



Fundacja  
Aleksandra Kwaśniewskiego  
AMICUS EUROPAE

**FAE Policy Paper  
nr 10/2015**

**Michał JAROCKI**

## **The ‘New Silk Road’ strategy –China’s road to domination in Asia ?**



## The 'New Silk Road' strategy – China's road to domination in Asia ?

FAE Policy Paper, No. 10/2015

Michał Jarocki

*China is about to start (officially) its new ambitious political project, which will change the geopolitics of Eurasia. Construction of a series of trade links will increase the volume of trade between China and other areas of the region, including Europe - Beijing's main trading partner.*

The multi-annual investment program, which includes series of ambitious infrastructural projects, will strengthen economic relations between countries of this region. China will become the main trading partner of many countries of Eurasia, extending its sphere of influence over vast parts of this combined continental landmass, thus executing a series of foreign and internal policy objectives.

Construction of the new (maritime and land) Silk Road will allow China to increase its political role in regions such as Central Asia and Southeast Asia. China thus will reduce the influence of other regional powers, including Russia (in Central Asia) and the USA (in Southeast Asia), and limit further economic and political development of India in South Asia, making it unfeasible for New Delhi to balance new Chinese regional power assessment.

New trade routes between China and other Eurasian states will have a big influence on the internal politics of the Middle Kingdom. Infrastructural projects (including railways and roads, as well as sea ports) will increase trade volume in this part of the world. Thus, it will lead to the development (economical and industrial) of western and northern regions of China, which – so far – were omitted in series of Chinese modernization programs.

### Strengths

Surely, the most powerful feature of the new Chinese strategy is its *indefinite character*. The general assumption is, that the Silk Road Economic Belt and 21st Century Maritime Silk Road will create a new land and sea trade route between China and the most distant corners of Eurasia. This in result will contribute to the growth of trade and economic relations in this part of the world. Official statements regarding this ambitious project don't define when and at what point implementation of these plans could be considered by Beijing as economic and political success.

This gives Beijing flexibility in the planning stage of its new strategy and defining particular steps, which it's about to achieve. As a matter of fact, implementation of the whole



## The 'New Silk Road' strategy – China's road to domination in Asia ?

FAE Policy Paper, No. 10/2015

Michał Jarocki

strategy can be spread over many decades. Furthermore, its foundation will undergo random evolutions, depending on geopolitical and economical changes in Eurasia. This flexibility allows China to take on new infrastructural projects and challenges, even though they weren't included as part of the overall strategy in the first place.

Furthermore, the undefined Silk Road strategy is doomed to succeed. Lack of clarity in its definition, the fact that its implementation spreads over many years and decades and flexibility in choosing priorities (in terms of particular infrastructural projects) makes it practically impossible to fail. Even if particular infrastructural projects won't be accomplished, for example due to political or economic factors. After all, it's up to China to define its goals and it's for China to evaluate if they are achieved.

Final evaluation of Silk Road strategy depends on Chinese assessment of infrastructural projects and establishment of new trade routes. This will be based on current objectives and economic priorities, which will alter in time, depending on various factors.

Many of infrastructural projects, which are being considered as part of the new One Belt and One Road strategy, especially railway lines, roads and sea ports, are already finished or being constructed. They were founded in the past as separate infrastructural projects, not related to the new Silk Road strategy. But since there is so much flexibility in defining Silk Road goals and implementation plans, those projects are being inducted into the general scope of infrastructural programs.

This in turn allows Beijing to mix and match their business ventures, which are and/or aren't part of the new political and economic strategy. Ambitious infrastructural program, which includes building and setting new land and sea lines of communications is divided into smaller programs. Their implementation will differ in time and investment costs, hence it's almost impossible to include all of them in one coherent strategy. This is why not all of them will be included in the final assessment of Silk Road strategy (decision on which will and won't is – of course – up to China).

Implementation of new Silk Road strategy will force China to use a wide range of soft power tools. While setting new land and sea trade lines, Beijing cannot depend only on infrastructural projects and foreign investments. In order to sustain political will of cooperation among its regional partners, China will have to include such elements as



## The 'New Silk Road' strategy – China's road to domination in Asia ?

FAE Policy Paper, No. 10/2015

Michał Jarocki

cooperation (in terms of defense and economic development), research, student and scholar exchange programs and promotion of different cultures into its strategy.

These are the tools which in XXI century guarantee political and economic development of a state, especially if it's ambitious extend far beyond its own borders. Through the use of soft power strategy China will be able to strengthen its political and economic ties with Eurasian states, which in the end may (but does not guarantee) lead to their partial (or total) dependence on Beijing.

Setting new trade routes between China and the rest of Eurasia will be carried out through various means of transport, leading through many countries and geographical regions. This diversity will enable China to change the trade ratio between particular routes, especially when unpredictable (political and economic) factors occur and threaten the throughput of the new Silk Road.

This will enable China to react more freely to crisis situations, such as political turmoil, natural (environmental) disasters or wars. Free and undisturbed trade will be sustained simply by using different routes of transport, while suspending the use of those, which are endangered by instability and interim lack of rule of the law in particular partner states.

Construction and use of new trade routes clearly contributes to the growth of China's trade with the rest of Eurasia and thus leads to economic growth. But this is only one of the objectives of this projects. Its implementation will enable China to build its political and economic positions in the region and extend (or construct new ones) spheres of influence over other parts of Asia.

### Weaknesses

Identifying weaknesses (and risks) of the Silk Road project is difficult simply because of the lack of its clearly defined goals and objectives. Assuming, however, that the construction of the new trade route is expected to contribute to the growth of trade between China and the rest of Eurasia, a threat to the achievement of this objective is the size of this ambitious project. Especially that it includes setting up new (or the expansion of current ones)



## The 'New Silk Road' strategy – China's road to domination in Asia ?

FAE Policy Paper, No. 10/2015

Michał Jaroński

trade routes between China and the countries of Southeast Asia Central Asia, the Middle East and Europe.

The use of such extensive trade routes will always be at risk of unforeseen circumstances that may hinder their use. Deteriorating political relations between particular states, natural disasters or war may hinder free trade in some parts of the Silk Road, forcing China to change the structure of trade relations or accept economic consequences of this situation.

A large number of partner-states will force China to sustain good political relations with all (or at least most) of them. In other way throughput of trade routes will be engendered, which may lead to negative economic consequences. Thus, China will have to use a wide scope of soft power tools (which were already mentioned) as well as economic incentives in order to satisfy its partners and make them willing to continue its contribution to the overall project. It will also limit the process of decision making, which will be dependent on the interests and good will of China's regional partners.

Keeping partner-states in the project will depend not only on the level of their political satisfaction, but also (and first of all) economic factors. Therefore China will have to provide its partners with a broad scope of economic opportunities, resulting from their contribution to the whole project. Otherwise particular partners may begin to question sense of their future involvement in the Silk Road strategy, threatening to abandon the whole program. In extreme cases this may even lead to blackmailing.

Construction of new sea and land trade routes will affect economic growth of the Eurasian states. Growth of trade between China and Europe, Central Asia and South-East Asia will worsen economical revenues of such states as USA or Russia, forcing them to (counter)react. In order to protect their own economic interests, those states may decide to jeopardize China's Silk Road plans and limit the scope of trade within the Eurasia region, by setting their own economical international initiatives.

It's worth noticing, that the future fate of the Silk Road project will depend mostly on the scope of its revenues. Assuming that the main objective of the project is to increase trade and economic development of China, the realization of this goal will depend on a number of economic factors. Setting up new sea and land trade routes does not guarantee economic



## The 'New Silk Road' strategy – China's road to domination in Asia ?

FAE Policy Paper, No. 10/2015

Michał Jarocki

success. Final outcome of this project will also depend on the demand for goods and services offered and provided by China to other Eurasian states, as well as the conditions of economies of the latter.

Maintaining the desired level of trade exchange within the Eurasia, as well as peaceful implementation of Silk Road strategy will depend on political climate in the region. Actions taken by China (which includes infrastructural projects and political cooperation) cannot be perceived by the authorities and societies of partner-states as an attempt to increase the level of their political or economic dependence (on it). The whole project must therefore include also a number of parallel actions, which will help in confidence building and lead to better understanding of common interests and general goals of this undertaking .

### Opportunities

The creation of new trade routes will increase the level of China's economical cooperation with other Eurasian states. This will result in direct development of Chinese domestic economy and augment the level of budget revenues. Enrichment of Chinese middle-class society could lead to bigger support for government and its political strategy, both within China and abroad.

Closer economic ties between China and other Eurasian states will help Beijing in achieving its multi-year strategies and goals in terms of regional geopolitics. China will be able to implement particular political projects in the region, defining them as joint multinational initiatives. This way Beijing will attract more local partners and convince them to take part in projects, which other ways – if executed solely by China – would be considered as a threat to regional political system and would be critically rejected by international society.

Expanding economic cooperation within the Eurasia could help China to strengthen, expand and build new spheres of influence in the region. Increased dependence on joint economic projects and strong economic ties will allow China to build a proper position towards smaller and less developed countries. This could facilitate China's foreign policy and make it easier to promote its own interests among partners and other states.



## The 'New Silk Road' strategy – China's road to domination in Asia ?

FAE Policy Paper, No. 10/2015

Michał Jarocki

The increase in China's trade with the rest of Eurasia could contribute to strengthening of Beijing's geopolitical position. By implementation of a number of infrastructural programs and assisting smaller states in their economic development programs, China could achieve a dominant position within Asia and around the world. This would clearly be a threat to other developed countries (such as USA or Russia), which consider particular parts of Asia as their own spheres of influence (especially South-East Asia).

Construction of new trade routes will not only contribute to the growth of trade and the strengthening of Chinese economy. Implementation of ambitious investment programs will also build up for other objectives of Beijing's foreign policy towards particular regions of Eurasia. For example the new Silk Road initiative will help China improve its relations with South-East Asia states, thus limiting the scope of US involvement in the regions, especially in terms of much criticized pivot strategy.

Better economic cooperation with countries of Central Asia will strengthen China's position in this part of Eurasia. Simultaneously, this will respond to Russian plans for building an Eurasian Economic Union, which is perceived by Beijing as a threat to its political and economic interests. Similarly, in the South Asia region China will be able to economically and politically dominate India, while limiting its ability to develop and balance China's geopolitical influences in the whole Eurasian region. This will be in tandem to the increased Chinese military activity on the Indian Ocean.

Assisting the growth of trade between China and Eurasia is an ideal opportunity (if not a goal itself) to industrially develop western and northern parts of the country. Current Chinese development plans focused more on eastern and southern provinces, leading to huge inequality and socio-political tensions within the country. New Silk Road trade routes open new opportunities and economical possibilities for underdeveloped regions, which could lead to improvement of public order and weaken autonomy aspirations of Uyghur people living in Xinjiang Autonomous Region.

### Threats

Infrastructure project of this size presents several risks. One of them is the lack of sufficient funds to cover all the infrastructure works. Construction of railways, roads and sea



## The 'New Silk Road' strategy – China's road to domination in Asia ?

FAE Policy Paper, No. 10/2015

Michał Jaroński

ports will be financed from the state budget and by private investors - both domestic and foreign. Long-term distribution of work makes it difficult to predict whether the whole undertaking will encounter any problems with insufficient funds.

There's also a lot of uncertainty in case of the pace and quality of infrastructure works. Setting up new trade routes includes constructions of railways, roads and sea ports within many countries. All of the partner-states differ in terms of economic development, political systems and social issues. Those factors will play a main role in the implementation of the Silk Road strategy and in the end will affect economical revenues of the whole undertaking.

It is also possible that countries which see the new Silk Road initiative as a threat to their own economic and political interests could try to intervene and limit the excess of infrastructural work. Countries such as Russia, the USA may try to offer their own economic initiatives to local partners, endangering Chinese plans and allowing smaller states to choose between more than one option of investment. One may not exclude a situation in which Chinese offer of cooperation is being rejected in favor of the one prepared in Washington or Moscow.

Another problem is the cost-effectiveness of certain infrastructure programs. While all infrastructural investments will eventually lead to the increase in international trade, the profitability of the construction work itself is not granted. Excessive costs of building trade links may outweigh even the prospect of future benefits from the trade. This means that some of the countries involved in the new Chinese strategy, especially those less developed, may withdraw from the cooperation with China.

The final outcome of the new Silk Road strategy will differ depending on the particular Eurasian region. Especially those which suffer from years-long conflicts. China's plans to increase trade with Middle East countries may be very hard (if not impossible) to implement, mostly because of the threat posed by the Islamist groups. Furthermore, setting up new trade routes within this region may require more visible political involvement, which is a risky game, especially in terms of domestic policy (vide Xinjiang Autonomous Region).





## The 'New Silk Road' strategy – China's road to domination in Asia ?

FAE Policy Paper, No. 10/2015

Michał Jarocki

### Conclusions

China's new infrastructural programs will contribute to the growth of trade in Eurasia. Construction of a series of railways, roads and sea ports will increase economic dependence of many parts of Eurasia on China. Beijing will also be able to set a series of new spheres of (political) influence in the region.

By increasing levels of trade within Eurasia China will accomplish series of its foreign policy goals. Beijing will become a serious competitor in the struggle for political influence (over the region), throwing down the gauntlet to USA and Russia and excluding (at the same time) India from the race to dominance over South Asia. China will work against American pivot strategy as well as make it awkward for Russia to rebuild its political and economic dominance over Central Asia.

Economic cooperation and trade between China and other countries of Eurasia will also work in favor of Chinese internal politics goals. New Silk Road project will enable the economic and industrial development of western and northern parts of the country – those which so far have been omitted (in favor of eastern and southern provinces) in series of Chinese development programs.

Implementation of China's Silk Road strategy will be a multi-year program. Lack of clearly defined objectives virtually guarantees its success – it will be practically impossible to assess which projects and goals were achieved and which turned out to be unsuccessful (since Beijing will have freedom of choosing which projects were part of the strategy and which were just unrelated initiatives). The shape of the new strategy and its objectives will change over time, just as goals of Chinese foreign and internal policies – main factors behind the new Silk Road project.



## The 'New Silk Road' strategy – China's road to domination in Asia ?

FAE Policy Paper, No. 10/2015

Michal Jarocki

### Contact

#### The Alexander Kwasniewski's „Amicus Europae” Foundation

8/5 Aleja Przyjaciół Str.,  
00-565 Warsaw, Poland

Tel. +48 22 622 66 33

Tel. +48 22 622 66 03

Fax:+48 22 629 48 16

email: [fundacja@fae.pl](mailto:fundacja@fae.pl), [www.fae.pl](http://www.fae.pl)

### FAE Policy Paper, No. 9/2015

#### The 'New Silk Road' strategy – China's road to domination in Asia ?

**Author: Michal Jarocki**

Expert of the *Amicus Europae* Foundation since 2008.

He specializes in the strategic aspects of Asian security and the Arctic region issues.