is reducing its purchases from Turkmenistan—the Russian firm recently announced it would cut its imports from 10 bcm to 4 bcm this year—Turkmenistan is finding its economic fortunes increasingly tied to China (IHS Global Insight Daily Analysis, March 10). Ashgabat is heavily in debt to Beijing thanks to at least \$8 billion in natural gas export-backed loans borrowed from China Development Bank since 2009.

The SREB underscores the geopolitical logic of China–Central Asia energy relations by explicitly linking cross-border pipelines and oil and natural gas investments made by Chinese firms to a broader Chinese national strategy aimed at forging tighter economic links between China and the rest of Eurasia. To be sure, the connectivity Beijing seeks to forge with the SREB covers a much larger geographic area and is largely driven by the transportation projects. That said, the oil and gas pipelines linking Central Asia to China are a microcosm of this grander vision. For example, the fourth line of the TAGP, which will run from Turkmenistan through Uzbekistan, Tajikistan and Kyrgyzstan to China upon completion in 2020, is considered part of the SREB, even though the project was conceived before the SREB ([Ministry of Foreign Affairs](#), September 20, 2014; *Nefte Compass*, March 7, 2013).

The High Priority Xi Attaches to the SREB Provides Political Cover for Investment Along Route

The SREB is also likely to make Central Asia a politically attractive place for CNPC to resume international mergers and acquisitions after a quiet year in 2014. Last year, China's NOCs largely sat on the sidelines due to the Xi administration's ongoing anti-corruption campaign, which took down more than two dozen managers at CNPC (see [China Brief](#), January 23). Uncertainty about who might be targeted next paralyzed decision making within CNPC and its domestic peers as management went into self-preservation mode. Indeed, China's NOCs only closed four major deals last year with a combined value of \$5.4 billion, compared to an annual average of \$21 billion in 2010–2013. This reluctance to make big international investment decisions has spilled over into this year. CNPC and CNOOC are part of the group of 26 state-owned enterprises currently being inspected by China's top anti-graft body, the Central Commission for Discipline Inspection. [1] Once the NOCs return to acquiring assets abroad, Central Asia might be viewed as a region where their investments might be less scrutinized for corruption—or even simply failing to maintain or increase the value of state assets—because the NOCs can link their deals to the broader national strategy of building the SREB. Indeed, Chinese oil and natural gas investments in the region so far appear to have escaped being harshly criticized for graft. However, the pace of China's overseas oil acquisitions will be slower than it was

in the past decade and the NOCs will be more selective shoppers due to the deceleration of China's oil demand growth, decreased profits from lower oil prices and a greater emphasis on returns over growth, in line with the Xi administration's objective of making China's state-owned enterprises more efficient.

SREB Focused More on Domestic Excess Capacity, Less on Energy

That said, from Beijing's perspective, facilitating the import of oil and natural gas is not as high a priority for the SREB as driving the export of aluminum, cement, rolling stock, steel and the products of other industries in which there is excess capacity in China ([Securities Daily](#), January 14). China's overseas investments are shaped by China's growth model ([Rhodium Group](#), June 2012). The dominant role that China's energy and mining companies played in the country's outbound investments in the 2000s—and the resulting acquisitions of assets and construction of pipelines in Central Asia—were the product of China's energy-intensive investment and export-led growth model. Today, the drivers of economic growth are shifting toward consumption and efficiency gains. Moreover, China's economic growth is decelerating. Last year's GDP growth rate was 7.4 percent—the slowest since 1990—and the Chinese government has set a new target of “around 7.0 percent” for 2015 ([Xinhua](#), March 5). Consequently, there is less anxiety in Beijing about securing energy supplies to fuel rapid economic growth and more concern about finding new markets abroad for companies in industries hard hit by China's economic slowdown. As a result, Chinese firms involved in building railways, roads and ports are likely to receive more encouragement—both political and financial—for seeking business opportunities along the SREB in Central Asia and beyond.

Erica Downs is the Senior Analyst for Asia at the Eurasia Group. Dr. Downs focuses on China, with a particular emphasis on China's energy sector. She also follows China's overseas investment and lending and the geopolitical implications of China's international commercial activities.

Notes

1. Sinopec was part of the inspection round that concluded in late December.

The Maritime Silk Road and the PLA: Part One

By Morgan Clemens

The past decade has seen a considerable amount of speculation concerning China's military intentions in the Indian Ocean (and overseas generally), revolving in large part around the “String of Pearls” concept (namely, a possible network of future Chinese naval and military installations stretching across the Indian Ocean). While this speculation has, occasionally, been ill-informed, even verging on the feverish, with some Western observers foreseeing a veritable Chinese invasion of the Indian Ocean, it is nonetheless clear that China has a real interest in an increased military presence and activities along the sea lanes vital to the Chinese economy. Chinese president Xi Jinping's fall 2013 announcement of the new “one belt, one road” (一带一路) strategic initiative, based on the concept of the ancient Silk Road caravan route, has only served to further fuel such speculation. This is particularly true of the initiative's maritime component, generally referred to as the “21st Century Maritime Silk Road” (21世纪海上丝绸之路) and comprising a maritime trade and transportation route reaching though the South China Sea and Indian Ocean to the eastern Mediterranean, encompassing South and Southeast Asia, East Africa, as well as the Near and Middle East. The Maritime Silk Road makes it unmistakably clear that China's strategic interests in and along the maritime routes leading to the west (as well as the number and vulnerability of Chinese citizens working in the adjacent countries) will only increase in coming years.

The vital issue, then, is the degree to which China's increasing economic activity along these sea lanes will translate into increased military activity and what form any increased military presence might take, especially in terms of permanent installations and support bases. This entails assessing both China's motivations for an increased military presence along the Maritime Silk Road as well as the various constraints Beijing will face in expanding that military presence. This two-part article will make the argument that *in the decade ahead* China will likely develop an increased military presence primarily along the Indian Ocean portions of the Maritime Silk Road, but that Beijing will do so relatively slowly and that it will likely not develop explicitly military facilities to support

this presence, remaining content to rely upon commercial ports. [1] China will, however, likely continue existing efforts to involve Chinese state-owned enterprises in the development and operation of major commercial port facilities in the region west of Singapore in order to ensure ease of access to port and replenishment facilities for Chinese naval vessels operating along the Maritime Silk Road. [2] Furthermore, should this contention regarding the development of explicitly military facilities fail to materialize, then such facilities would most likely appear first in East Africa, where China has the greatest freedom of action and room for maneuver in diplomatic and strategic terms.

Go West, Young Man

The Maritime Silk Road already represents China's most vital sea lines of communication, both because it gives China access to three major economic zones (Southeast Asia, South Asia and the Middle East) and because it is the route for many of China's strategic materials, including oil, iron ore and copper ore imports. Moreover, active efforts to develop strategic and economic relationships along the Maritime Silk Road afford an opportunity (in the Chinese view) to escape the growing containment and encirclement embodied by the U.S. "pivot to Asia." Indeed, some Chinese military authors have gone so far as to call the route of the Maritime Silk Road "the crucial strategic direction of China's rise" (中国崛起的关键战略方向), indicating a belief that developing the route will be critical to the country's entire development program (*National Defense Reference*, February 11). Language such as this could easily lead Western analysts to believe that China would wish to quickly ensure control of these sea lanes, yet the realization that such an objective could only be achieved by a navy several times the size of the current People's Liberation Army Navy (PLAN)—the development and construction of which would be itself a vastly expensive undertaking that would not come to pass for some decades (if ever)—should give us pause. [3] If we are to take Chinese leaders at their word when they say that China is still a developing country and indicate that there is no perpetual blank check for military development, then it seems that actual sea *control* along the Maritime Silk Road is not in the cards for China.

And, indeed, it would appear that China's existing and future military activities west of Singapore are not being cast in this light, but rather one of sea lane security and ensuring the sea lanes' continued utility as a global

commons. Chinese analysts point out that small-scale, low-intensity action will be typical of the use of naval force in the years ahead, and that when China uses force along the Maritime Silk Route, it will often occur on short notice, be focused on low-grade threats (including terrorism, piracy, drug smuggling and other transnational crime), and be multilateral in nature. While involvement in interstate conflict is certainly possible, it is considered unlikely (*Sina Military*, December 9, 2014). Put more bluntly, and according to a fellow of the PLA's Academy of Military Science, "China has only two purposes in the Indian Ocean: economic gains and the security of sea lines of communication" (*China-US Focus*, February 11, 2014). The objectives that China and the PLA seek to achieve along the Maritime Silk Road are perhaps most succinctly summarized by a statement from a Chinese merchant mariner whose ship received medical aid from PLAN vessels in the Gulf of Aden, as described in the PLAN's official newspaper: "No matter where we are, so long as our warships are there, we have a feeling of security!" (无论身处何方, 有祖国的军舰在, 我们就有安全感!). [4]

Given this emphasis, then, on security (as opposed to control) and on combating low-grade threats, it is clear that large, fully-capable combat support bases such as those the U.S. Navy boasts in many parts of the world, would be grossly excessive to the PLA's needs along the Maritime Silk Road. Nonetheless, as other analysts have pointed out, we cannot necessarily expect China to continue to rely solely on local commercial facilities contracted by in-country military attachés and the Ministry of Transport on an *ad hoc* basis, especially as military operations along the Maritime Silk Road expand beyond their existing low benchmark. [5] At the same time, and as has been noted by Western analysts for some time (and has been more recently stated plainly by Chinese analysts), Chinese interest lies mainly in *access* to necessary military support facilities rather than possessing outright such facilities themselves (*China-US Focus*, February 11, 2014). [6] Thus we can expect any development of physical facilities along the Maritime Silk Road to be relatively limited in nature, but there almost certainly will be development of some kind. That this will be the case is made clear in Chinese writings that describe "infrastructure connectivity" (基础设施互联互通) as a key element of the Maritime Silk Road, including a lengthy essay published in July 2014 by Liu Cigui, director

of the State Oceanic Administration. In the essay, Liu states that: “Sea lane security is critical to sustaining the stable development of the 21st Century Maritime Silk Road, while port facilities are the foundation of sea lane security” (航道安全是21世纪海上丝绸之路持续稳定发展的关键，而港口码头是保障航道安全的重中之重), and that China must therefore help to establish “sea posts” (海上驿站) that can support and resupply the ships traveling (and securing) the sea lanes. Liu goes on to state that such “sea posts” could be newly-built, either by individual countries or with the help of China, or that China could lease (租用) existing facilities. [7]

Coming from such an official source, these statements appear to confirm the limited nature of Chinese military support facilities along the Maritime Silk Road in the decade ahead. Nonetheless, other semi-official sources would seem to indicate that other streams of thought certainly exist within official discourses. Typical of these are the contentions of National Defense University professor and strategist Liang Fang (also cited earlier), that a military presence along the Maritime Silk Road must serve to *deter* any potential enemy and that, ultimately, sea lane security can only be assured by carrier battle groups on station ([National Defense Reference](#), February 11). While this line of thinking likely represents only a maximalist view of the PLA’s mission, probably influenced by the desire of some within the PLAN for a mission to justify a large multi-carrier fleet, it nonetheless must be taken into consideration as future strategic and budgetary debates take place within the Chinese military and civilian leadership, with the potential to change China’s calculus *vis-à-vis* a military presence along the Maritime Silk Road. Nonetheless, the more limited view discussed above likely prevails at present, and will likely continue to do so during the next decade, especially as it would take *at least* that long to build and develop the sort of force necessary to make the maximalist view a reality.

Thus, it is apparent that China has real motivations for an expanded military presence in the Indian Ocean, but these motivations are not unlimited in nature. Moreover, they will be balanced by a number of practical and strategic constraints that will serve to dictate a slow pace of growth in such a military presence. An examination of these constraints, as well as a more detailed analysis of what they portend for the PLA in the Indian Ocean, will be the focus of the second half of this article, forthcoming in the next issue.

This is the first part of a two-part series of articles examining the Chinese military’s thinking on the New Silk Road. Part Two will detail the constraints China will face in expanding that presence, while also explaining more thoroughly the prediction made above.

Morgan Clemens is a Research Analyst at Defense Group, Inc., where his work focuses on the Chinese armed forces and defense industry. He holds an M.A. in Asian Studies from George Washington University and a B.A. in History and Government from the College of William & Mary. He has previously studied at Tsinghua University in Beijing and the Zhejiang University of Technology in Hangzhou.

Notes

1. It is unlikely that the Chinese would feel an immediate need for a significant naval or military presence in the Mediterranean as the more immediate threats to Chinese investments and lives, among other things, exist east of the Suez Canal.
2. Though the Maritime Silk Road does encompass the South Chinese Sea, military bases and operations east of Singapore are not considered in this analysis since, in the Chinese view, they are not being built on foreign territory or being undertaken in foreign waters.
3. “Control” here meaning the ability to monopolize the sea lanes and prevent any other power from interfering with traffic along them.
4. “有祖国的军舰在，我们就有安全感” [With the Motherland’s warships there, we have a sense of security], 人民海军 [Renmin Haijun], January 7, 2015.
5. Christopher D. Yung, et al., “*Not an Idea We Have to Shun*”: *Chinese Overseas Basing Requirements in the 21st Century*, (Washington: National Defense University Press, November 2014); Andrew S. Erickson and Austin M. Strange, *No Substitute for Experience: Chinese Antipiracy Operations in the Gulf of Aden*, (Newport: Naval War College Press, November 2013), pp. 51; 124–127.
6. Daniel J. Kostecka, “Places and Bases: The Chinese Navy’s Emerging Support Network in the Indian Ocean,” *Naval War College Review* (Winter 2011), Vol. 64, No. 1.

7. 刘赐贵 [Liu Cigui], ‘发展海洋合作伙伴关系 推进21世纪海上丝绸之路建设的若干思考’ [Developing maritime cooperative partnerships: Reflections on building the 21st Century Maritime Silk Road], 国际问题研究 [International Studies], 2014 No. 4.

Future Scenarios on the New Silk Road: Security, Strategy and the SCO

By Jacob Zenn

Chinese President Xi Jinping launched the “Silk Road Economic Belt” in a “historic” speech at Nazarbayev University in Kazakhstan in the week before the Shanghai Cooperation Organization (SCO) Summit in Kyrgyzstan in September 2013. The initiative was viewed by the rest of the region mostly through the lens of China’s “March West” policy ([Indian Express](#), November 1, 2012). However, the Belt, which Xi envisions to span from “the Pacific Ocean to the Baltic Sea,” also represents a component of China’s growing strategic landpower in Eurasia ([China Daily](#), September 8, 2013). Due to the multifaceted purposes that the Silk Road Economic Belt serves for China, it has now risen to the level of a “strategy.”

Insofar as a Net Assessment is concerned with long-term strategic trends, the Silk Road Economic Belt fosters infrastructure ties—railways, pipelines and roads—that permanently bind China to Central Asia in a way that neither the original Silk Road nor a maritime “String of Pearls” have done. These ties ensure China maintains an economic and, therefore, a political and military stake in the region to secure investments, improve relations between China and Russia, Afghanistan, Pakistan, India, Mongolia, Nepal, Bhutan and the Central Asian states that border Xinjiang, as well as develop the province itself. China’s military stake in Central Asia also requires various levels of collaboration between China and its neighbors, which is now most prominently carried out through the forum and mechanisms of the SCO.

The Ties that Bind

Economics and the SCO

The SCO, originally called the Shanghai Five, was founded in 1996 to demarcate China’s borders with its Central Asian neighbors. However, after demarcation was accomplished in the late 1990s (with the exception of the China-Tajikistan border, which was finally demarcated in 2011), the SCO focused mostly on regional security with the formation of the Regional Anti-Terror Structure (RATS) in 2004 (now based in Tashkent) and other joint exercises under the member states’ defense ministries, including “Peace-Mission 3” in 2005 with 10,000 Chinese and Russian troops. Although the first SCO ministerial-level meetings on trade and economics took place as early as 2002–2003, it was not until President Xi’s launch of the Silk Road Economic Belt before the SCO Summit in 2013 that the Organization could claim credit as a bonafide regional economic institution.

The landmark energy and infrastructure deals that Xi made with his Central Asian counterparts before the SCO Summit in September 2013 related to:

- The first phase of production at Turkmenistan’s “Galkynysh,” the world’s second largest gas field ([Xinhua](#), September 3, 2013);
- A \$5 billion stake in Kazakhstan’s Kashagan oil project in the Caspian Sea ([Interfax](#), September 7, 2013);
- \$15 billion worth of investments in the oil, gas and uranium sectors in Uzbekistan ([Asia Times](#), September 23, 2013);
- A “strategic partnership” with Kyrgyzstan and funding of \$3 billion in energy projects for the 225-kilometer Kyrgyzstan-China gas pipeline to pump gas from “Galkynysh” via Uzbekistan and Kyrgyzstan to Xinjiang ([Xinhua](#), September 9, 2013); and
- The construction of Line D of the China-Central Asia gas pipeline, which links Tajikistan to Xinjiang ([China Daily](#), September 13, 2013).

[1]

While the Silk Road Economic Belt was announced on the sidelines—as opposed to within the structures—of the SCO summit, it was the SCO that provided the forum for President Xi to make and publicize these deals. From a cultural-business perspective, the SCO provided the setting that gave “face” to China, for whom the SCO has special meaning as the lone international organization that is named after a Chinese city—Shanghai. [2] Moreover, the pre-SCO summit deals marked the culmination of the progress of Chinese–Central Asian relations since the founding of the original Shanghai Five, which made Xi’s deals possible by removing a key barrier to trust between China and SCO member states through border demarcation.

Strategic Continental Power and National Security

China’s growing economic influence and power along the Silk Road Economic Belt has several effects on China’s national security objectives. For example:

- The resources China imports from SCO countries, including Pakistan, which will enter the SCO along with India in 2015, are central to meeting China’s energy needs and diversifying, securing and expediting its energy imports. The China-run Gwadar Port in Pakistan, for example, reduces distances between East African and Persian Gulf ports to western China by more than four times the distance between eastern China and these regions via the Malacca Strait. And if Iran joins the SCO, which could only happen if United Nations sanctions on its nuclear program are dropped, then Iran’s Chabahar Port could play a similar role to Gwadar ([Dawn](#), February 17, 2013).
- The economic development of Central Asia and Xinjiang is expected to enhance the well-being of the people of the region and reduce factors, such as unemployment, that contribute to youths joining militant movements that threaten China and Central Asian states ([Global Times](#), May 6, 2014);
- Regional interdependence and integration will lead to closer ties between China and its Central Asian neighbors, which China can leverage

to win their cooperation in preventing anti-Chinese militant groups from forming cells on Central Asian territory, which previously happened in the 1990s.

Foreign Policy Rationale

The Silk Road Economic Belt shows that the Chinese government has largely adopted scholar Wang Jisi’s proposal to “March West” (*Global Times*, October 17, 2012). This proposal was intended to reduce the pressure on China to extract resources from highly volatile zones like Sudan and Nigeria in Africa in favor of more stable regions like Central Asia. It also would reduce the potential for China to engage in “zero-sum” competition with the United States for supremacy in East Asia by allowing China to compete instead with a declining Russia and a United States that is withdrawing from Central Asia. In addition, while mid-level powers in East Asia, such as South Korea, Japan, Vietnam and Myanmar, are moving away from the historical Chinese political and cultural orbit in East Asia (not to mention Hong Kong and Taiwan), the political culture of Central Asia—with its one-party post-communist systems, though still no succession like in China—may provide more compatible terrain for China to operate on a diplomatic level. [3]

This, however, is not intended to over-estimate the importance of the Silk Road Economic Belt to Chinese foreign policy alone. While considered vital to China’s economic activities on the West Axis (Central Asia) and South Axis (Afghanistan-Pakistan), it is also essential for developing Xinjiang’s pipeline and oil refinery infrastructure and providing the jobs and economic benefits that come with this development in Xinjiang. As such, it can neither be seen strictly in military or economic terms nor in foreign policy or domestic terms, but rather as a combination of all of these aspects. Thus, it has, in essence, become so comprehensive as to warrant the label of a strategy—whether called “March West” or the “Silk Road Economic Belt.”

Managing Risk

Despite the ambitious and wide-ranging infrastructure projects that China is carrying out with SCO countries, there are significant *internal* socio-political trends and *external* terrorism and insurgency trends that could derail

or pose risks to China's projects.

The socio-political trends can be categorized according to three types:

- Simmering inter-ethnic issues in Central Asia that are rising to the surface as each state becomes more nationalistic in defining its own identity in juxtaposition to its neighbors, its Russian-influenced and communist past, as well as the growing Islamist movements on the region's periphery, especially Iran, Afghanistan and Pakistan.
- Leadership succession, as three of Central Asia's five presidents—Nursultan Nazarbayev of Kazakhstan, Islam Karimov of Uzbekistan and Emomali Rahmon of Tajikistan—have been in power continuously since their countries' independence in 1991. While Kyrgyzstan's coups in 2005 and 2010 have now led to an open parliamentary democracy, the country is less stable and as corrupt as any of its neighbors.
- The disparity in water resources between less wealthy but advantaged upstream countries (Tajikistan and Kyrgyzstan) and the three downstream neighbors (Kazakhstan, Uzbekistan and Turkmenistan) and the potential for water projects like the Rogun Dam in Tajikistan to lead to a broader conflict cannot be ruled out. [4]

External to the region, there are a number of threats related to terrorism and insurgency that could undermine the Silk Road Economic Belt vision.

- The Islamic State (IS) organization received a pledge of loyalty from factions of the Taliban and Islamic Movement of Uzbekistan (IMU)—the latter likely because it lost hundreds of Central Asian recruits to IS due to the popularity of the jihad in Syria and ease of travel to Syria via Turkey. IS may try to provoke Central Asia with an attack to propagandize its presence in “Wilayat Khorasan” (Afghanistan, Central Asia and Xinjiang). This is in contrast to the Taliban, which accepted the concept of the

nation-state and came to an accommodation with Central Asian countries for diplomatic and economic reasons, and al-Qaeda, which saw relatively few “far enemy” targets in Central Asia and largely ignored the region ([Fergana News](#), November 12, 2014).

- The “revival” of the Turkistan Islamic Party (TIP)—commonly referred to as the East Turkmenistan Islamist Movement (ETIM)—whose logistics bases in Turkey and connections to militants and supporters of IS and al-Qaeda-related factions in Syria and as far as Southeast Asia have grown as a result of the war in Syria. This increases the TIP's potential to target Chinese interests abroad or connect with Uyghurs in Xinjiang, including through the Internet, by launching more of the types of suicide and car bombings that have characterized the budding insurgency in Xinjiang (and increasingly eastern China) since 2013 (see [China Brief](#), May 23, 2014; [The Star](#), September 18, 2014).
- The withdrawal of U.S. forces from Afghanistan in 2016, at a time when it is unclear whether the Afghan security forces will remain cohesive and committed in the face of a recharged Taliban, leaves open the possibility for continued instability and political discord in Afghanistan. This could present an opportunity for militants as well as other criminals and drug traffickers to create instability along the borderlands of Central Asia.

Conclusion

In a long-term calculation, such as a Net Assessment, it should be noted that China for much of its history was a continental—not maritime—power. Moreover, while Association of Southeast Asian Nations (ASEAN) states, the United States and its allies in East Asia seek to contain China, China is creating new norms and regional institutions in Central Asia, such as the SCO, to project power deeper into the Eurasian heartland largely uncontested and on its own terms. Considering China's massive 1.4 billion population and the shorter routes between Xinjiang and energy resources in East

Africa and the Persian Gulf, it will become increasingly important for China to become a landpower to secure its vital economic interests in Eurasia. While internal threats to the stability of Central Asia and external threats from non-state actors continue to grow, China's assertiveness through the SCO and its tightening of relations with Pakistan and Iran suggest that China's ambitions as a land power represent a strategy that extends beyond the currently defined "Central Asian" region.

Jacob Zenn is an African and Eurasian affairs analyst at The Jamestown Foundation and non-resident research fellow of the Center for Security Programs in Astana, Kazakhstan and Center of Shanghai Cooperation Organization Studies (COSCOS) in Shanghai, China.

Notes

1. This deal was agreed on in Bishkek, Kyrgyzstan; President Xi did not visit Tajikistan in 2013.
2. Shanghai has traditionally played second fiddle to Beijing in international affairs, although this trend may be changing with the SCO, World Expo in 2010 and the Conference on Interaction and Confidence-Building Measures in Asia (CICA) summit in 2014, all connected to Shanghai.
3. Moreover, President Xi's remarks while visiting Uzbekistan about his family roots in Shaanxi, a Chinese hub on the old Silk Road, and the name—Silk Road Economic Belt, which rivals the U.S.-proposed "New Silk Road"—suggests China is also trying play the "cultural card" in its relations with Central Asia.
4. The Ili and Irtysh rivers in Xinjiang are also upstream of the border with Kazakhstan, which presents another potential source of conflict.

Xi's Bold Foreign Policy Agenda: Beijing's Pursuit of Global Influence and the Growing Risk of Sino-U.S. Rivalry

By Timothy Heath

Refinements in the Chinese leadership's strategic assessment have spurred a set of policy directives aimed at bolstering the country's political and economic leadership at the regional and global level. Because these policies are driven by imperatives to sustain economic development, which undergirds the Party's legitimacy, Beijing is unlikely to be dissuaded from pursuing this course. While the risk of military conflict remains low, Sino-U.S. relations appear headed towards an increasingly acrimonious and bitter competition.

The Making of Strategic Assessments

For all the changes inflicted on the Chinese political system by President Xi Jinping's consolidation of power, the fundamental logic of how Beijing formulates and implements national level strategy and policy guidance remains largely consistent with that of his predecessors. Years of political and ideological reforms have standardized, to some degree, four critical steps in this process: 1) the identification of major contradictions in China's situation through a *strategic assessment*; 2) the formulation of ideas in a manner that upholds the Chinese Communist Party's (CCP) authority through a *theory response*; 3) the correction of strategy and policy in accordance with the theory's insights through the issuance of *central directives*, and 4) the *implementation of policies* accordingly (Timothy Heath, *China's New Governing Party Paradigm*, Ashgate, 2014). [1] This entire process is underpinned by the logic that all of the Party's policies are derived from a rigorously scientific and infallible intellectual methodology. For this reason, Party leaders cannot advance change on a single step without also making changes to all other steps. This feature offers the observer an important advantage. Once a change in any step has been detected, developments in the other steps can be more confidently identified and considerable insight gained into Beijing's strategic intentions.

This process generates a large amount of documents, many of which are publicly available. But of the four steps, the easiest to identify with confidence is a change in the Party's theoretical conclusions. The designation of a "major strategic concept" (*zhongda zhanlue xiangsi*) in official media is a rare development that signals consensus has been reached regarding a theoretical interpretation of the "major contradictions" identified. The designation of the "Four Comprehensives" (*sige quanmian*) as a major strategic concept confirms that this consensus point has now been reached under President Xi (*People's Daily*, March 3). Although the CCP faces a long road ahead in analyzing, explicating and deriving the term's various meanings and derivative concepts, preliminary conclusions have been reached regarding the way ahead on the most important policy challenges facing the state. As Xi explained at a Politburo study session on the study of historical contradictions, adoption of this new major strategic concept will enable the Party to "effectively solve the major contradictions" confronting the "cause of the Party and state" (*Xinhua*, January 24).

Strategic Assessment: The Changing Period of Strategic Opportunity

As President Xi's comments suggest, the Party's policy and theory work rests on the foundation of its strategic assessment of the contradictions facing the nation. The last major strategic assessment happened around 2000. The 16th Party Congress report provided a comprehensive analysis of these major domestic and international trends and contradictions contained therein, referred to by the phrase, the "new century in the new stage" (新世纪新阶段). This assessment provided the fundamental requirements that justified the major strategic concepts and associated policy work of the Hu Jintao administration, including the well known "scientific development concept" and its derived variations, such as "harmonious world. As part of the strategic assessment, the 16th Party Congress report also carried the first designation of a "period of strategic opportunity." This was envisioned as a 10–20-year period in which a country's comprehensive national power, international competitiveness and influence were expected to rise as a result of favorable domestic and international factors (*Xinhua*, November 17, 2002).

Around 2010, Chinese media saw considerable discussion about prospects for the period's continuation in the second decade (*People's Daily Overseas*, July 30, 2012). Chinese officials and theorists concluded that the period of strategic opportunity remains, but that its realization will require a more activist set of policies. One senior PLA official explained that the situation would be "more difficult and arduous" and that China would have to "seize" opportunity in the second decade of the 21st century, rather than passively expect its continuation. He attributed this change to the anticipation that Western powers "will not easily give up their status of dominating international affairs" (*Seeking Truth*, December 3, 2012).

Party theorists thus note both continuity and change between the first two decades of the 21st century. Expanding on the strategic assessment listed in the 18th Congress report, one senior Party theorist noted changes that would require adjustments in theory work and policy. The most significant changes from the preceding decade include: 1) China has shifted from being a major player to being a leader in the world economy; 2) China has shifted from being a weak power to a strong one in the international order; 3) China has changed from passively adapting to the international system to pushing forward international system reforms; 4) China has changed from passively maintaining the status quo in the Asia Pacific region to proactively shaping it (*Modern International Relations*, April 26, 2013).

Numerous sources support this assessment. According to an article published in the Party journal *Outlook* in 2010, a "high level analysis" concluded that China would need to "carry out a thorough reform" of the "world economic governance system, international financial system and international economic rules" to maintain the period of opportunity. Anticipating that developed countries would "make every effort to preserve and consolidate their leading status," the analysis concluded the coming years would see an intensifying contest in comprehensive national power (*Outlook*, November 8, 2010, p. 1).

Theory Concepts for Foreign Policy

The Xi administration has already introduced a number of theory concepts to resolve the contradictions identified in the strategic assessment in a manner that upholds Party authority. For foreign policy, these include the

“Community of Common Destiny,” “New Asia Security Concept,” the “Chinese Dream,” and others (see [China Brief](#), December 19, 2014).

Past patterns of political behavior observed during the Hu era suggest the recent introduction of the “four comprehensives” will incorporate these concepts and will also generate new ones in coming years. The set of theory concepts will incorporate various central directives (指导方针) that have already been issued by senior leaders since 2012.

Central Directives: The Focus on Reforming International Rules and Laws

Central directives remain critical to the Party’s exercise of political power. Directives are instructions provided through the Party’s network of cells and organizations to communicate the central leadership’s intentions regarding policy. Party officials at all levels then oversee its implementation through the articulation and enforcement of state policy. Mirroring patterns observed in domestic policy, the main theme of directives on foreign policy has focused on international structural reform to facilitate the nation’s continued rise. At a recent Politburo study session, President Xi provided directives to “actively take part in the formulation of international economic and trade rules” and for the country to “strive for the institutional right to global economic governance” ([Xinhua](#), December 6, 2014). The focus on structural reform manifests in both economic and political dimensions.

As China’s economy moves toward a structure more like that of the United States and other developed nations, trade relations are growing less complementary and more competitive. Chinese economists assess that future growth will depend heavily on the degree of the Asia-Pacific region’s integration with China’s economy, as well as issues related to global economic governance and international trade rules (see, for example, the report by the State Council Development Research Center) ([China Economic News](#), September 5, 2014). While the pursuit of sustained economic growth provides the principal driver, political and security concerns remain an important factor.

Beginning around 2012, China stepped up criticism of the U.S. alliance system in Asia while it increased efforts to establish and refine alternative security organizations, mechanisms and structures to complement China’s domination of the region’s economy. Reflecting the urgency of these structural reforms, Chinese officials now regard policy toward Asia as the priority direction ([The Diplomat](#), December 22, 2014).

At the international level, China finds an entire network of norms, principles, alliances and frameworks that offer, at best, an ambivalent reception to China’s arrival as a great power. Chinese officials have accordingly stepped up efforts to shape global principles and norms to delegitimize the ability of the United States to initiate military attacks without UN sanction. In initiating a debate on the meaning of the United Nations Charter, Chinese Foreign Minister Wang Yi argued that military attacks initiated without United Nations approval should be regarded as “illegal and illegitimate.” He described President Xi’s proposal on “building a new type of international relations” as an “important innovation and development” of the UN Charter ([Xinhua](#), February 23).

The Quest for Political and Moral Authority

Because China regards protection of its growing array of economic, political and security interests as inseparably linked to reform of the international order, one of the most pressing tasks confronting its leaders is the accumulation of the political capital needed to push through the systemic and structural reforms that Beijing desires.

Chinese leaders have settled on a variety of means to bolster the nation’s international authority. They have indicated a willingness to increase the nation’s contributions on tough global problems, such as climate change and dispute mediation in Africa. China is also cultivating political support among developing countries and neighbors in Asia. But Chinese leaders have also promoted policies to position the country as a more moral and appealing alternative to the West, which Chinese media denigrate as corrupt, hypocritical and inept ([Washington Post](#), March 2). Applied to foreign policy, this has meant a highly moralistic policy in which Chinese officials attempt to balance considerations of generosity, justice and fairness with economic considerations ([Xinhua](#), October 24,

2014; [Xinhua](#), November 30, 2014).

Implications: China Joins the Great Power Game

Development has long served as the primary focus of Chinese strategy and policy. Indeed, every major Central Committee gathering since 1997 has upheld the 15th Party Congress' directive that "development remains the central task." What is new in the Xi administration's policy focus is the recognition that changes to the structure of the international economic and political order are now required to sustain development.

This carries important consequences for Chinese policy making. As China has grown powerful, its economic interests are gaining in strategic importance. While acknowledging that sovereignty and the political system are "more fundamental and more important" to the nation's survival, one Chinese scholar argued that their place in the order of national strategic priorities should be pushed back due to a lack of pressing external threats. The greater danger, he observed, now stems from "political and social unrest generated by an economic recession" (*Modern International Relations*, January 2013).

This danger may have always been China's most pressing, but with its economy more deeply integrated with the global economy than ever before, preventing recession increasingly requires China to exert greater influence on the international order and in countries in which its economic interests are substantial. Chinese leaders appear to recognize this imperative and are developing policies accordingly. The complexity of the situation is such, however, that the country most capable of facilitating China's efforts in this regard is also a country that stands to lose considerably from such expansion—the United States. Small wonder, then, that the same Chinese scholar concluded that the contest over the rules of the international order will be the most important part of future Sino-U.S. relations in coming years.

In its focus on initiatives such as the New Silk Road, also known as the "one belt, one road," and the Asian Infrastructure Investment Bank, the Xi administration's policies appear to have similarly prioritized the consolidation and protection of economic interests. The good news is that this development suggests the leadership will continue to have little appetite for military

conflict. While crises over maritime and other disputes will continue to plague China's relations with its neighbors, the risk of escalation to major war remains low. However, for both the United States and China, the imperative to sustain growth will put intense pressure on policy makers to secure and defend economic gains. Due to the fact that the two economies are growing less complementary and more similar in structure, trade relations will become more competitive than in the past. Moreover, because influencing the international order is increasingly essential to gaining the economic edge, this competition will unavoidably turn increasingly political. The danger remains that the search for economic leverage could spur political and military confrontation.

For years, the United States has pursued a strategy designed in part to "bind" China to the international order in a manner that reinforces, rather than subverts, U.S. authority. The hope has been to "bind China to existing international system of norms, rules, and institutions" and "shape its evolving interests and values through bilateral and multilateral engagement" (*Washington Quarterly*, Winter 2005/2006). Beijing's policy shift shows it intends to play a different game. In choosing to selectively adopt and shape those aspects of the international order that serve its interests and circumvent those that do not, Beijing is demonstrating that it understands the rules of great power behavior more perceptively than Western strategists may have anticipated. Washington will need to grasp the dynamics of the evolving situation just as deeply to effectively manage an increasingly competitive relationship.

*Mr. Timothy R. Heath serves as a Senior International Defense Research Analyst with the RAND Corporation. He previously served as a senior analyst on China issues in the U.S. Pacific Command's China Strategic Focus Group. Mr. Heath has over fifteen years' experience as a China specialist. He earned his M.A. in Asian Studies at the George Washington University and speaks fluent Mandarin. Timothy Heath is also the author of the book, *China's New Governing Party Paradigm: Political Renewal and the Pursuit of National Rejuvenation* (Ashgate, 2014). It is available to purchase from Ashgate Publishing: <http://www.ashgate.com/isbn/9781472407665>.*

Notes

1. “Major contradictions” (重大矛盾) is a legacy Marxist idea that refers to the incompatibilities between elements of a polity’s economy, called the “forces of production,” and between the polity’s economic and the non-economic life. According to CCP theory, China can only progress through resolution of these contradictions.

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