The Belt and Road Initiative: China's Grand Strategy to Become a Real Superpower

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1. The Belt and Road Initiative as a Grand Strategy

The Belt and Road Initiative[1] (BRI) was announced as an ambitious framework of projects offering infrastructural interconnectivity by Xi Jinping in September 2013. It has been under constant formulation and adjustments ever since, including the involvement of further countries, additional resources, neglecting previous ideas or refining policy goals. The declaration marked the beginning of a new era, when China more assertively and clearly articulated its economic and political interests, and also signaled the beginning of the Xi-era with a more centralized and cemented leadership. The evolving nature of BRI is a clear reflection of the generally pragmatic Chinese policy dating from the reform era, which started in 1978, and it is also a response to the 21st century economic realities with Beijing in the position to shape the regional and global environment according to its interests.

At the time of the creation of the New Silk Road strategic goals and economic corridors (2015), the initiative included 65 countries including China itself. Today the Belt and Road portal[2] lists 71 countries participating in the framework, covering approximately 70 percent of the world population. Many of them have signed a Memorandum of Understanding with China, committing themselves to the goals of BRI. Remarkable new partners are Panama, South Africa or New Zealand, while there is no doubt that the list will be further lengthened according to the reach of China as e.g. Latin-American ports are already on the radar of Beijing, and most East African countries, where China has been heavily investing for a long time, are not yet mentioned in the list of the participant countries.

As for the financing perspectives, there is an estimated framework of 4-8 trillion USD, although this is surely not the final bill (Devonshire-Ellis, 2017). Total cost calculation

1 The Belt and Road Initiative (BRI) is also referred to as the One Belt One Road (OBOR) framework or the Silk Road Economic Belt and the 21st Century Silk Road. This paper will basically use the term BRI.
2 Named after the Chinese name of One Belt One Road; [online] Available form: https://eng.yidaiyilu.gov.cn

is almost impossible at an almost initial phase of such a grand and indefinite strategy. However, an assessment estimated the annual financial demand at 1.5 trillion USD. This is roughly China's one-month total GDP at the moment. Besides the traditional financing element of the Chinese developmental state, a network of national and provincial banks lending money to large state-owned enterprises involved in BRI, Beijing is creating an alternative system to the US and Western-dominated Bretton Woods institutions and development schemes to finance the grandiose investments. The development of this shadow international financing system of the Asian Infrastructure Investment Bank (AIIB), the New Development Bank (previously the BRICS Development Bank), the Shanghai Cooperation Organization Development Bank, the New Silk Road Fund or the Silk Road Gold Fund is an integral element of not only BRI, but also of China's strategy to rise as a global power. In 2018, the first BRI bonds were issued at the Shanghai and Shenzhen stock exchanges, broadening the source of funding for the Silk Road projects. By increased trade connectivity, more countries start to use the renminbi in their transactions, and the internationalization of their currency further enhances China's influence.

Quite many analysts have already pointed out that BRI—rather than being a brand-new initiative—is the new name for projects China had already planned for long. In many cases, it is a new name for constructions that had already been going on for years or decades. Many infrastructural developments, for example the China-Central Asia economic corridor or the Pakistan corridor date back to more than a decade before BRI. It should not be underestimated, however, that Xi Jinping formulated a signature policy out of these fragmented projects and stepped on the global stage to announce the beginning of a new era. The branding was so successful that the Belt and Road developments have been making headlines ever since.

1.1. What is BRI?

BRI is more than a collection of infrastructural investments. At the heart there are five cooperation priorities articulated by the Chinese government in its policy document released in March 2015 (National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, 2015). These priorities—policy coordination, facilities connectivity, unimpeded trade, financial integration, and people to people bonds—indicate the shape and nature of the BRI cooperation, and also set the role for individual partners. Policy coordination calls for intergovernmental cooperation, enhanced political trust, expanding shared interests and coordinating economic development strategies and policies. Facilities connectivity means the actual infrastructural projects, mainly motorways, railways, ports, bridges, air connections—BRI in the skies, pipelines, dams, mines, power plants but also telecommunications infrastructure, "digital BRI". Unimpeded trade calls for the removal of trade and investment barriers with the final objective of establishing regional free trade agreements. From this perspective, Beijing is following a clear scheme with partners along the BRI routes: signing strategic partnership agreements, upgrading them to comprehensive strategic partnerships, EPAs (economic partnership arrangements) and, finally, FTAs (free trade agreements). Financial integration calls for developing a common economic system throughout the BRI, in the new financial system under Chinese leadership, discussed above. And finally, people to people bonds are the soft power initiatives of BRI, promoting cultural and educational exchanges, tourism, and media cooperation. These soft power enhancing effects and goals of the New Silk Road should not be underestimated, either.

1.2. The Rationale of the Belt and Road Initiative

Both the economic rationale of BRI, as well as its broader political implications enhancing China's global power can hardly be questioned. Starting from the economic point, by embarking on large-scale infrastructural projects, China can make the best possible use of its overaccumulation of capital and overcapacity in construction and heavy manufacturing industries. Most economic corridors start from underdeveloped western or inner, landlocked areas of China in heavy need of infrastructure investments. Thus, domestic and regional development goals can be simultaneously achieved. The stimulus effect on countries targeted by BRI is also expected to boost economic growth, therefore creating additional demand for Chinese goods. The 2008 crisis has shown Beijing that its export driven growth can be crucially affected by falling global demand.

Consequently, the win-win offer for BRI participants is both sincere and necessary. China extends mainly the already well-developed "infrastructure for natural resources" scheme long tested in Africa, while also facilitates the movement of its own products through the newly built or modernized infrastructure towards third markets. Typical concerns arising in partners being heavily and asymmetrically dependent on China,—including labor market, environmental devastation and further issues—will be assessed at the particular Belt and Road economic corridors' participants and projects below.

Although dependence can be at least partly mutual—as China also needs to ensure resource security and energy security to maintain its development,—but Beijing also has much more to win on the overall result of the Belt and Road Initiative. To cite an institutionalist theoretical point of view, the Belt and Road Initiative has unique importance as it can be clearly viewed as a geo-functional institutionalization process. China uses this ambitious project as a major tool to become from “agenda abider” to “agenda entrepreneur” in the Western-dominated asymmetrical world system, thus changing the whole system itself on the long run (Kaplan, 2017,p. 8).

BRI is also a tool in the hand of Beijing to turn its relative size advantage through bilateral channels into real leverage. This is in line with Beijing’s policy to favor bilateral relations and deals over multilateral arrangements in trade liberalization. China has been largely passive at the Doha Round, maintaining a general position that could be summarized as the 4L: less request, lower obligations, longer transition periods and later liberalization (Zhang, 2012, p. 13), while playing an active role in bilateral trade liberalization, and to some extent, regional liberalization, like initiating a free trade agreement with ASEAN to form the world’s largest free trade zone in terms of population. The third priority of BRI itself also envisages unimpeded trade through the creation of free trade agreements but mainly on a bilateral base, at least for now. Through large infrastructural investments based on bilaterally agreed terms, China can further enhance its position.

3. New Silk Roads on the Land

The most ambitious and currently most visible part of BRI is its land leg—as it is also often referred to as—the Silk Road Economic Belt. This consists of six economic corridors as announced by vice-premier Zhang Gaoli at an Asia-Europe economic forum in 2015 with the most recent seventh route (China-Myanmar) added in November 2017:

1. New Eurasian Land Bridge,
2. China-Pakistan,
3. Bangladesh-China-India-Myanmar,
4. China-Myanmar,
5. China-Central and West Asia,
6. China-Mongolia-Russia,
7. China-Indochina Peninsula.

Each of these economic corridors serves a different geopolitical and economic objective for China but they are similar from the point of view that they create easier access to key natural resources, while also enable Chinese construction companies to export their overcapacities, and at the same time help Chinese products reach new markets or existing ones via alternative routes. Together they also indicate an ambitious plan to increase China's presence and influence throughout Eurasia and globally. The development stages and perspectives of the particular plans and projects themselves are quite heterogeneous. Some of them are less clearly defined and even less clearly profitable, at least in this current version.

The key part of this paper is devoted to the assessment of the economic, political and geostrategic rationale of each of the economic corridors thus giving an insight into the details of China's strategy, while also showing concerns that might have a general relevance to a number of projects and overshadow the viability of the Belt and Road strategy.

3.1. New Eurasian Land Bridge (NELB)

The New Eurasian Land Bridge (NELB) economic corridor is a relatively straightforward route compared to some less clearly defined Belt and Road projects. It is also less problematic regarding the number of participants, as it bypasses only three countries on the way to Europe. The infrastructure already exists, although mostly in serious need of modernization to enhance the speed of transportation. The Chinese government likes to refer to the grandiosity of BRI by citing the example of the NELB, emphasizing that by the 11.870 km railway system, the eastern port city of Lianyungang is connected directly with Rotterdam, Duisburg, or even London or Madrid. The initiative of the NELB, such as in so many other cases of the Belt and Road Initiative, dates back to much earlier than the articulation of the policy. In 1995, the Chinese and Kazakh government signed an agreement, which allows the latter to use Lianyungang as its primary seaport for exports and imports, and the former intends for Lianyungang to serve as the designated starting point for the NELB. If success were measured in PR and media coverage, then the new Eurasian land bridge definitely would overperform, but from the economic point of view this is currently less evident.

According to calculations (Babones, 2017), the land route lacks rationale and profitability from almost all possible perspectives. First of all, the time factor: the land route takes approximately two weeks (18 days to London) including the time (and expenditure) of physical transfer between the standard and the Russian railway gauge first on the Chinese-Kazakh border, and then again on the Belarus-Polish border.[3] This argument could easily be refuted by the fact that the sea route takes even more time, usually about twice as long. Yet, the maritime road is unsurpassable from the volume aspect: there are no Chinese statistics about the exact number of containers, but according to Russian and German statistics, the NELB ships approximately 100,000 containers a year (Smith, 2017) which is equal to the number of containers the Port of Shanghai handles just in one day. Even with the proposed 10 percent increase in 2018 in terms of volume, the NELB targets 4000 trains this year (and an overall 50 percent increase in five years), the capacity gap is still growing as Shanghai builds more port capacity every year than the total volume of the NELB (Hong, 2017). Moreover, rail freight lacks the climate control facilities that are available on cargo ships.

Another aspect could be the price factor, although on the one hand, rail transportation costs approximately five times more than sea freight, and even though it is more or less half the price of air cargo, it is hardly comparable as a result of the time factor. Again, no reliable information is available about the real ratio of Chinese subsidies to the NELB, although rumors indicate that it can be as high as 50 percent (Smith, 2017), thus making the price advantage even less true. A further aspect could be the enhanced import possibility through this land route, but similarly with other rail cargo out of China, about half of the containers return empty, and there is no realistic demand to fill them.

As Tables 1 illustrates, maritime shipping remains dominant in Europe-China trade, carrying 94 percent of trade by weight and 64 percent by value in 2016. Even compared to air transport, rail freight options pose no real alternatives as twice as much cargo was carried by weight and more than 13 times by value in 2016 by air. These trends highlight the competitiveness of maritime shipping for low-value goods and the competitiveness of air shipping for high-value goods.

3 Changing the bogies on a rail car takes hours and special, heavy equipment. In many cases (especially containerized freight), freight is transshipped from one train to another instead of changing the bogies. This is most common on the Tran-Siberian line, where due to technological developments containers can be moved from one train to another in as short as 47 minutes. In case of liquids, frozen goods and hazardous materials, however, the bogies are usually changed.

Table 1
China-Europe trade

	By weight		By value	
	2007	2016	2007	2016
Rail	0.8 %	0.9 %	0.5 %	2.1 %
Air	1.5 %	1.8 %	24 %	28 %
Road	5 %	3 %	9 %	6 %
Sea	92 %	94 %	66 %	64 %

Source of data: Eurostat

It follows that the NELB is an impressive initiative among BRI projects making headlines in Western Europe, although with regard to dry economic calculations, it is currently not in line with its media coverage. Some analysts even argue that if it comes to railway investments, the Central and West Asian economic corridor has much more rationale, although this argument could also be easily refuted in different respects (see later).

It is an important feature of the Belt and Road Initiative, however, China is developing seemingly parallel infrastructural plans and declaring grand strategies, while also adding or abandoning elements pragmatically over time. This is particularly visible in the confusion about what exactly should be called the Eurasian Land Bridge, also referred to as the Iron Silk Road, recalling the memories of the ancient Silk Road. China is in no hurry to clarify the situation, as besides developing the Central Asian infrastructure making it possible to reach Europe via Kazakhstan, Uzbekistan, Turkmenistan, Iran and Turkey, Beijing has also shown interest in the Baku-Tbilisi-Kars railway project, which finally opened in late October 2017 after many years of delay. The railway was proposed by Turkey and Azerbaijan, after Turkey closed the border with Armenia in 1993 as a sign of solidarity with Azerbaijan in the Nagorno-Karabakh conflict. The new route bypasses Armenia, and Erdogan emphasized many times that it could be the Iron Silk Route enabling further trade developments with China. The Caspian Sea crossing, however, constitutes a major bottleneck to this goal and further development of the Kazakh and Uzbek lines would be necessary for this route to become a realistic alternative to the Trans-Siberian. The latter also represents a further alternative, the northern route, passing from northeast China to the classic route of the Trans-Siberian line. This route is also of interest for China, as the northern regions are in similar need for investments and connectivity to European markets as are the Western ones.

This being said, we have arrived at the irrefutable economic argument for the New Eurasian Land Bridge corridor, the development of inland China and particularly western territories. Calculations using sea freight prices, volumes etc. as a basis for comparison, not only forget about the vast inland territories and their distance from any Chinese ports, but also ignore their relative underdevelopment. One of the major objectives of BRI is precisely to enhance this regional development policy goal, even if it involves lots of state subsidies and turns profitable only in the relatively long run.

Trains are loaded with a mixture of consumer goods including high-tech IT products, laptops, mobile phones and also clothing from the Yiwu area. Hewlett-Packard was the pioneer in 2011 to send the first train from Chongquing to Duisburg filled with laptops and LCD monitors, and it is an obvious goal shared by the multinational companies investing in the relatively underdeveloped and therefore cheaper western regions of China to develop rail freight capacities towards their markets. Currently, rail accounts for less than 1 percent of total exports from China, so there is certainly room for development.

A further argument for the economic rationale can be China's impressive development history. Starting from a relatively underdeveloped stage, they have a long record of surpassing their own expectations and plans for development. This should be taken into account for the overall development perspectives for the western regions, as well as the capacity building on the land routes towards Central Asian countries and Europe. Just a decade ago, rail freight service from China to Europe literally did not exist. Today, there are direct connections between 35 Chinese and 34 European cities (Xiang, 2017). By improving tracks and accompanying facilities, faster transportation and longer cargo trains with larger capacities will also make the route more competitive against seaborne and airborne freight options.

3.2. China-Pakistan Economic Corridor (CPEC)

Of the six BRI corridors, CPEC is certainly the best developed, and it will certainly change China's geostrategic position. It can be considered as the flagship project for China's Belt and Road Initiative, the only fully developed section of the entire scheme, therefore also an important test for the plan. Formally it was proposed in May 2013, six months before the Belt and Road strategy, and was officially initiated at the third plenary session. CPEC is made up of a formula of a 1+4 cooperation scheme, where 1 represents the economic corridor and 4 represents the pillars that support it: the Gwadar port, energy, infrastructure, and industrial collaboration.

Nevertheless, proposals for a free trade agreement had already been made much earlier, in 2005, at the visit of Premier Wen Jiabao, and it was concluded in a record speed of one year. Sino-Pakistani relations have evolved over time from a primarily Cold War era reliance and response to external threats to a relationship that also envisions domestic stability for both states and includes extensive economic and political ties and geopolitical implications. China's importance could be described as the cornerstone of Pakistan's strategic foreign policy, whereas Pakistan also provides China a strategically important bridge to the Middle East (Small, 2015, p. 118). Pakistan was used for a long time by China as a diplomatic corridor for establishing ties with the USA and Saudi Arabia, and today Pakistan is considered to be a key to China's transition from a regional to a global power. Thus, it came as no surprise that the first of the 51 Memorandums of Understanding, an important legal foundation of cooperation was signed with Pakistan in 2015. The historical records, shared interests together with the common membership in the Shanghai Cooperation Organization—where Pakistan had an observer status since 2005 and has been a full member since 2017—guarantee the highest possible policy coordination, and also show its importance for Beijing as a general background for any economic coordination.

As for the second point of Belt and Road priorities, there is an abundance of infrastructural investments, too. Gwadar as the endpoint of this corridor is, at the same time, a starting point as a deep-water port for the countries of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) in a strategic position at the Strait of Hormuz. Operations at Gwadar were leased at the end of 2015 for 43 years to the China Overseas Port Holding Company (COPHO), a massive state-owned company, and the special economic zone around the port is also established under favorable circumstances for China. The zone will be exempt from all types of Pakistani taxes (income, sales and federal taxes) for 23 years at least, while contractors and subcontractors of COPHO will be exempt from taxation for 20 years. Imports of equipment, materials, machinery, and other accessories used in the economic zone will have a tax exemption for 40 years (Rana, 2016). Although the LNG terminal construction proposed back in 2015 has stalled since then, at the end of 2017, it seemed that the USD 2.3 billion project would be revived with a larger share financed by the Pakistani government (Bhutta, 2017).

Gwadar, as a pilot project for not only the CPEC but also for the Maritime Silk Road, is the greatest test case for BRI for a number of reasons. Security concerns are high in the region, since both Taliban militia often attack security forces and civilians, and the Baloch nationalist movement has also launched a low-level insurgency in the region since 2004. Pakistan vows to protect the proposed pipeline and the terminal, while

Chinese workers will receive additional protection by a Chinese security firm. The initial test of the project and the whole CPEC back in 2013 was solved clearly in favor of China as the Port of Singapore Authority, which originally owned a 40-year port management and development contact since 2007, was forced to pull out because the Pakistani government denied transferring territories necessary for further development. Consequently, COPHO could easily buy its shares for approx. 25 million USD (Fazl-e-Haider, 2012). A further test follows with the establishment of a Chinese "colony", with current plans to house about 40.000 Chinese workers, but the number can be 10 times higher in the near future (Mustikhan, 2017).

China is committed not only to the development of the port and its associated infrastructure, but also to a wide range of infrastructure investments including the Peshawar-Lahore-Karachi railway, power plants in Tharparkar and Port Qasim, the Gwadar-Nawabshah natural gas pipeline, the Karot hydropower project, the Jhimpir wind farm, Gwadar airport, the Karachi-Thatta expressway, and the M-9 Hyderabad - Karachi motorway (Fulton, 2016, p. 45).

From among China's partners, Pakistan's trade position is typical since the relationship is heavily one-sided. While China has reinforced its position as the most significant import partner for Pakistan since the signature of the free trade agreement in 2006, Pakistan only ranks as China's 33rd largest source of imports. The same one-way dependence is also manifested in terms of exports, as China is the 2nd largest export market for Pakistan, while Pakistan ranks as 67th for China, and Pakistani trade deficit is also significant (Kamal et al., 2017). In 2017, Pakistan also accepted a 1.2 billion USD bailout from China, and at the end of the year announced that it will be using yuan in bilateral trade with China instead of the dollar (The Economic Times, 2017a). The only point where Pakistan can counterbalance this dependence, is its geopolitical importance.

As the fourth point of BRI priorities, financial integration can also be easily analyzed in the case of this economic corridor. The depth of financial coordination and the Chinese involvement in financing indicates a pre-existing cooperative relationship. Pakistan is a founding member of the AIIB and was the recipient of funding one of its three initial projects, a 64-kilometer stretch of highway connecting Khanewal to Shorkot (Mitchell et al., 2016). The AIIB has also announced a 300 USD million loan for the expansion of a hydropower plant, co-financed by the World Bank (Reuters, 2016). Likewise, Pakistan was chosen as the first investment for the Silk Road Fund, with a 1.65 billion USD investment to construct the Kohat dam on the Jhelum River (Shi et al., 2015). Besides, Beijing has also proposed a 46 billion USD loan. The current version of the CPEC is estimated to cost a total of 57 billion USD, currently the largest sum of all the proposed economic corridors and investments (The Economic Times, 2017b). The most important challenge to this economic corridor (together with the BCIMEC, discussed below) is India. As the China-Pakistan development plans pass through the disputed area of Kashmir occupied by Pakistan, India has not only become lukewarm about cooperation, but has been watching China's plans with growing suspicion.

3.3. Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC)

The BCIM economic corridor is an ambitious plan to connect Kolkata with Kunming, the capital of the Yunnan province. As in many other BRI undertakings, the idea emerged long before it was labeled a single grand strategy, Yunnan province leaders raised the rationale of the project back in 1999. It has received high level endorsement at the May 2013 visit of Chinese Premier Li Keqiang in India, while immediately after stalling the whole process with New Delhi feeling that BCIMEC has to be analyzed in the framework of the larger Chinese strategies and as such, is not necessarily coinciding with the interests of India.

The economic and political rationale of the corridor cannot be questioned. First of all, this zone, which Chinese leaders urged to label a sub region back in the 1990s, is the meeting point of the three markets of China, Southeast Asia and South Asia. Second, it is isolated from global markets and suffers from underdevelopment, lack of FDI and poverty, making a comprehensive development policy desirable. Third, even as the sub region suffers from poor infrastructure, its rich natural resources (especially oil and gas in Myanmar and in the northeastern regions of India) offer huge potential and long-term profitability for large-scale investments.

There have been some symbolic steps, like organizing a BCIM car rally in 2013 that followed the ancient southern route of the Silk Road, which the initiative seeks to revive. At the same time, it is equally symbolic that the arrangements took more than 6 years and have received criticism claiming that the route followed political decisions and not economic rationale by not passing some of the most densely populated areas in Bangladesh and India like the populous and industrially developed Brahmaputra valley. As for the land connection, Chinese experts in Yunnan point out that except for a 200-km stretch between Silchar in Assam and Manipur, and a similar length between Kalewa and Monywah in Myanmar, the central artery of the route is nearly functional (Atul, 2015). It is also notable that the BCIM would include the development of not only the usual infrastructure like railways, highways, telecommunication and oil pipelines but also inland water routes as these are important in the region, too.[4]

The concerns around the BCIMEC are clear and have stalled the development. A wide range of economic, social and political questions have to be addressed. Key to the whole BCIMEC is how to integrate remote areas and people living there in the global supply chain, while also developing the region without further fueling existing ethnic, demographic and political tensions leading to frequent insurgencies and conflicts. Many analysts emphasize the importance of sensitivity, mainly from the Chinese side that has to take into account the interests of stakeholders, as well as concerns about the regional effects of Beijing's grand strategy and its appetite for investments, markets, natural resources etc.

Environmental concerns constitute a major element of the problems. Many observers in India share the view that if China pursues river diversion and dam-building projects at the cost of environmental degradation and economic dislocation of the lower riparian countries, the BCIM corridor prospects will be negatively affected (Yhome, 2017). Impacts on the region's fragile ecological system and rich biodiversity have to be considered, as the investments would involve clearing of forests, land acquisition and possible eviction. Even in the case of Myanmar, a country in great need of Chinese FDI and ranking on the top list for China as a partner (see below), the construction of a 3.6 billion USD dam was halted as a result of local protests against environmental impacts. Further concerns include cultural impacts, demographic profile, environmental pollution, social security, economic exploitation of relatively underdeveloped areas rich in natural resources, etc. All the above-mentioned issues are to some extent relevant in the relation of other corridors and development projects too, therefore it is crucial for China's future development and the proposed win-win strategy for its partners to thoroughly address these problems.

The specific point different from other corridors in the BCIMEC is India. New Delhi has previously declared its interest in developing the BCIMEC based on mutual benefits, and many consider this project as the key to the political stability of the region, yet even the strategic planning and evaluation phase have halted. Meanwhile India has announced its own Hydrocarbon Vision 2030 that aims at not only doubling oil and gas production by 2030 and building pipelines towards southern territories,

4 As a reference to this feature, sources sometimes label four out of the six economic corridors announced in 2015 as purely land routes, while the BCIMEC and the China-Indochina routes as amphibious.

but also exploring hydrocarbon trade opportunities and investment possibilities in Bangladesh, Myanmar, Nepal and Bhutan (Govt. of India, 2016). Together with the "Make in India" principle and ambitions to generate trade and investment opportunities in the region, this is rather enhancing India's position as China's rival in this sub region. The Modi government has made a clear stance on China's bid to ensure control over the South China Sea and, as discussed later, is in a number of ways actively involved containing the rise of China, thus the perspectives of the BCIM cooperation are meager.

3.4. China-Myanmar Economic Corridor (CMEC)

Myanmar has long emphasized its enthusiasm concerning cooperation perspectives with China even pointing out the geostrategic importance of the country as participant not only of the BCIM but also of the Indochina economic corridor. From the Chinese point of view, Myanmar is an ideal partner with whom they can assert their power difference, offer clear development perspectives to a relatively underdeveloped neighbor, gain access to important ports and natural resources, while also finding a solution to India's obstructions. Their economic offers are also highly complementary. The level of development of Myanmar gives Chinese firms great investment opportunities, not only in terms of infrastructure capacities but also exploiting relatively cheaper labor force while creating new markets for their products. The oil and gas fields of Myanmar as well as its strategic position at the Indian Ocean makes it an attractive target for China. The stalemate of the BCIMEC also naturally turned Beijing towards alternative routes that seem more feasible already in the short run. Although officially not abandoning BCIMEC and even emphasizing its further interest by "tandem development", in November 2017, China announced the launch of a new economic corridor, the CMEC.

The starting point for the CMEC is exactly the same area, southwestern China's Yunnan province, from where the corridor proceeds south to Mandalay in Myanmar, eastward to Yangon and then westward to the Kyaukpyu special economic zone (Sidiqqi, 2017). At the heart of the infrastructural development is a proposed 1.5 billion USD oil pipeline through the Bay of Bengal and a 7.3 billion USD deep-water port in Rakhine state, and power generation projects including dams (see above) are also planned.

China's growing soft power potential and international involvement can also be analyzed on the example of the Rohingya crisis and the way the tense situation was handled in the region. Unlike the US secretary of state, who called the situation simply ethnic cleansing, thus failing to move forward towards solution, China was cautious in labeling the crisis, rather proposed a three-step plan that both Bangladesh and Myanmar found acceptable, and Myanmar even agreed to the gradual repatriation of the approximately 600.000 refugees (Bequelin, 2017).

The Chinese approach to the issue is simple, pragmatic and effective. The CMEC targets on the first hand exactly the development of the flashpoint of the conflict, Rakhine state. By focusing on the cause of the problems, like economic instability and unemployment, and improving living standards with jobs and development, all parties hope to enhance the long-term stability of the region. China also refused the US proposal of international sanctions against Myanmar, thus further enhancing its positive reception in the neighboring country.

Myanmar, on the other hand, has to take into account the fragile political and economic balance of the broader region when making economic commitments. The government tries to keep good relations with India by participating in joint military exercises and assuring New Delhi of their support concerning the “Act East” policy and the “Neighborhood First” initiatives that promote closer relationship with ASEAN countries. Myanmar also tries to involve Indian investments in rural regions and has made new cooperation plans after finding new offshore oil fields.

3.5. China-Central and West Asia Economic Corridor (CCWAEC)

Xi Jinping announced the Belt and Road Initiative in Central Asia, in Astana, Kazakhstan, and the first and foremost stretch included in the policy is towards Central and Western Asia. The reasons are clear: these countries have a relatively underdeveloped infrastructure, therefore they welcome investment plans from China, while they are also able to offer natural resources and—through their geostrategic location—access to further resources and markets.

The CCWA economic corridor requires a more complex coordination by China than in the case of bilateral partnerships with Pakistan or Myanmar. To underline the disparities between the states along this route, Turkey’s GDP is almost three times larger than the five Central Asian states (Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, and Tajikistan) combined, while Iran’s GDP is twice as much (CIA World Factbook). China has well-established political relations with all of them at a formal level of either strategic or comprehensive strategic partnerships, and given the importance of the route, it can be expected that each of the strategic partnerships (currently with three out of the seven countries: Turkey, Tajikistan and Kyrgyzstan, with Turkmenistan expected to sign a strategic partnership agreement in 2018) will be upgraded to comprehensive strategic partnerships in the near future.

The Shanghai Cooperation Organization is also an important multilateral forum for dialogue and foreign policy coordination in the region. Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan have been full members since the foundation in 2011, while Iran has an observer status, and the NATO member Turkey is a dialogue partner. Turkmenistan alone has no formal position participating only as a guest, since it is committed to neutrality since a 1995 declaration at the UN. Although both bilateral and multilateral ties seem well-established, there is still a question of mutual trust. One reason can be China's tensions with the Uyghur population in its Xinjiang province, especially becoming a stress factor in Turkish-Sino relations. From China's point of view, the Central Asian states are also seen as vulnerable to terrorism and radical Islam and as a base for Uighur separatists, thus undermining the political stability of the region.

As the key aspect of all economic corridors is mutual interest in developing infrastructure, the future holds large potential. Turkey has had a central geostrategic position, especially after the opening of the Marmaray project's first phase in 2013, with an underground rail tunnel in the Bosporus Strait offering the first standard gauge connection between Europe and Asia. Given China's COSCO holding company's purchase of 67 percent of the Port of Piraeus in Greece and Turkey's continued infrastructural development, this route is a priority for Beijing. Ankara has announced an over 35 billion USD investment mostly in transportation and logistics projects, and the country is interested in enhancing cooperation in emerging infrastructural developments (Fulton, 2016).

Iran also has significant infrastructure investment needs, and Chinese firms are involved in several transportation and energy investments in the country, including oil and gas fields, the Tehran-Mashhad railway and a high-speed rail connecting Tehran, Qom and Isfahan (Scott, 2016). Iran-China relations are also very special from two aspects: on the one hand, China has well-established relations with Tehran as during the sanctions' years, China was one of a handful of countries to continue trading with Iran. On the other hand, Iran is also one of the handful of countries to always run a trade surplus with China. The reason is simple: the vast majority of Sino-Iranian trade is composed of either petroleum-based products or other natural resources, namely iron ore, the latter being a key element in Tehran's strategy during the years of stringent international conditions to compensate for the lost revenues of oil, whereas Beijing has also intensified reliance on Iran as an alternative to its traditional suppliers of iron ore like Australia and Brazil.

Iran is also an important element of the North-South transportation corridor proposed by Russia, Iran and India back in 2002, joined by Azerbaijan, Armenia, Kazakhstan and Belarus. The 7.200 kilometer multi-modal network of ship, rail and road transportation routes will considerably enhance trade connectivity in the broad region. The free trade agreement signed in 2017 between the Eurasian Economic Union (EEU) and Tehran also shows both the importance of Iran and the trade generating effects of the Belt and Road Initiative even between countries not integrated under BRI deals but affected by the development and future prospects.

The Central Asian states are especially in need of infrastructural investments, and proposed mega-projects are already under development, including the Central Asia-China gas pipeline, the Kara-Balta oil refinery in Kyrgyzstan and numerous highway construction projects (Fulton, 2016). The gas pipeline system deserves some in-depth analysis, as it shows many of the general features of development projects, as well as some specific issues concerning Central Asia. The majority of Uzbek and Turkmen natural gas is delivered to Russia via the Central Asia-Center gas pipeline system built during the Soviet Union era and controlled by Gazprom. The renovation of this system is also currently ongoing, while China has been developing the Central Asia-China gas pipeline also for more than a decade (since 2006). This pipeline connects the eastern Turkmen gas fields with Xinjiang via the gas and oil rich territories of Uzbekistan and Kazakhstan. The Turkmen section was built by a subsidiary of Gazprom, while the Uzbek and Kazakh sections were constructed by a joint venture of the national gas companies and the China National Petroleum Corporation. By the time of the official declaration of the BRI, two gas lines were already operational and the third almost completed, and since then a fourth line has been under construction. Therefore, criticism concerning the claims of Beijing to label many infrastructural developments as “early harvests” of BRI are true, particularly in the case of the Central Asian pipeline system, as well as in the case of the China-Pakistan economic corridor. Another aspect to point out is the traditionally strong position of Russia in terms of natural gas and oil in Central Asian countries that weakens China’s leverage in the region.

A great concern about infrastructural developments in Central Asian countries is environmental degradation and pollution already mentioned in the BCIMEC chapter. In Kyrgyzstan and Tajikistan for example, new cement plants are notoriously polluting the environment, while refineries, mines and other industries built or operated by Chinese companies are also met with growing concerns by local administration and residents (Pannier, 2016).

Besides environmental concerns, another question that might have more general implications for countries welcoming Chinese investments are issues of the labor market. While Central Asian partners would be interested in employment opportunities opening up as a result of investments, Chinese firms prefer to bring their own Chinese workers. Rumors that the Chinese are better paid, or just simple language and cultural barriers have already resulted in clashes between local and Chinese workers. China refuses to similarly open its labor market to Central Asian countries, while for Eurasian Economic Union members (Kazakhstan and Kyrgyzstan) the single market offers free movement of the labor force, and there is substantial visa liberalization and mutual recognition of degrees in effect for other members of the Commonwealth of Independent States (CIS) too. Tajikistan is also formally invited as a potential member in the EEU, and in 2014, Uzbekistan joined the CIS free trade area, too, after long hesitation. Russia definitely has not only a strong economic presence but also effective soft power tools for the region. As president Putin has clearly expressed Russia's interest to create a powerful supranational union extended to all post-Soviet states excluding the Baltic countries, China faces a strong rivalry in the Central Asian region.

Chinese migration is not only viewed with suspicion in Central Asian countries out of fear of labor market positions, but land ownership is also a central issue. Chinese farmers are buying farming areas vacated by local people who left to find work in Russia. In 2016, the problem has already aroused public attention, while a proposal in Kazakhstan to lease farmland sparked the largest protests in 20 years, when rumors spread that it would be at least partly Chinese farmers interested in land lease (Pannier, 2016). Land issues constitute a conflict in other partnerships, too, like the China-Mongolia-Russia economic corridor, where the question will be further discussed.

The CCWAEC shows a further typical characteristic of BRI. Although announced as one large economic corridor, its relevance might be better exploited by dividing it into smaller regions and also by developing alternative connections including maritime routes. After the opening of the Marmaray tunnel and with further Turkish development plans, there were optimist voices about the CCWA countries becoming an alternate route for the Trans-Siberian railway and the New Eurasian Land Bridge. This route, however, takes even longer as a result of numerous border crossings. The problem of exchanging bogies or transshipping cargo between the standard gauge and the Russian gauge equally exists, and there are further bottlenecks in terms of connectivity and availability in Central Asia, and even in Iran. China is definitely aware of all these challenges including difficulties of coordinating the diverging interests of the many stakeholders, and currently seems willing and able to address the heterogeneous needs of the partners, although this undoubtedly slows down the implementation of plans and diverts the original goals.

3.6. China-Mongolia-Russia Economic Corridor (CMREC)

The initiative to create the China-Mongolia-Russia Economic Corridor was put forward by Xi Jingping in September 2014 at the first China-Russia-Mongolia summit, held in the capital of Tajikistan, Dushanbe. This initiative was met with active response both from Russia and Mongolia, also meeting the latter's initiative of the Steppe Road. Even with such positive response and common interests, it has taken almost two years to clarify the program for the construction of the CMREC, which became the first such document signed in June 2016 in the multilateral cooperation framework of the BRI.

Political stability in the region, stable and well-established political relations, very limited opportunities for extra-regional forces to interfere and the lack of hot spots and intertwining interests definitely facilitate cooperation in the region, which makes this BRI corridor much clearer and easier to implement than many others, for example the CCWAEC or the BCIMEC. Even under these circumstances, temporary conflicts might slow down economic processes. When in November 2016, the Dalai Lama visited Mongolia for the ninth time, China suspended all official diplomatic interactions, imposed economic sanctions and raised tariffs on the trade with Mongolia. India quickly assured Mongolia of its support and sympathy, while also offering a 1 billion USD financial assistance to help Ulan Bator tide over the economic sanctions. However, Beijing was also quick to remind Mongolia of its geopolitical position and warned New Delhi to stay out of the region's affairs (Reuters, 2017b).

Russia and China have recently begun to speak a common language as both seek to reassert their global role by challenging the position of the United States. They are also linked by their membership in the BRICS or the Shanghai Cooperation Organization. The shared economic interests in the region are also easy to grasp. For Russia, the infrastructural modernization of the Siberian areas is a crucial point, as the region is struggling to keep its population, and the development gap between this area and European territories is widening dramatically. The Russian Far East and Baikal Region Economic and Social Development plan, which came into effect in April 2013, are in line with the goals of the BRI. Sino-Russian cooperation already preceded the Belt and Road Initiative in the Far East region, as after the settlement of the last border disputes in 2008, a cooperation agreement was signed in 2009 proposing 94 projects on the Russian side and 111 on the Chinese side (Tselichtchev, 2017). However, the implementation of the Russian financed parts on the Chinese side have mostly stalled because of the lack of financing capacities, while the Chinese are easily creating state-of-the-art infrastructure well beyond the original plans made almost a decade ago.

With growing disproportion in economic performance and increasing Chinese migration, many Russians feel a growing tension against China. Although the 2010 census officially indicates only 29.000 Chinese immigrants in the region, some unofficial calculations put the numbers as high as 1.5 million, but the realistic number must be somewhere between 300.000 and 500.000. (Tselichtchev, 2017).

It is a clear precondition of many Chinese companies undertaking investments that they bring their own laborers. The economic gap is also depressing for Russians and is definitely increasing as China's GDP is almost 10 times that of Russia's and seems to be able to maintain a steady 6.5-7 percent growth rate per year, while Russia has just got over a recession under US and EU sanctions and, even under most optimistic scenarios, is unlikely to grow more than 1.5 percent to 2 percent in the coming years. For further potential risks and future scenarios for this region see sub chapter "China's food security strategy" below.

The Trans-Siberian railway is also important for Beijing's modernization strategy for Chinese north-northeastern regions. In the frame of the Northeast Area Revitalization Plan Beijing wants to rejuvenate industrial bases in northeast China, and this requires conducting technological cooperation, securing natural gas supplies from Russia and Mongolia and also enhancing access to European markets.

The northeastern parts of China are the key regions for major industries including steel, automobile, shipbuilding, aircraft manufacturing, petroleum refining, and the area is the biggest producer of coal (Huang, 2017). However, the socio-economic situation of the region deteriorated over the decades, as a result of the weak investment attractiveness of this region, which in the 2000s resulted in complex regional development strategies. The contribution of the region to the industrial production and to the GDP of China steadily declined over the past decades. As a comparison, its share of the GDP was 19.2 percent in 1956, 13.86 percent in 1980 and 10.44 percent in 2002 (Minakir, 2009).

The new "Steppe Road" or "Prairie Road"—names already used by Ulan Bator before the BRI—also provides the shortest transportation route to Europe. The infrastructure is not only underdeveloped in Mongolia but also it is in a crucial condition due to extreme weather conditions with temperatures ranging from minus 40 to plus 40 and reaching 45-50 degrees within a month. All the three corridors (Western, Central and Eastern) propose the modernization of existing railways and motorways and the creation of new ones, where besides financial investments Mongolia hopes to get also the relevant know-how and technology from China to create better quality roads, regular road maintenance and improved stops, services and supplies along the roads. Apart from the Mongolian corridors, China is also developing direct routes to the Far Eastern region of Russia to exploit natural resources and agricultural opportunities. The region is also in crucial need for the development of telecommunication infrastructure such as providing internet access to remote areas.

Mongolia is clearly much more dependent on this development strategy than its partners. Being a country with a population of only 3 million and an economy of about 12 billion USD in a landlocked geographical position heavily dependent on foreign capital and markets, it has a long history of dependence on its giant neighbors, recently shifting this dependence towards Beijing. This is also related to the success of China's "peripheral diplomacy" yielding positive results as Ulan Bator no longer views Beijing as a territorial threat but as a useful and sustainable business partner. With the rise of China, the economic realities have also definitely underlined the necessity for reorientation. China has been Mongolia's largest trading partner and most important source of foreign investment since the last decade. About 90 percent of Mongolian products are exported to China, and about 30 percent of the products are imported from China (Zhang et al., 2017).

Mongolia has the following products to offer in this cooperation: abundant resources of energy and minerals vital for China such as coal, copper and iron ore and pure organic agricultural products. Mongolia boasts 73 million heads of livestock farmed by about 200.000 herder households in the vast countryside (Xinhua, 2016). The country's agricultural products lack market access as a result of poor infrastructure and ineffective veterinarian and vaccination services. Furthermore, the country has a vast area, although mostly not arable land but still a potential source of economic development. Renewable energy resources have a realistic future in Mongolia with approximately 270 sunny days and still not polluted clear skies suitable for solar energy investments, while wind energy can be an even more profitable green investment. Studies have shown that at least 10 percent of the territory is suitable for wind energy (Zhang et al., 2017, p. 165), thus having the perspective of becoming a green energy supplier for the region.

Ecological risks are also shared by the three countries. The northern Chinese region of "Inner Mongolia" struggles with very similar conditions and challenges like most parts of Mongolia where 70 percent of the land is endangered by various levels of desertification. Grassland animal husbandry, providing a traditionally high ratio in Mongolia's GDP (20 percent), is also fragile and largely at risk by climate change processes. Chinese technology and know-how focusing on stopping desertification and even gaining more arable land (once effectively developed) could also be a valuable transfer between the two countries. Russia and China also share an extremely long, 4.300 km border, mostly by the Amur (Heilongjiang) river. The 2013 summer/fall flood was one of the biggest in the history of China and the biggest in a century for Russia, yet the population affected was considerably less on the Russian Far East due to the large disparities between the two territories.[5] The flood reminded the governments of the urgent need for flood control in the Amur basin and the necessity for enhanced ecological cooperation and environmental protection.

The question of agriculture, food supply and land lease or land ownership deserves extra analysis. This subchapter places the topic in a wider perspective while also keeping the major focus on a substantial element: Russia.

Food security has been a high priority for Beijing. In a white paper published by the government in 1996, China stressed the importance for self-sufficiency. This policy declaration can be viewed as a response to growing international concerns about the "appetite" of China as a result of its growing population and economic outreach as well as a communication of domestic importance, as the legitimacy and stability of the system is also largely based on its ability to feed the people. Since 2007, a red line of a minimum of 120 million hectares of arable land[6] and 95 percent of grain self-suf-

5 In the flood 5.24 million people were affected altogether in the Heilongjiang Province; 2.52 million square kilometers of crops were also affected; 18.300 houses collapsed; and the direct economic losses amounted to about 1.9 billion yuan. Many ports were temporarily closed, a large number of merchants were forced to shut down. For the Russian Far East, the area affected amounts to 1 million square kilometers, more than 60 percent of the cropland had no harvests and more than 140 residential areas were flooded, the affected population exceeded 50 thousand (Zhang et al., 2017, p. 163).

6 Before the declaration of this minimum arable land goal, China lost 6.2 percent of its arable farmland between 1997 and 2008 according to studies by the FAO and OECD (cited by Majedlie et al., 2017).

ficiency has been maintained, although there are some questions about the definition of "arable land," as local governments are interested in labeling even industrially polluted or marginally productive areas arable, while selling further farmland to more lucrative real estate investments.[7]

As the consumption patterns of China's dynamically growing middle-class have also increased demands for meat, vegetables and those agricultural products that decades ago were largely considered luxurious, the relevance of stressing self-reliance in staple food types like rice, corn and wheat has also faded.[8] Beijing marked this change in its new food security strategy released in 2013, first admitting that imports constitute an integral element of its food security (Zhou, 2016). Since 2004, China has become a net food importer and is the largest importer of agricultural products. With 19 percent of global population on only 7 percent of arable land and freshwater resources, both of them diminishing, this dependence on outside sources seems irreversible. Although the 13th Five-Year Plan envisages environmental protection as one of the major priorities, and there have been tremendous efforts to invest in technologies that increase crop yields, while also turning back soil degradation caused mainly by the extensive use of fertilizers over decades[9], there are physical limitations to the success.

Turning the focus to the Russian-Chinese relations, the disproportion in terms of land and population on the two sides of the Amur river is obvious. On one side of the river, in the border region of Heilongjiang alone, there are 40 million inhabitants. On the other side, the whole Russian Far East with a territory of approx. two third the size of the United States and constituting more than one third of Russia, has merely 6.3 million inhabitants with a distribution of less than 1 inhabitant per square kilometer, making it one of the most sparsely populated area in the world. In the wider area on Chinese side of the border, there are about 109 million, while in the relevant Russian territory merely approx. 4.3 million people (Tirnoveanu, 2016). Decreasing birth rates and migration to western, more developed areas of Russia are a serious concern for Moscow.

7 About 19,4 percent of arable land in China is contaminated. Besides overuse of pesticides and fertilizers, some areas are polluted with heavy metals such as cadmium (based on FAO data).
8 There was a shift in the definition of "grains" as, for example, demand for soy beans largely used in animal husbandry and agricultural food processing has risen so sharply that the government silently dropped it from the grain list in 2014.
9 China has been using about 3-4 times more fertilizers (in kg per hectares) than the US or the EU to boost yields (based on World Bank data, cited by Majedlie et al., 2017).

Under these circumstances Chinese migration to the area, both as workers of Chinese companies and as farmers, is understandably causing social tensions. Land ownership or long- term land lease is a further sensitive issue. In 2017, a new agreement was signed to lease about 150.000 hectares of farm land in the Trans-Baikal region in eastern Siberia to the Chinese for 49 years at a symbolic price of about 5 USD per hectare (Tselichtchev, 2017). Woodlands close to the Chinese border area have also been long leased for timber extraction. Agriculture and land lease is not only symbolic, but raises even more emotions and social tensions worldwide than a greenfield investment, a port ownership or an infrastructural project. Moreover, it also has potentially more direct health risks and irreversible environmental consequences. The overuse of pesticides and fertilizers by Chinese farmers is causing wide-spread concerns about soil degradation and water contamination. The future of these territories after 49 years of intensive exploitation also remains unclear.

To finish this subchapter, we can widen both the time and the geographical horizon. China aims to become a global superpower by 2049, as declared by one of the centennial plans. The BRI, along with the creation of a China-centered system of international organizations and a number of well declared and defined visions and objectives that stretch beyond the limitations of this study, are clear and effective tools along this way. However, if China wants to become a real superpower, it has to be prepared not only to feed its own population and achieve food security both in terms of quantity and quality. But with a global population reaching 8.6 billion by 2030, approx. 10 billion by 2050 and more than 11 billion by the end of the century according to most recent (2017) estimations by the UN, food scarcity and water shortage will become a common concern, making agriculture a strategic sector. China has already started to buy up large areas, land lease programs and investments in agriculture globally, including large territories in Africa, Southeast Asia, Australia, Latin-America and even in the United States and Canada. Africa, a traditionally important target for Chinese investments, has the largest potential for agricultural growth as it accounts for about 60 percent of the world's arable land, and most of its countries do not achieve 25 percent of their potential yield (Sy, 2015). Some analysts point out that the scope and relevance of these land grabs are currently overestimated.[10] It might be true for the current situation, however, China is famous for long term planning, patience, pragmatism and assertiveness, keeping its international profile low to avoid attention and conflicts, while building up its influence and only stepping on the stage when the time has come. All this is visible in the case of declaring its signature policies for the century: creating the BRI and restoring the central position for the "Middle Kingdom" by

10 See for example Brautigam, D. (2010): The Dragon's Gift: The Real Story of China in Africa

2049. Agriculture, food policy and security as underlying elements enhancing Beijing's strategic goals should not be underestimated.

3.7. China-Indochina Peninsula Economic Corridor (CICPEC)

The China-Indochina Peninsula Economic Corridor (CICPEC) extends from China's Pearl River Delta westward along the Nanchong-Guang'an Expressway and the Nanning-Guangzhou high-speed railway via Nanning and Pingxiang to Hanoi and Singapore. This land bridge is of multiple importance for China, as besides establishing and enforcing economic ties with its neighbors, it also boosts cooperation with the ASEAN countries and ensures Beijing's access to the strategically important South China Sea, which is also the key element of the 21st century Maritime Silk Road.

The project shares major characteristics with other initiatives since it aims to strengthen cooperation among states of the Greater Mekong sub region, mainly by developing transportation infrastructure (motorways, railways and air connections, and in the case of this economic corridor it also includes inland waterways). The economic corridor takes advantage of China's roughly 3.900 km border with Myanmar, Laos and Vietnam, continuing overland through Cambodia and Thailand to Malaysia and Singapore. As the countries on the Indochina peninsula vary in terms of their economic and geopolitical importance as well as the size of their economies, the deals that they can secure with Beijing differ greatly. For example, in 2016 Laos, with its small population and nascent manufacturing industrial production, agreed to the construction of a high-speed rail that currently will benefit China rather than its own development. The 6 billion USD budget, nearly half of the country's annual GDP will be financed largely by Chinese loans (Stratfor, 2017). A similar deal with Thailand, a country with a GDP 30 times larger than that of Laos and with much more diversified trade routes, financing opportunities and growing domestic consumption could not be made so easily, as Bangkok insisted on the modification of the route originally planned in 2014 to include more industrially developed and populated areas. Disagreements over financing and technical assistance offered by the Chinese further delayed the project that was finally concluded in December 2017, although additional negotiations will be necessary to clarify all details of the 873 km line. Once operational, it will cut the journey time from Bangkok to Vientiane, the capital of Laos to four hours and travel all the way up to Kunming, China. The strength of Thailand's position is also underlined by the fact that the 5.2 billion USD financing for the first 253 km is fully provided by Bangkok (Linder, 2017).

This economic corridor also offers examples of prestige investments with dubious economic benefits in the near future. In January 2017 two Chinese companies proposed a 2.7 billion USD plan to build the world's tallest twin towers in Phnom Penh, with 133 floors and reaching 560 meters in height, 108 meters taller than the current record-holder, Kuala Lumpur's Petronas Towers, also becoming the world's 5th largest building. The towers would be built along the Mekong River and include a luxury hotel, apartments, office space and retail area, an exhibition hall, theater and restaurant (Chinadaily, 2017). After initial enthusiasm, by the end of 2017 critical voices have already questioned the viability of the project, therefore its future is currently uncertain.

4. ASEAN—The Bigger Picture

Although maps of the CICPEC usually show the participants under the narrow definition of the Indochina peninsula, the Chinese interpretation and interests definitely involve the greater ASEAN area. The importance of the wider region, as well as its connection with the Maritime Silk Road project is also underlined by the fact that the latter part of the Belt and Road was announced in October 2013 in the Indonesian Parliament.

China-ASEAN economic relations have dynamically developed especially since the China - ASEAN Free Trade Agreement entered into force in 2010 (similarly to the other members of the ASEAN+6 cooperation), the CMLV countries (Cambodia, Myanmar, Laos, Vietnam, more recent members of ASEAN) are receiving additional 5 years to implement zero tariff rates on virtually all imports. ASEAN imports from China have more than tripled in the last decade to nearly 260 billion USD, while exports to China have more than doubled to 89.5 billion USD (Stratfor, 2017).

The ASEAN members have a combined population of 2.6 billion and a GDP of 2.6 trillion USD. Currently, they would be the 6th largest economy in the world but according to projections, they could turn the 4th largest by 2050 (Stratfor, 2017). However, there are striking disparities in terms of development. The CMLV countries, with their 20th century consumed largely by conflict, are far behind their neighbors. Their combined GDP accounts for only 11.7 percent of ASEAN's total, while Vietnam alone accounts for 8 percent (CIA World Factbook).

Relatively higher development combined with geostrategic importance in the Strait of Malacca and the critical waterways of the South China Sea, and a relative abundance of funds and potential investors create a different position for China in Malaysia, Singapore and Indonesia. Beijing was competing with Japanese firms for example in building a railway to connect Jakarta with Bandung and managed to take the deal in 2015 with an investment of 6 billion USD (Stratfor, 2017). This case also shows that although it is not clear which of the projects officially fall under BRI, they serve, nevertheless, similar interests and follow similar designs. It is also notable that although ASEAN countries watch China's rise and increasing influence with growing concern and aim to look for alternative partners for counterbalancing, Beijing has so far successfully prevented any unified action by offering mutually beneficial deals for each member.

5. The 21st Century Maritime Silk Road

As discussed in the New Eurasian Land Bridge chapter, maritime freight continues to be the key in terms of volume and unbeatable in respect of price. Moreover, China is restrained to the continental Asian territories when compared with the naval influence of the US, therefore creating a strong naval presence is vital for the future development of China. This initiative is even less clearly defined than the land routes or investments to give way to organic evolution according to needs, interests and possibilities. ASEAN countries, however, definitely play a key role in the success of securing maritime routes. Besides buying 67 percent ownership in the port of Piraeus, Beijing has shown an interest in a number of ports worldwide. Among these, the ASEAN countries are of highest importance, like Indonesia's Tanjung Sauh Port at a strategic point, the Malacca Strait's eastern entrance. In Malaysia, China is working on the 1.9 billion USD Melaka Gateway port along the strait's northern shore (Stratfor, 2017). There are a number of other plans at different stages of planning, development and construction in the Philippines, Thailand, Cambodia or the already mentioned ports of Myanmar or Pakistan. In Myanmar, a Chinese consortium has agreed to gain 70 percent share in the port of Kyaukpyu (Lee et al., 2017).

China has also long-term investments in Africa, including infrastructure, mines and lands already built mainly in Tanzania, Kenya and Mozambique on the east shore of Africa that will be one of the strategic areas for the maritime road, too. A further strategic point is Sri Lanka, just south of the long-time rival India. In December 2017, Sri Lanka agreed to sell 70 percent of its Hanbantota port facilities to China (Panda, 2017) but currently denies any plans to give way for a Chinese military base on the island.

The Sri Lanka port is a typical example of Beijing's strategy that raises fears and public discontent in the partner countries. China usually finds a local partner, who accepts the investment that actually is of questionable use or even detrimental to the country in the long run. However, even in mutually positive cases, the debt can be used to either acquire (a share of) the project or to gain political leverage in the country. The 1.3 billion USD port was opened 7 years ago with a debt from Chinese state-controlled institutions, but since it has suffered heavy losses, making it impossible for Colombo to repay the debts. Consequently, China could easily use its leverage to get Hambantota on a 99-year lease and gain 70 percent ownership of its facilities.

Naval and air base development and general military build-up are also important elements of BRI and particularly its maritime concept. In July 2017, there was a major turning point in China's international presence, when China opened its first overseas military base in Djibouti. The location is of strategic importance for China at the entrance to the Gulf of Aden, to secure waterways to the Suez Canal, as well as to its Yanbu Aramco Sinopec refinery in Saudi Arabia, a 10 billion USD project (Bloomberg, 2017), and to focus deployable navy around the Horn of Africa that has been a traditionally important point for NATO and the US, too[11].

The base includes a naval port, a large helicopter base and accommodation for 10.000 troops. China has emphasized that the base is necessary for its growing involvement in peacekeeping missions and in securing the international waterways. China currently runs a UN mandate naval mission to combat piracy in the Gulf of Aden and is overall the largest contributor to peacekeeping missions[12]. As in so many cases when becoming gradually involved and gaining more weight in international bodies or operations, China has a number of motivations. It is a learning process, and also a way to gain operational experience, creating positive reputation and higher status—all of which can be converted to protecting national interests.[13]

So far, China has sent troops abroad only under UN mandate peacekeeping. At the same time, the establishment of the first overseas military port shows a shift in Chinese policy, aiming to more openly protect national interests and trade routes. Africa has been a historic investment target for China, extracting its vast natural

11 Several NATO and EU missions have been operating at the Horn of Africa to counter piracy and ensure stability and Djibouti is also home for US, Japanese and French military bases, soon to be joined by Saudi Arabia (Brewster, 2018).
12 In 2015, China committed 8.000 troops for peacekeeping, a fifth of the total offered that year (Jennings, 2017).
13 China has already used its peacekeeping mission to ensure its national interests in South Sudan, however, some critics argue that Beijing has armed and funded the conflict, then intervened to ensure its control over natural resources and actually undermined international peacekeeping efforts by participation in the peacekeeping mission (Thornhill, 2016). If these accusations are true, we can say that China has grown a real global power by an effective learning process.

resources, mainly minerals, while building infrastructure and selling Chinese products like super cheap smart phones. African ports and additional military bases are therefore a logical follow up in the line of investments. Tanzania, for example, has a longstanding close relationship with China and by recently taking over the port of Bogomayo, China might open a new military base there, too (Brewster, 2018).

The second base on the Indian Ocean, however, will most probably be opened in Pakistan. While commercial shipping has an excellent port in Gwadar, a recent US report (Gertz, 2018) has revealed that Jiwani, some 60 km west from Gwadar, might be the next target. Jiwani is ideal from a number of perspectives: besides its proximity to the Strait of Hormuz and its relative distance from Indian airfields, it already hosts a Pakistani airfield, therefore it could be developed into a major Chinese air base, too. Thus, along with China's facilities in Djibouti and access to Karachi, and with potential new openings in the eastern shore of Africa and the above- mentioned Sri Lanka port, that would be the solid base for a presence in the Indian Ocean securing Chinese interests in an event of a crisis, while making life more difficult for China's adversaries.

Building a network of naval and air facilities across the region is in clear line not only with the Maritime Silk Road goals, but with the long-term strategy of rising as a hegemon. This network will provide China with a range of options to respond to potential crises affecting its interests, like the protection of Chinese nationals, investments and trade routes from local insurgents, evacuating Chinese citizens from failing states or conflict situations, or even supporting military interventions where its interests are threatened.

6. India and Pakistan at the Crossroads of Chinese Interests

India is especially worried about China's presence and ambitions in the Indian Ocean. Analysts have expressed various concerns that China's development plans in Pakistan (and in Myanmar, Sri Lanka, the South China Sea etc.) seriously endangers India's position and interests. In April 2017, Pakistan announced that operations at its Gwadar port have been leased for 40 years to China. A Chinese state-owned company will have 91 percent share of revenue collection from gross revenue of terminal and marine operations and 85 percent share from gross revenue of free economic zone operation (The Economic Times, 2017b) that is also established to follow the example of the cradles of the Chinese success story, the special economic zones.

Indian newspapers regularly release warnings and calculations about the threat. They state that Beijing is actually building accommodation for up to 500.000 Chinese workers in Gwadar (Mustikhan, 2017), with a hospital and additional facilities, accompanied by a large contingent of Chinese commercial ships., The creation of a special economic zone producing revenues mainly for China, while building a military base to accommodate 8 marine ships and substantial air force just within 60 km is perceived a further threat.

The success of the 21st Century Maritime Silk Road lies to a great extent on India. China's dominance in the South China Sea has to be founded on its presence on the Indian Ocean, as a blockade of the Strait of Malacca by the US and its allies would cut off Beijing not only from commercial routes but from crucial oil supplies from the Middle East and also from its "second continent", Africa. Nevertheless, India has not (yet) been able to halt China's development plans in Pakistan or in other key points, like Myanmar or Sri Lanka, as discussed above.

An interesting point at the crossroads of the China-Pakistan economic corridor, the Maritime Silk Road and Indian vs. Chinese interests is the question of the Baluch people and their resistance to the Pakistani government plans to exploit their land's rich reserves like gold, copper and natural gas, or to build Chinese "colonies" 6 times larger than their indigenous population in the particular territory. The Baluch Liberation Front have already attacked and executed workers involved in the economic corridor projects, which sparked the central government's and Pakistani intelligence services' outrage and retaliation against the Baluch movement (Mustikhan, 2017). India openly supports the Baluch people, especially if their targets are not Sindhi but Chinese workers or Pakistani government officers, therefore Pakistan condemns New Delhi for openly supporting terrorism. The autonomous Baluchistan idea or any plans to stop the economic corridor development have absolutely no grounds. Islamabad keeps tight control of the total Gwadar area (like of all strategic points in Pakistan) with the army guarding all exit and entry points, but the situation shows how ethnic conflicts in general might be fueled by economic and political plans and also warns Beijing to assess risks and balance interests accordingly.

7. United States' Efforts to Contain China

The United States has been aware of the threats that China's rise poses and has been dealing with them from all possible perspectives for almost two decades. Several councils, committees, agencies, think tanks etc. have devoted tens of thousands of pages for analyzing trade measures, investment constraints, state subsidies, exchange rate manipulations, intellectual property right violations and all aspects of economic tensions, while also keeping a close eye on security challenges, coining the term "string of pearls"—a potentially enormous set of Chinese naval bases—already during the Bush administration—and these are only the publicly accessible documents. To assess all types of challenges is well beyond the capacity of this paper, so now we will briefly focus on one major point: US-led efforts to contain China's rise as a maritime power.

The United States' advantage as a maritime power is clear and remains undoubtable for a long time. China is not able to challenge the US Fifth-Fleet in the Persian Gulf and the Indian Ocean or outnumber the US in overseas military bases, capacities and deployability. Nevertheless, overall Chinese military development along with rapid construction of port facilities, military buildings and airstrips on more than a dozen of islands (rather islets or reefs) in the disputed areas of the South China Sea (mainly Spratly Islands) has long worried Washington. China's current aim is to fortify territorial claims and ensure its presence in the South China Sea through sustained air and sea patrols and radar facilities rather than to extract natural resources (gas and oil fields as well as fishing) in the area, although this can be also enhanced by the extended islets.

The Obama administration responded basically by stepping back, shifting its major military deployments to the second island chain and urging allies to form a closer cooperation in the wider area by creating an "arrow" from Japan to Australia. The island chain doctrine,[14] a famous cold war strategy against the USSR and China formulated three chains, the first beginning at the Kuril Islands and finishing towards Borneo, and most importantly including Taiwan. The second island chain already lies behind the Philippines, from Japan to the Mariana Islands that are US territory. The third chain refers to the Aleutian Islands (close to Alaska) and stretches towards Oceania, with key parts like Guam. The island chain strategy has also been referred to as the "unsinkable aircraft carrier" as it is built up of landmasses. In December 2016, the Chinese navy deliberately crossed the first island chain for the first time and since then carried out several military exercises beyond this line (Huang, 2017) thus setting these drills as the new norm. It is also remarkable how the Chinese media

14 Dominance in the Western Pacific has been key to US foreign policy since the end of WWII. The island chain doctrine was first mentioned by American diplomat, later secretary of state under D.D: Eisenhower, John Foster Dulles in 1951 in the context of the Korean war. The doctrine fitted into the containment policy of the US and has been maintained since the end of the Cold War to ensure US naval supremacy and control over Russia and China.

commented on the event, calling the first island chain and the whole island chain concept as a mere psychological barrier that no longer exists.

Duterte's evolving relations with China and his desire to stay away from major power rivalry limits the Philippines' cooperation both with the US and with Japan (Pitlo, 2017). However, the Trump administration has restarted a more than decade long formation: the quadrilateral meetings of China's greatest rivals in the region: the US, Japan, Australia and India. China's ambitions and growing potential to become a global superpower has been cautiously watched by her rivals. This natural alliance has been under formation since 2007 but was officially suspended as a result of China's objection. The process continued, however, in the form of bilateral and trilateral meetings, creating a complex net of cooperation initiatives, mainly as joint military exercises, military technological assistance and political support for Vietnam and the Philippines in the South China Sea disputes. The quadrilateral initiative has gained new impetus recently, when in November 2017, the four countries held a summit in Manila, and in February 2018 a high ranking American official leaked the information about a plan to develop an alternative infrastructural project rivaling the Chinese Silk Road Initiative (Coorey, 2018).

8. Conclusions

By announcing the Belt and Road Initiative and clearly stating China's goal to become a global superpower, Xi Jinping abandoned the famous "24 characters"[15] foreign policy doctrine introduced by Deng Xiaoping in 1990 to keep an internationally low profile. The shift away from this policy has been gradual, as China has been heavily investing in Africa for many years, securing access to natural resources by what is termed as "dictatorship diplomacy". Still, Beijing has for long claimed that the key to its foreign policy is undertaking no leadership militarily and not being viewed as running after hegemony (Thornhill, 2016). By underlining respect for sovereignty and non-intervention rather than human rights and values generally promoted by the Western world, China also enhanced its soft power and created a basis for cooperation with a number of countries with heterogeneous (and often confronting) interests.

China is no shyer announcing its bid to become a real superpower and emphasizing BRI as a signature policy to reach the two "centennial goals". First, building a "moderately prosperous society" by doubling its 2010 per capita GDP to 10,000 USD by 2021,

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the 100th anniversary of the communist party. Second, to become a "fully developed, rich and powerful" nation by 2049, the 100th anniversary of the Peoples' Republic. The New Silk Road, especially its maritime part, along with heavy military development, peacekeeping presence in Africa with the ability to enhance national interests at the same time, the opening of the first overseas base to be followed by further ones, the formation of an artificial island chain in the South China Sea are all clear indicators that China is ready to protect its trade routes and economic interests in general.

"Trade follows the flag" is an established theory linking economic interests and territorial involvement or clear colonization. While this version might describe some relations with large economic disparities, the 21st century (not only) Chinese version might rather be "the flag follows trade and investment"—where even the flag might be symbolic. Beijing has clearly demonstrated its willingness to take on security roles to protect trade interests and energy security, and to establish special economic zones similar to the ones in China to fully exploit its economic possibilities.

By offering a real win-win cooperation of shared interests to partners along the proposed Silk Road, Beijing can ensure their involvement in not only the implementation of the particular projects but also in enhancing China's position in the long run. So far, China has shown both assertiveness in ensuring its national interests and sensitivity to specific stakeholders' risks or concerns when approaching different partners from the weakest economies in Africa to the relatively better developed parts of the ASEAN countries. Ethnic tensions, including those against Chinese workers, ecological considerations, conflicting interests in the region, a new economic crisis cutting back demand for Chinese products, and a number of economic and political risks analyzed in this paper may slow down or even prevent the realization of particular investments. Yet BRI as a whole, with pragmatically changing projects and financing, seems fully viable. However, besides developing "hard" infrastructure at home and in partner countries, China also has to pay attention to "soft" infrastructure, like reducing bureaucracy, barriers to starting businesses, time lost for cargo stopped on borders, etc. and the most crucial issue: corruption. Heavy indebtedness of partners along the grandiose projects of the Silk Road might also have negative consequences on their domestic stability and their emergence as new markets for Chinese products.

Key to the success of the Belt and Road Initiative as well as to the "Chinese Dream" is how long China can continue its peaceful and relatively undisturbed rise. According to IMF estimates, if China reaches the first centennial goal, its economy (on purchasing power parity) will be 40 percent larger than that of the United States, and if the second objective is fulfilled, China's economy will triple the size of the US (Allison, 2017).

Washington is obviously the only power that, aligned with countries sharing similar concerns about China, can slow down (and still not fully prevent) the economic and military build-up. Still, given the complex interdependencies between the two countries and heavy involvement of US companies in lucrative investments in China, the United States has been hesitant to take an open confrontation.

The Trump administration's introduction of steel and aluminum tariffs in March was quickly followed by a Chinese declaration of retaliatory measures concerning 128 US products. Although not yet a trade war, this definitely indicates a major turning point not only in US-Chinese relations, but in trade liberalization in general. Emerging protectionism and even de-globalization might be the effects of a future trade war. It is no surprise that, Beijing is interested in neither of them—as the largest economy and largest trading nation of the world, China has for quite long been the largest beneficiary of globalization. Since the first economic reforms in 1978, the whole modernization strategy has been built upon the forces of globalization, by slowly, selectively and pragmatically opening up the economy and creating an export-driven growth, while also keeping the very Chinese characteristics of capitalism, like the extensive role of the state-owned enterprises and state-owned financial system. The realization of the Belt and Road Initiative itself, along with China's strategic goals, depends on and, at the same time enhances future globalization. The interaction of these forces will be one of the most important processes shaping the 21st century.

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