

ASIA MAIOR

THE JOURNAL OF THE ITALIAN THINK TANK ON ASIA
FOUNDED BY GIORGIO BORSA IN 1989

Vol. XXVI / 2015

The Chinese-American Race for Hegemony in Asia

Edited by
Michelguglielmo Torri
and Nicola Mocci

viella



Asia Maior. The Journal of the Italian Think Tank on Asia founded by Giorgio Borsa in 1989.

Copyright © 2016 - Viella s.r.l. & Associazione Asia Maior

ISSN 2385-2526

ISBN 978-88-6728-699-7 (paper) ISBN 978-88-6728-700-0 (e-book pdf)

Annual journal - Vol. XXVI, 2015

This journal of the Associazione Asia Maior is published jointly by Associazione Asia Maior & CSPE - Centro Studi per i Popoli extra-europei "Cesare Bonacossa" - Università di Pavia

Editor (direttore responsabile): Michelguglielmo Torri, mg.torri@gmail.com

Junior editor: Nicola Mocci, nicolamocci@yahoo.it

Editorial Board: Axel Berkofsky, Simonetta Casci, Diego Maiorano, Nicola Mocci, Giulio Pugliese, Michelguglielmo Torri, Pierluigi Valsecchi

Book review editors: Oliviero Frattolillo, oliviero.frattolillo@uniroma3.it;

Francesca Congiu, francesca_congiu@hotmail.com

Graphic design: Nicola Mocci

Asia Maior. The Journal is an open-access journal, whose issues and single articles can be freely downloaded from the think tank webpage: www.asia-maior.org.

Paper version	Italy	€ 50.00	Abroad	€ 65.00
---------------	-------	---------	--------	---------

Subscription	abbonamenti@viella.it	www.viella.it
--------------	------------------------------------------------------------------	--------------------------------------------------



viella

libreria editrice

via delle Alpi, 32

I-00198 ROMA

tel. 06 84 17 758

fax 06 85 35 39 60

www.viella.it

CENTRO STUDI PER I POPOLI EXTRA-EUROPEI “CESARE BONACOSSA” - UNIVERSITÀ DI PAVIA

ASIA MAIOR

The Journal of the Italian think tank on Asia founded by Giorgio Borsa in 1989

Vol. XXVI / 2015

The Chinese-American Race for Hegemony in Asia

Edited by

Michelguglielmo Torri and Nicola Mocci

viella



ASSOCIAZIONE ASIA MAIOR

Steering Committee: Marzia Casolari (President), Enrica Garzilli, Nicola Mocci (Vice President), Riccardo Redaelli, Michelguglielmo Torri (Scientific Director)

Scientific Board: Guido Abbattista (Università di Trieste), Domenico Amirante (Università «Federico II», Napoli), Elisabetta Basile (Università «La Sapienza», Roma), Luigi Bonanate (Università di Torino), Claudio Cecchi (Università «La Sapienza», Roma), Alessandro Colombo (Università di Milano), Anton Giulio Maria de Robertis (Università di Bari), Thierry Di Costanzo (Université de Strasbourg), Max Guderzo (Università di Firenze), Franco Mazzei (Università «L'Orientale», Napoli), Giorgio Milanetti (Università «La Sapienza», Roma), Paolo Puddinu (Università di Sassari), Adriano Rossi (Università «L'Orientale», Napoli), Giuseppe Sacco (Università «Roma Tre», Roma), Guido Samarani (Università «Ca' Foscari», Venezia), Filippo Sabetti (McGill University, Montréal), Gianni Vaggi (Università di Pavia), Alberto Ventura (Università della Calabria)



CSPE - Centro Studi per i Popoli extra-europei "Cesare Bonacossa" - Università di Pavia

Steering Committee: Axel Berkofsky, Arturo Colombo, Antonio Morone, Giulia Rossolillo, Gianni Vaggi, Pierluigi Valsecchi (President), Massimo Zaccaria

Asia Maior. The Journal of the Italian Think Tank on Asia founded by Giorgio Borsa in 1989 [hereafter *Asia Maior*; *The Journal*] is the journal of Asia Maior – An Italian think tank on Asia (the legal name of which, in Italian, is: «Associazione Asia Maior»). *Asia Maior* is a peer-reviewed journal which has been classified by ANVUR, the Italian authority in charge of the evaluation of Italian higher education and research, as a class A journal in the field of Asia's history. It is possible to publish in *Asia Maior* only by invitation; authors are chosen on the basis of their previous scientific work. However, scholars with adequate experience, who are willing to publish, are encouraged to submit their candidacy, accompanied by a curriculum vitae and a paper whose subject is related to the country which the aspirant author desires to analyse in *Asia Maior*.

CHINA 2015: IMPLEMENTING THE SILK ROAD ECONOMIC BELT AND THE 21ST CENTURY MARITIME SILK ROAD

Francesca Congiu

University of Cagliari
fcongiu@unica.it

The present article sees as the most important political-economic development in China in the year 2015 the fulfilment of the first phase of a gargantuan political-economic project: the Silk Road Economic Belt and 21st-Century Maritime Silk Road, known also as the «One Belt, One Road» (OBOR) initiative. This project, launched by the Chinese government in 2013, was institutionalized in a programmatic document in 2015. Therefore, the present article analyses the OBOR initiative from several different perspectives. First, the Silk Road project is presented as the current phase of a long-term political-economic strategy aimed at internationalizing the Chinese state-owned and private enterprises. Then, the article examines the OBOR's programmatic official document, published during the year under review, and goes on to explore the OBOR's geographic extension and its implementation. Finally, the article deals with the OBOR's main financial mechanism, known as the Asian Infrastructure Investment Bank, and with the Western countries' divided reactions when confronted with the opportunity to become founding members of this new China-led multilateral financial institution.

1. *Towards a re-construction of a new «New International Economic Order»?*

The main theme of this article is detailing the rationale and genealogy behind China's attempt at realizing a gigantic political-economic plan known as the Silk Road Economic Belt and the 21st Century Maritime Silk Road. This attempt, which reached an apex in 2015, namely the year under review, had gradually been taking shape in the past years. In order to situate the Silk Road strategy, this opening section is focussed on sketching out the role of China in the changing international landscape, as it evolved during and after the Cold War era up to formulation of a twin Silk Road strategy.

The People's Republic of China (PRC), before establishing diplomatic relations with the United States and launching those policies of reforms in 1979 that converted her to capitalism, had played an important part in the international movement known as Third-Worldism or Non-Aligned Movement. The PRC had indeed been present at the Bandung Conference in 1955 and at the Tri-continental Conference in 1966 in Cuba, namely the two most institutionalizing moments of the movement. Third-Worldism reached its apex in 1974, when the sixth special session of the United Nations General Assembly adopted the *Programme of Action on the Establishment of a New Inter-*

national Economic Order. According to the programme, the New International Economic Order (NIEO) was founded in order to assist developing countries «In view of the continuing severe economic imbalance in the relations between developed and developing countries...».¹ As recently argued by Associate Chancellor and Chief of Staff at UC Berkeley, Nils Gilman, NIEO was an effort «to transform the governance of the global economy to redirect more of the benefits of transnational integration toward the developing nations».² The programme, divided into ten chapters, seemed effectively aimed at restructuring the pattern of international trade and the flow of capital in such a way that the benefits could have been impartially distributed. Developing countries were asking, just to quote some of their claims, for preferential trade access to developed countries' markets, greater aid to the least developed, favourable debt rescheduling, and regulation of transnational corporations making them compliant with national laws.³

Looked at from this perspective, which is the one propounded by an important part of the extant International Political Economy literature,⁴ the main issue at stake during the Cold War era was the capacity to regulate the global economy and to lure other countries to adopt a particular economic model. The NIEO was based on a state-centred economic-development model towards which most developed countries had major reservations, because they felt that it could severely damage the market-based international economic system prevailing outside the USSR sphere of influence. Since the second half of the 1970s, NIEO's state-centred economic development model was gradually outstripped by the free-market mantra of fiscal austerity (for public expenditure), deregulation and privatization, establishing the hegemony of a US-centred neoliberal approach over the global economy even before the official termination of the Cold War. Looking at the Chinese case, the NIEO model had probably become obsolete, even before its launch, following Mao Zedong and Richard Nixon's meeting in Beijing in 1972.⁵

1. United Nations, *Resolution Adopted by the General Assembly 3202 (S-VI). Programme of Action on the Establishment of a New International Economic Order, 2229th Plenary Meeting*, UN Documents, Sixth Special Session of the United Nations General Assembly, 1 May 1974 (<http://www.un-documents.net/s6r3202.htm>).

2. Nils Gilman, 'The New International Economic Order: A Reintroduction', *Humanity: An International Journal of Human Rights, Humanitarianism, and Development*, vol. 6, n. 1, Spring 2015, pp. 1-16.

3. United Nations, *Resolution Adopted by the General Assembly 3202 (S-VI). Programme of Action on the Establishment of a New International Economic Order, 2229th Plenary Meeting*.

4. Joyce Kolko & Gabriel Kolko, *The Limits of Power: The World and United States Foreign Policy, 1945-1954*, New York: Harper and Row, 1972; Mark T. Berger, *The Battle for Asia. From Decolonization to Globalization*, London: Routledge 2004; Massimo Galluppi, *Rivoluzione, controrivoluzione e politica di potenza in estremo. oriente 1950-1975*, Napoli: L'Orientale 2009; Leo Panitch & Sam Gindin, *The Making of Global Capitalism. The Political Economy of American Empire*, London, New York: Verso 2012.

5. Michael Hudson, *Global Fracture – New Edition: the New International Economic*

From that point on and until the emergence of the on-going global economic crisis, China has always demonstrated her willingness to accept the US-led global economic governance, while at the same time, cautiously proceeding on the path in structural reforms for fears of an internal legitimacy crisis. An example of this is the US's role in promoting the formidable reform of state-owned enterprises realized by China in the 1990s. According to Charles Freeman III, «...not surprisingly, the most active and forceful source of external pressure was the US which, through the negotiating team led by the US Trade Representative, sought to make China's commercial regulatory landscape as friendly to US sectoral interests, and thus similar to US economic structures, as possible».⁶ It is also worth stressing that the reform of state-owned enterprises was the price that China had to pay to access the World Trade Organization in 2001.

Since 2008-9, however, China's role in the international system has gradually changed. Several intertwined factors affected this dramatic change, among which the most significant ones were China's role in the 1997 Asian Financial Crisis, the Chinese government's push for outwards direct investments, the growing weights of emerging economies other than China (India, Russia, Brazil, South Africa), the 2008-9 crisis of the neoliberal economic order, and the military tensions in the East and South China Seas. Eventually, China's response to this complex set of crises was the launching of an extremely ambitious new strategy in 2013. This strategy – which, *mutatis mutandis*, brings to mind the NIEO project – is articulated in the «Silk Road Economic Belt» and the «21st Century Maritime Silk Road», in practice, the two sides of the same project, also known as the «One Belt, One Road» initiative (OBOR) (*yi dai, yi lu*).

2. *The taking shape and the meaning of the new Silk Road strategy*

The new Silk Road or OBOR strategy's main aim is to build an integrated set of transportation infrastructures along the land and maritime trade routes that two thousand years ago linked China to Europe through-

Order, London: Pluto Press 2005; Vinod K. Aggarwal & Steve Weber, 'The New International Economic Order', *Harvard Business Review*, 18 April 2012; Patrick Sharma, 'Between North and South: the World Bank and the New International Economic Order', *Humanity Journal Blog*, 19 March 2015 (<http://humanityjournal.org/issue6-1/between-north-and-south-the-world-bank-and-the-new-international-economic-order>); Patrick Sharma, 'The Rich Countries' Substitute for the NIEO', *Humanity Journal Blog*, 13 April 2015 (<http://humanityjournal.org/blog/the-rich-countries-substitute-for-the-nieo>).

6. Charles W. Freeman III, 'The Commercial and Economic Relationship', in David Shambaugh (ed.), *Tangled Titans. The United States and China*, Lanham Maryland: Rowman and Littlefield Publishers, Inc. 2013, p. 185.

out the Middle East, Central Asia, and East Africa. In 2015, the project was formalized through the presentation of an official document during the Boao Forum for Asia (an annual economic dialogue held in China's Hainan Province): the *Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road*.⁷ Furthermore, in the same year, the PRC succeeded in completing the creation of the project's principal financial mechanism, the Asian Infrastructure Investment Bank (AIIB), which collected the commitment of 57 founding members, among which, the presence of several United States' Western and Asian allies stuck out.

As will be discussed in the present article, the OBOR initiative can be considered as the current stage of a political-economic development strategy that the Chinese government introduced at the end of the 1990s for the sake of China's own domestic economic development: the so-called «Go Global» strategy. The essence of the strategy has been to support, through a liberalization of regulations, outbound foreign-direct investment (OFDI) from Chinese companies, especially state-owned enterprises (SOEs) with the purpose of improving their international competitiveness and protecting the Chinese labour market from harsh industrial conflicts. The result has been an incremental internationalization of Chinese SOEs and of big, private corporations heavily financed and entrenched within the Chinese state.⁸ Throughout the launch of the OBOR project and the establishment of the AIIB, these enterprises were once more incentivized to invest in the global economy, even if they were encountering strenuous resistance and widespread critiques abroad. Chinese corporations were indeed accused of being «unfair» competitors, because they were being supported by a systematic and structured state intervention, both in China and abroad.⁹

From the above standpoint, the year 2015 opened for China with President Obama's blunt and well-defined challenge, represented by the view enunciated in his 20 January 2015 State of the Union Address. «Twenty-first century businesses, including small businesses, need to sell more American products overseas», said the US President. He went on to state: «Today, our businesses export more than ever, and exporters tend to pay their workers higher wages. But as we speak, China wants to write the rules for the world's fastest-growing region. That would put our workers and our businesses at a disadvantage. Why would we let that happen? We should write those rules.

7. National Development and Reform Commission (Ministry of Foreign Affairs and Ministry of Commerce of the People's Republic of China), *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road*, 28 March 2015 (http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html).

8. 'Waishang touzi chanye zhidao mulu' (Catalogue of Industries for Foreign Investments), *Ministry of Commerce of the People's Republic of China*, 30 December 2011.

9. Francesca Congiu, 'China 2014: China and the Pivot to Asia', *Asia Maior 2014*, pp. 18-30; Tobias ten Brink, 'The Challenges of China's Non-Liberal Capitalism for the Liberal Global Economic Order', *Harvard Asia Quarterly*, vol. 16, n. 2, 2014, pp. 36-44.

We should level the playing field. That's why I'm asking both [US] parties to give me trade promotion authority to protect American workers, with strong new trade deals from Asia to Europe that aren't just free, but are also fair. It's the right thing to do».¹⁰ In this passage, Obama was trying to persuade Congress to grant him full Trade Promotion Authority in order to speed up the establishment of the Trans-Pacific Partnership Agreement (TPP). This agreement could be interpreted, as has been previously mentioned,¹¹ as a strategy to formerly exclude China in order to be able to engage and discipline it latterly. Congress granted the Trade Promotion Authority in June 2015; TPP negotiations then closed on 5 October 2015, and a final text was released at the end of the year, contributing to renew an ideological divergence on the capacity and method of regulating the global economy. The TPP was indeed designed to isolate the state-centred economic-development model espoused by the PRC.¹² However, the establishment of the AIIB, its early approval by many governments (including western ones), and the US opposition and lobbying stance against it, drew a fair amount of doubt about the efficacy of TPP plan.

The OBOR and the AIIB, though, did not just represent an evolution and a strengthening of the Chinese «Go Global» strategy; indeed, they were also becoming a powerful foreign-policy tool through which the PRC proposed itself as the promoter of, as Xi affirmed during the Boao Forum, a «more democratic form of global governance» and a so-called «community of common destiny», where the principle of «wide consultation» and «joint contribution» reigned and where the other countries' choices in terms of their social systems and development paths were said to be respected.¹³ The PRC declared no intention to export its state-centred development approach to capitalism throughout the OBOR and the AIIB, as the West did with neoliberalism through the Bretton Woods institutions, especially from the 1990s. Furthermore, PRC refused the accusations of having launched a new Marshall Plan with the OBOR in order to strategically control the countries along the routes.¹⁴

10. The White House, Office of the Press Secretary, *Remarks of the President in State of the Union Address*, 20 January 2015 (<https://www.whitehouse.gov/the-press-office/2015/01/20/remarks-president-state-union-address-january-20-2015>).

11. Francesca Congiu, 'China 2014: China and the Pivot to Asia', pp. 17-30.

12. *Ibid.*; Ian F. Ferguson, Mark A. McMinimy & Brock R. Williams, 'The Trans-Pacific Partnership (TPP): In Brief', *Congressional Research Service*, 9 February 2016.

13. 'Full text of Chinese President's speech at Boao Forum for Asian Annual Conference 2015. Towards a Community of Common Destiny and a New Future for Asia', *Xinhuanet*, 29 March 2015.

14. Ministry of Foreign Affairs of the People's Republic of China, *Promote Friendship Between Our People and Work Together to Build a Bright Future*. Speech of Xi Jinping, President of the People's Republic of China at Nazarbayev University, 8 September 2013 (http://www.fmprc.gov.cn/mfa_eng); 'Silk Road, Marshall Plan comparison un-

In that sense, China in 2015 was recalling the NIEO experience in a way that could be said to validate Nils Gilman's paradoxical thesis that, although NIEO failed to realize the developing nations' institutional demands, «one can make a credible case that the undead spirit of the NIEO continues to haunt international relations».¹⁵

In theory, the OBOR and the AIIB might pose a significant challenge to the hegemony of the US-led multilateral institutions. However, one could doubt that they might also incentivize a radical change in the domestic-development path of each involved country, determining its departure from the neoliberal development model. At the end of the day, the OBOR and AIIB goals are the promotion of transport infrastructure building, as well as of energy, telecommunications, and rural infrastructures, without posing any kind of political-economy conditions. These goals are likely to be reached reproducing the same socio-economic polarization conditions, common to both the followers of the neoliberal paradigm and to those of the Chinese development path.

Building the conditions for lucrative development in developing countries, as well as in China, has often entailed the dispossession of millions of people whose land has been expropriated by the state and, in most cases, sold to multinationals in order to build transport infrastructures, dams, export processing zones, real estate areas, and plantations. This kind of development path has given rise to a huge reserve army of migrant workers contributing to the race to the bottom of the cost of global labour.¹⁶ It is indeed very likely that the proposed widespread infrastructure building in all the involved countries would be capable of attracting more foreign-direct investments than most countries might welcome, contributing to reproduce that kind of path. A study from the *Asian Labour Review* further argues that the AIIB regulations do not satisfactorily address labour and environmental issues and do not request the adherence to the related international conventions and regulations.¹⁷

wise', *Global Times*, 23 November 2014; 'Correcting misconceptions about the Silk Road Initiatives', *China Daily*, 10 March 2015.

15. Nils Gilman, 'The New International Economic Order: A Reintroduction', p. 10.

16. David Harvey, 'The «New» Imperialism: Accumulation by Dispossession', *Socialist Register*, vol. 40, 2004, pp. 63-87; John Bellamy Foster & Robert E. McChesney & R. Jamil Jonna, 'The Global Reserve Army of Labor and the New Imperialism', *Monthly Review*, vol. 63, n. 6, November 2011 (<http://monthlyreview.org/2011/11/01/the-global-reserve-army-of-labor-and-the-new-imperialism>); Dae-oup Chang, 'From Global Factory to a Continent of Labour: Labour and Development in Asia', *Asian Labour Review*, vol. 1, 2015 (<http://asianlabourreview.org/2016/02/18/from-global-factory-to-continent-of-labour-labour-and-development-in-asia>).

17. Sanjiv Pandita, 'The Asian Infrastructure Investment Bank: Labour and Environmental Concerns', *Asian Labour Review*, vol. 1, 2015 (<http://asianlabourreview.org/2016/02/19/the-asian-infrastructure-investment-bank-labour-and-environmental-concerns>).

Lastly, the OBOR initiative has also been accused to have military implications with specific reference to the maritime disputes in the South China Sea. In 2015, military tensions in the Asian region among China, the United States, and those Asian countries involved in the disputes were indeed quite intense. The PRC speeded up its island-building in the South China Sea in order to assure itself major portions of the disputed maritime area and started to build ports, airstrips, radar facilities, and other military installations along the construction works related to the OBOR initiative in Southeast Asia. The United States, on its part, continued to militarize the area and sent navy destroyers to patrol the man-made «islands» (including those claimed by the Philippines and Vietnam) to prove they were not proper islands, hence, not entitled to a 12-nautical-mile territorial sea, nor Exclusive Economic Zones.¹⁸

At this point it is worth highlighting that the Chinese Communist Party was, in the domestic context, in a serious deficit of consent. The party was dealing with hundreds of demonstrations a day concerning labour issues in the urban areas, land grabbing in the countryside, and environmental issues throughout the country. This being the situation, socio-economic disparities and the recent economic slowdown were forcing the party to search for new sources of political legitimacy. Accordingly, the OBOR, with its potential to improve national economic development and above all to fuel nationalistic sentiments, was a handy instrument aimed at strengthening a weak political legitimacy. The other main instrument, as it has been underlined somewhere else,¹⁹ was the anti-corruption campaign, as shown by the political implications of the Tianjin blasts in a chemical warehouse in August 2015. Local and central officials, together with the company executives (the Tianjin Ruihai International Logistics Co. Ltd), were indeed found guilty for the blast that killed 173 people and contaminated nearby water sources. Moreover, they were investigated and convicted of corruption. The main issue at stake was that the warehouse was found to be too close to residential complexes, in violation of the Chinese work-safety rules.²⁰ On August 19, *Xinhua* (the state-run news agency) published an investigative report that mentioned the names of the company executives detained by the police.²¹ The report specified that these executives had strong and good connec-

18. Francesca Congiu, 'China 2014: China and the Pivot to Asia', pp. 22-24; 'US Navy Commander Implies China Has Eroded safety of South China Sea', *The New York Times*, 15 December 2015.

19. Francesca Congiu, 'China 2014: China and the Pivot to Asia', *Asia Maior 2014*, pp. 36-7.

20. 'Tianjin explosion: China sets final death toll at 173, ending search for survivors', *The Guardian*, 12 September 2015; 'China Holds 23 Linked to Fatal Blasts in Tianjin', *The New York Times*, 26 August 2015; 'Tianjin warehouse blasts: Evidence of corruption, says Chinese premier as he vows nobody will be exempt from punishment', *The South China Morning Post*, 24 September 2015.

21. 'China Focus: Doubts cast over legitimacy of Tianjin blast warehouse', *Xinhua*, 19 August 2015.

tions with government officials. This is certainly indicative that the CCP was trying to rebuild its legitimacy by making an example of some of its own members and state officials. These people were made a scapegoat for the historically consolidated wrongdoings that made up the Chinese economic miracle and for the presently evident environmental, social, and health disasters throughout China.²²

3. The Silk Road Economic Belt and the 21st-Century Maritime Silk Road: the Project in its Official Document

Xi Jinping exposed the Silk Road Economic Belt at Nazarbayev University on 7 September 2013 as part of his state visit to Kazakhstan. The New Maritime Silk Road was announced before the Indonesian Parliament on 3 October 2013 during Xi Jinping's state visit to Indonesia. Furthermore, the two correlated initiatives were officially presented as one single project in November 2013 during the Third Plenum of the Central Committee of the Chinese Communist Party (CCP).²³ As there stated: «To adapt to the new trend of economic globalization, we must promote domestic openness together with openness to the outside world, better integrate the 'Bring In' and 'Go Global' strategies [...]. We will set up development-oriented financial institutions, accelerate the construction of infrastructure connecting China with neighbouring countries and regions, and work hard to build a Silk Road Economic Belt and Maritime Silk Road, so as to form a new pattern of all-round opening».²⁴

In general terms, the project foresees the construction of highly integrated and mutually beneficial maritime and land-based economic corridors linking Europe, Africa, and Asia, as Xi Jinping's speeches in Kazakhstan and Indonesia have made clear.²⁵ In March 2015, the Chinese government went further ahead and transformed it into an institutional foreign-policy measure through the enactment of an official document dur-

22. 'Shareholders of Tianjin blast warehouse and their deep connections revealed', *Xinhua*, 19 August 2015.

23. Central Committee of the Communist Party of China, *Decision of the central committee of the communist party on some major issues concerning comprehensively deepening the reform*, adopted at the III Plenary Session, 12 November 2013 (http://www.china.org.cn/china/third_plenary_session/2014-01/16/content_31212602.htm).

24. *Ibid.*

25. 'Promote Friendship Between Our People and Work Together to Build a Bright Future. Speech of Xi Jinping, President of the People's Republic of China at Nazarbayev University'; 'Speech by Chinese President Xi Jinping to Indonesia Parliament', *Asean-China Center – Regulations*, 3 October 2013 (http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm).

ing the Boao Forum for Asia: the previously mentioned *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*.²⁶

In the first of this eight-chapter document («Background»), the Chinese government – in the face of an on-going international financial crisis, the uneven global development, and the major adjustments occurring in the field of multilateral trade and investment – declared its intention to promote an initiative aimed at catching the current «trend towards a multipolar world, economic globalization» and «to seek new models of international cooperation and global governance». More specifically, the document stated that the OBOR aimed to «promote the connectivity of Asian, European and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the Belt and Road [...]».²⁷

In its second chapter («Principles»), the document set out the philosophy at the basis of the OBOR project. Apart from the commitment to abide by the Five Principles of Peaceful Coexistence, the project was founded upon the principle of inclusiveness, market rules, and mutual benefits. The initiative was, indeed, said to be open to all countries, no matter which paths and modes of development they had chosen to follow. However, this principle was immediately followed by one of compliance with market principles without specifying the risk of clash between the two and the possible ways to face this ambiguity.

In the third chapter («Framework»), the Chinese government outlined the structure of the project, specifying networks, bridges, and economic corridors that eventually needed to be reinforced or built from scratch on land and at sea.

The fourth chapter («Cooperation Priorities») represented the core of the document, as it established, in line with Xi Jinping's 2013 speeches, the five major cooperation goals of the project: (1) policy coordination, (2) facilities connectivity, (3) unimpeded trade, (4) financial integration, and (5) people-to-people bonds. Apart from conventional goals, such as inter-governmental cooperation, free trade and investment cooperation, and cultural exchanges, among its major and innovative goals, the initiative envisaged the construction of a huge infrastructure network able to connect Asian, European, and African markets and the safeguarding of oil and gas pipelines along the routes. In this way, the document underlined the importance of financial integration as a fundamental instrument for the implementation of the OBOR initiative. It proposed to jointly work to establish an Asian Infrastructure Investment Bank (AIIB), a BRICS New Development Bank (NDB), a SCO financial institution, and finally, a Silk Road Fund.

In its fifth chapter («Cooperation Mechanisms»), the OBOR document, to better realize the envisaged goals, pledged to take advantage of

26. 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road'.

27. *Ibid.*

existing multilateral-cooperation mechanisms, such as the Shanghai cooperation Organization (ScO), ASEAN plus China (Association of Southeast Asian Nations), Asia-Pacific Economic Forum (APEC), and Asia-Europe Meeting (ASEM), to mention but a few. In its sixth chapter («China's Regions in Pursuing Opening-Up»), the document focussed on the possible outcomes of the project for China's own economy. According to the text, Chinese rulers believed that the project would have enhanced the openness of China's economy by speeding up the development of the western and less-wealthy regions and bringing the structural reforms in the coastal and most-advanced areas in line with the 12th Five Year Plan promulgated in 2011 and the 13th Five Year Plan proposed in 2015.

Finally, in the last two chapters («China in Action» and «Embracing a Brighter Future Together»), the text briefly outlined some of China's initial actions, such as high-level official visits, the signing of cooperation agreements, the promotion of financial integration, and the importance of «equal-footed consultation with all countries along the routes».²⁸

Following the ancient-land and maritime routes, the idea behind the Silk Belt Economic project was to draw a commercial line between Xi'an in Central China and Venice via Rotterdam in Central Europe, passing through Central Asia, Iran, Iraq, Syria, Turkey, and Eastern Europe. As far as the Maritime Silk Road was concerned, it was supposed to start in Quanzhou in Fujian Province and end on the Southern European coast, passing through the Southern Chinese ports, the Malacca Straits, the Indian Ocean, the Eastern African coasts, and the Mediterranean sea.²⁹

The One Belt, One Road project was aimed at involving a range of more than 60 emerging-market and developing countries with a total population of over 4 billion and with 75% of the known energy reserves that accounted for about 65% and 30%, respectively, of the global totals in land-based and maritime-based economic production values.³⁰

According to the financial and business news and information online in the periodical *Caixin*, in the first four months of 2015, bilateral trade between China and the countries along the above-land and maritime routes equalled US\$ 316 billion (30% of China's total international trade during the same period). Furthermore, direct investments by Chinese companies in the area's non-financial sector amounted to US\$ 3.7 billion (10% of China's total overseas investment during the same period).³¹

28. *Ibid.*

29. Camille Brugier, 'China's way: the new Silk Road', *European Union Institute for Security Studies*, May 2014.

30. 'China Must Prove Silk Road Plan is Serious', *Financial Times*, 4 May 2015; François Godement, '«One Belt, One Road»: China's Great Leap Outward. Introduction', *China Analysis*, June 2015; Wang Yiwei, 'China's «New Silk Road»: A Case Study in EU-China Relations', in Alessia Amighini & Axel Berkofsky (eds.), *Xi's Policy Gamble: The Bumpy Road Ahead*, Novi Ligure: Edizioni Epoké, 2015, pp. 97-8.

31. 'Investors Embrace China's Big Belt, Risky Road', *Caixin*, 17 June 2015.

Also, according to Xinhua, during the first seven months of 2015, Chinese companies had already signed 1,786 project contracts in countries along the two routes valuing US\$ 49.44 billion, an increment of 39.6% from the year before.³²

It goes without saying that the effective realization of the project implied China's deep involvement in the creation of infrastructural networks, such as railways, ports, highways, and pipelines. Furthermore, at the same time, in the Chinese vision, currency integration and expansion of the international use of Chinese currency in the region was an additional fundamental element.³³ Ba Shusong, chief economist at the China Banking Association, argued that «the initiatives will promote the use of the yuan beyond China by expanding the country's international investment and trade activity, which in turn will circulate more yuan, more widely».³⁴ To this end, according to Caixin, between 2014 and 2015, China made major investments in the area, as «Chinese companies and banks are eager to invest in vast areas of Asia, Europe and Africa targeted for development through China's "one belt, one road" initiatives».³⁵ All Chinese projects connected with the OBOR initiative involved the participation of state-owned Chinese companies or private Chinese companies with close relations with the central government, all committed to financial, construction, or supply activities.³⁶

4. *The «Go Global» strategy, the «New Normal» theory, and the OBOR initiative*

At the end of 2015, China's GDP growth stabilized itself at around 6.9%, according to China's official statistics, attesting to an economic slowdown for which origins can be traced back to the beginning of the on-going global economic crisis.³⁷ Since the end of the first decade of the 21st century, China's economy has indeed been growing far slower than the double-digit rates to which the world had become accustomed during the past decades.³⁸ This condition, new to the Chinese, appears to have become China's

32. 'Chinese Companies Ink More Contracts Along Belt and Road', *Xinhuanet*, 21 July 2015.

33. '«Xin silu, xin mengxiang». Tegao: shijie ruhe gongying? Zhongguo zheng-zai poti', *Xinhua*, 8 May 2014.

34. 'Investors Embrace China's Big Belt, Risky Road'.

35. *Ibid.*

36. Frans Paul van der Putten & Minke Meijnders, *China, Europe and the Maritime Silk Road*, Clingeldael Report, Netherland Institute of International Relations, March 2015, p. 8.

37. 'China's Economic Growth in 2015 is Slowest in 25 Years', *The Wall Street Journal*, 19 January 2016.

38. 'Chinese Economy Slows to 6.9% in Third Quarter Despite Stimulus', *The Guardian*, 19 October 2015.

«New Normal». The term, which has been used to describe the state of the economy after the onset of the global-economic crisis, was later adopted by Xi Jinping and adapted to the Chinese situation in order to portray China's current economic slowdown as a typical normalizing process of a once fast-growing economy. Xi Jinping's «New Normal» theory was fully presented on 9 November 2014 on the occasion of the Chinese President's speech at the APEC CEO (Asia-Pacific Economic Cooperation – Chief Executive Officers) Summit in Beijing in front of 1,500 business people from 21 APEC member economies and 17 other countries and regions.³⁹

As stated by Xi, the Chinese «New Normal» indicated an on-going transitory condition from a labour-intensive and export-driven economy to a capital-intensive, high-tech, and domestic demand-driven one, based more on the tertiary than the secondary sector, as in the previous developing phase. China was entering into a new stage of development, passing from a high-speed to a medium-high-speed growth where innovation was taking the place of investment as a major driver. In order to follow this path, Xi admitted the Chinese government was undertaking major economic structural adjustments. «[...] we have lifted restrictions on the “invisible hand” of the market», stated Xi, «and ensured the proper role of the “visible hand” of the government».⁴⁰ The Chinese leader saw China's economic slowdown as an opportunity, physiological for most economies, to make China's development more sustainable in terms of services, innovation, reduced inequality, and environmental protection.⁴¹

The same concepts are included in the 13th Five Year Plan's Proposal (2016-2020), released by the CCP fifth plenum in October 2015. The proposal indeed referred to five main principles in relation to Chinese future-development policies, which evoke the «New Normal» theory's contents: innovation, openness, green development, coordination, and inclusiveness. Innovation was presented as the primary driver of Chinese economic development and industrial pattern's upgrading. Openness was mainly intended to focus both on domestic and global market but, above all, on being more active in global governance. Furthermore, the proposal was a way to reiterate China's commitment to environment protection and to socio-economic disparities' reduction.⁴²

39. 'Xi's New Normal Theory', *Xinhuanet*, 9 November 2014.

40. 'Seek Sustained Development and Fulfill the Asia-Pacific Dream. Address by Xi Jinping', *Apec China 2014*, 13 November 2014, (<http://www.apec-china.org.cn/41/2014/11/13/3@2580.htm>).

41. *Ibid.*

42. 'Zhonggong zhongyang guangyu zhiding guomin jingji he shehui fazhan di shisan ge wu nian guihua de jianyi, 2015.10.29' (Proposal on Formulating the 13th Five-Year Plan on National Economic and Social Development, 29.10.2015), *Xinhuanet*, 3 November 2015 (http://news.xinhuanet.com/fortune/2015-11/03/c_1117027676.htm).

In line with the party's approach, Hu Angang, professor of economics at Tsinghua University, argued that China's transition was already yielding the first results in terms of a «better quality growth». China's new trend in the political economy was creating millions of urban jobs; it was expanding the service sector and was upgrading the industrial production through significant public investments for research and development while, at the same time, mechanizing agriculture. Furthermore, social welfare was improving with an important expansion of the healthcare system, which now covered a little less than 95% of China's total population.⁴³

With respect to this formidable, planned re-orientation of the domestic economic model, the Silk Economic Belt and the 21st-Century Maritime Silk Road can be understood as key strategies for confronting and overcoming the economic slowdown. For the Chinese economy, the OBOR project would indeed entail the opening of potentially huge markets for Chinese goods and capital.

Once the above has been said, it is necessary to stress that, notwithstanding Beijing's on-going efforts towards a transformation of its economic model, the domestic heavy and light industrial sectors are said to be characterized by a serious, progressive-industrial overcapacity. Such a situation was primarily due to the global-economic recession, followed by diversified state financial-stimulus initiatives. This appeared to be particularly true for the Chinese state-owned enterprises active in the manufacturing and constructions' sectors. On top of it, these industries were in the middle of serious industrial conflicts and heated debates over their structural reform and, above all, over the path and strategies to be followed to reach the desired transformation of the extant economic model.⁴⁴ Although the SOEs' market-oriented reform had been officially launched by the CCP third plenum in 2013, the new strategy clashed with major vested interests, which made it difficult to implement it in absence of a (hard-to-reach) agreement among the major, internal, political and economic forces. As stated by Premier Li Keqiang at the annual Central Economic Work Conference in December 2015, the Chinese «supply side» needed serious structural reforms, based on tax reductions, advanced technologies, innovation, and services. Unreformed SOEs were supposed to be the major challenge to this structural change, because they were said to be suffering from excessive capacity and low efficiency, which were becoming an increasingly serious problem given the on-going economic decline.⁴⁵

43. Hu Angang, 'Embracing China's «New Normal»', *Foreign Affairs*, May-June 2015.

44. 'China's overcapacity crisis can spur growth through overseas expansion', *South China Morning Post*, 7 January 2014; 'Strikes and protests by China's workers soar to record heights in 2015', *China Labour Bulletin*, 07 January 2016.

45. 'SOEs Suffer Most from Industrial Overcapacity', *China Daily*, 08 December 2015. For details on SOEs reforms see: Barry Naughton, 'Reform Agenda in Turmoil:

The infrastructure projects proposed as part of the OBOR initiative would strategically fuel China's domestic-construction industry, including iron, steel, and cement, and, at the same time, would create a more rapid and viable way for Chinese goods towards regional markets in Europe, Central Asia, Africa, and Southeast Asia, giving more chances to the strongest but also to the more problematic SOEs.⁴⁶ Furthermore, the OBOR project could also be considered as a means to secure access to raw materials, energy in particular. In this case, Central Asia – from which China has been increasing its energy imports in order to lessen its dependency on the Middle East, Sub-Saharan Africa, and Russia – was the key factor, as demonstrated by the Chinese focus on the Eurasian infrastructure corridor (§ 4.1).⁴⁷ Soon after the 1989 Tiananmen repression and the 1991 USSR collapse, China indeed started to devote all its efforts to reassure its neighbours on the west and southeast that its development was peaceful and its growth had a positive international fallout. China needed good neighbourhood relations to be able to concentrate on its domestic development and nurture its voracious natural resources' sector with profitable economic agreements.

As specified in the 6th chapter of *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, («China's Regions in Pursuing Opening-Up»), the OBOR initiative was also finalized to develop a domestic consumer market by improving domestic connectivity between the developed coasts and the underdeveloped inner areas and also among the countries along the borders, reducing, in this way, the socio-economic gap between coastal and rural areas.⁴⁸ Moreover, this would have helped Beijing to control social discontent in critical areas, such as the Xinjiang Uyghur autonomous region, where separatist stances were being held responsible for the recent so-defined «terrorist attacks».⁴⁹ In fact, Xinjiang was one of the regions towards which Beijing had started to move its manufacturing sector through major investments, in an effort that was part of the above-mentioned domestic dual-development goal. For these reasons, the central government has established 20 special industrial zones in Xinjiang. Since 78% of Xinjiang's exports were already directed to central Asian neighbours, the OBOR task would be to further promote and facilitate the export of goods produced in this region in order to strengthen its economic development.⁵⁰

Can Policy-makers Regain the Initiative?', *China Leadership Monitor*, n. 48, Fall 2015.

46. Nadège Rolland, 'China's New Silk Road', *The National Bureau of Asian Research – Commentary*, Washington, 12 February 2015.

47. Camille Brugier, 'China's way: the new Silk Road', (§ 4.1).

48. 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road'.

49. Francesca Congiu, 'China 2014: China and the Pivot to Asia', p. 36; 'Mainland Officials Confirm Xinjiang Terrorist Attack that Reportedly Killed up to 50 People', *The South China Morning Post*, 15 November 2015.

50. 'Vision and Actions on Jointly Building Silk Road Economic Belt and

Looked at under this light, the OBOR project could be seen as an alternative to a simple market-oriented transition that was encountering such a strenuous resistance inside the Chinese economic and political system. The project, though, would contribute to reinforce rather than change China's current and peculiar political-economic path, as efficaciously described by Tobias ten Brink, a scholar from Frankfurt University: «a heterogeneous, competition-driven variant of state-permeated capitalism» which «takes the form of extensive state intervention with a specific competition-driven, corporate spirit». ⁵¹

Since its launch, which preceded the OBOR opening in 2013 of over two decades, China's «Go Global» strategy aimed primarily at upgrading both private and state-owned Chinese enterprises' industrial and development structure in order to make them sufficiently competitive to be internationalized. This strategy was later included in Xi Jinping's current «New Normal» theory.

The first stage of the «Go Global» strategy served the state-owned enterprises need of acquiring natural-resource assets, mainly in the energy sector, to feed a low-tech manufacturing-exporter sector. The second stage, launched by Xi Jinping, aimed at industrial upgrading by investing in high-tech infrastructure projects abroad. China needed to diversify the use of its huge foreign reserves, both to foster the industrial upgrading of its own domestic industry and to deal with its overcapacity. Finally, she also needed to deal with capital-labour conflicts and the demand for better working conditions and higher salaries. During the year under analysis, workers' strikes and protests strongly intensified, according to the *China Labour Bulletin's* data. Workers were indeed struggling against the failure of local governments to enforce the 2008 Labour Contract Law, which provided more protection for basic labour rights, such as on-time payment, benefits, and due-wage arrears. ⁵²

The essence of this strategy was to support, through a liberalizing regulation, outbound foreign direct investment (OFDI) from Chinese companies (especially SOEs) by improving their international competitiveness. The procedure for examination and approval of outward investment projects have been progressively simplified, decentralized, and accelerated. Moreover, the Chinese government – both directly and through banking institutions, including the China Development Bank and the China Export and Import Bank – has been offering financial and non-financial incentives to sustain the overseas expansion of Chinese enterprises. Among these incentives are government special funds, direct capital contribution, and

21st-Century Maritime Silk Road'; 'The Complex Impact of Urbanization in Xinjiang', *The Diplomat*, 16 December 2015.

51. Tobias ten Brink, 'The Challenges of China's Non-Liberal Capitalism for the Liberal Global Economic Order'.

52. 'Strikes and protests by China's workers soar to record heights in 2015', *China Labour Bulletin*, 7 January 2016.

loans below market rates and subsidies. In 2009, the China Development Bank, for example, supported the Chinese telecommunication company Huawei with US\$ 30 billion to expand in overseas markets. As far as the non-financial incentives were concerned, the government typically offered a wide range of information about the recipient countries.⁵³ In order to have the right perception of how much the Chinese leadership relied on such national-global corporations, suffice to say that, in the occasion of overseas official visits, Chinese officials usually envisaged a visit to the local Huawei subsidiary.⁵⁴

As a result of this policy, there has been a spectacular increase in Chinese OFDI. According to United Nations Conference on Trade and Development (UNCTAD) data, Chinese OFDI amounted to US\$ 830 million in 1990, US\$ 6,885 billion in 2001, and US\$ 116,000 billion in 2014.⁵⁵ Again, as a result of this policy, several international brands, such as Motorola, Volvo, and IBM, have come under the control of Chinese companies. The major players in this dramatic increase in Chinese FDI outflows have been the SOEs, which have funded at least 80% of the OFDI.⁵⁶

In 2015, the OBOR initiative could be considered the extension and the institutionalization of a plan mainly focussed on the internationalization of Chinese companies and further reinforced by means of the newly born multilateral financial institutions.

5. *The OBOR initiative «in action»: Beijing's infrastructure diplomacy*

At the end of the day, the «One Belt, One Road» initiative was nothing more than a huge rhetorical and diplomatic operation that gave a banner of historical legitimacy to China's «Go Global» strategy. The reasons behind the OBOR initiative were several, among which, as above noted, domestic economic development and security issues enjoyed an uncontested priority.

Through the OBOR initiative, Xi Jinping and Li Keqiang gave a new imprinting to this on-going strategy, highlighting the role of transportation-infrastructure projects in shaping Beijing's «new diplomacy». In Li Keqiang's own words: «We will speed up the implementation of the “Go Global” strategy. We will encourage Chinese companies to participate in

53. Du Ming, 'When China's National Champions Go Global: nothing to fear but fear itself?', *Journal of World Trade*, vol. 48, n. 6, 2014, pp. 1133-134.

54. Tobias ten Brink, 'The Challenges of China's Non-Liberal Capitalism for the Liberal Global Economic Order', p. 41.

55. UNCTAD, 'FDI Outflows by region and economy, 1990-2014', *World Investment Report 2015: annex tables*, (<http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Annex-Tables.aspx>).

56. 'The Visible Hand', *The Economist*, 21 January 2012; Du Ming, 'When China's National Champions Go Global: nothing to fear but fear itself?', p. 1128.

overseas infrastructure development projects [...] We will work to increase the international market share of Chinese railway, electric power, communications, engineering machinery, automobiles, aircraft, electronics [...] and encourage the metallurgical, building materials, and other industries to invest overseas».⁵⁷

The majority of the more-recent infrastructure projects promoted by the PRC along the land and New Maritime Silk Roads have been the by-product of bilateral agreements. Nevertheless, the Chinese government promoted the initiative at regional forums also, including the Asia–Europe Meeting, the Shanghai Cooperation Organization, ASEAN plus China, the China–Arab States Cooperation Forum, the Forum on China–African Cooperation, and the sixteen central and eastern European countries, plus China.⁵⁸ In November 2014, at a China–ASEAN summit held in Myanmar, Chinese Premier Li Keqiang announced that China would offer US\$20 billion of loans to the ASEAN for infrastructure building.⁵⁹ In January 2015, the African Union and China signed a memorandum of understanding to collaborate on building high-speed railways, roads, and new airports in order to improve connections among the major African-economic poles.⁶⁰

Furthermore, in December 2014, the Development Research Centre of the State Council of China created a multilevel, multilateral platform – the Silk Road Forum – in order to provide an intellectual venue that brought together statesmen, senior figures in governments, think tanks, enterprises, academic institutions, and independent scholars from all countries along the routes. The declared scope was to provide an inclusive platform in order to exchange ideas, combine strategies, policies, and interests while also promoting convergences. The first annual conference of the Silk Road Forum was held in Istanbul in December 2014, and the second one was held in Madrid in October 2015 with the participation of around 300 guests from approximately 30 nations and international institutions.⁶¹ On this last occasion, the so-called SiLKS (Silk Road Think Tank Network) was also established in an effort to foster cooperation and discussion among think tanks along the routes, in the fields of research, and the elaboration of policy ideas concerning the overall OBOR project (objectives, outcomes, potentialities, and criticalities). SiLKS, at the moment of its establishment, already had 43 members and partners, including think tanks and international or-

57. Li Keqiang, 'Full Text: Report on the Work of the Government', *Xinhuanet*, 16 March 2015, in particular see Section III.

58. Frans Paul van der Putten & Minke Meijnders, *China, Europe and the Maritime Silk Road*, p. 30.

59. 'China Pledges over 20-bln-USD Loans to Boost Southeast Asian Connectivity', *Xinhuanet*, 13 November 2014.

60. 'AU, China to cooperate on Infrastructure, Industrialization', *Xinhuanet*, 27 January 2015.

61. 'Silk Road Forum Held in Madrid', *Xinhuanet*, 29 October 2015.

ganizations from 27 countries.⁶² A look at the list of the Silk Road Forum's experts on the Development Research Centre's website confirms that SiLKS has effectively brought together a combination of high-level experts from all over Eurasia and Africa.⁶³

5.1. *Building the Eurasian corridor*

The Silk Road Economic Belt project combined and strengthened a series of «going out – going west» policies, aimed in particular at Central Asia, whose beginnings could be traced back to the late 1990s, when the Shanghai Five Mechanism took form.⁶⁴ Nevertheless, as far as infrastructural investments were concerned, the initiative also implied a series of specific projects that had been announced or implemented in a more-structured way between 2014 and 2015. The main goal was to create a Eurasian economic corridor – through «transportation infrastructure diplomacy», trade liberalization, and monetary cooperation – able to further develop Central Asian economies and integrate them into both European and Asian markets.

To this end, as well as for strictly internal security and political reasons, Xinjiang Province jumped to the forefront of China's toward-west policies, becoming the target of an incessant promotion of urbanization and influx of investment, as will be further argued in the next paragraphs. In particular, many of Xinjiang's cities, at the border with Central Asia, have been transformed into free-trade economic zones. The most significant example is that of the city of Horgos (also known with the names of Huoerguosi, Khorgos, Chorgos, and Gorgos), near the border with Kazakhstan, which, in September 2004, had already become the headquarters of the Horgos International Border Cooperation Centre, founded following an agreement between China and Kazakhstan. This development was certainly due to Horgos' glorious past, during which it played a junction role along the ancient Silk Road. However, soon after the 1917 Russian revolution, the borders (at the time dividing Russia and China) were closed, only to be permanently reopened in 1983. In 2012, China developed a free-trade zone in the area, and in 2013, bilateral trade through Horgos accounted for US\$ 11 billion, 55.5% more than in 2012. On 29 June 2014, Horgos formally became a Chinese municipality and, together with Kashgar and Alataw, has been granted the role of the largest land port along the Silk Economic Belt.⁶⁵

62. 'Declaration of SiLKS', *China Daily*, 30 October 2015. See also Patrick C. P. Ho (Deputy Chairman and Secretary General China Energy Fund Committee), 'Some Thoughts About the Think Tanks Alliance', *Silk Road Forum 2015*, (<http://en.drc.gov.cn/PatrickHo.pdf>).

63. Development Research Center of the State Council of the People's Republic of China, *Silk Road Forum – Forum Experts*, (<http://en.drc.gov.cn/silkroadforumexperts.html>).

64. Justyna Szczudlik-Tatar, 'China's New Silk Road Diplomacy', *Policy Paper The Polish Institute of International Affairs*, vol. 82, n. 34, December 2013.

65. 'Horgos – the Silk Road Economic Belt's youngest city', *Xinhuanet*, 16 July

In order to make Horgos and the other Xinjiang cities an effective trade gateway to the west and as far as Europe, through Central Asia, Beijing has been investing in railways and planning further major investments. China has built a series of rail links: the first rail services began in 2012, with passage from western China to Western Europe taking up to three weeks, depending on destination, instead of five weeks using trucks and ships.⁶⁶ Furthermore, China planned to finish upgrading the last section of a transcontinental highway from Lianyungang (a Chinese port in Jiangsu Province, in the east coast) to St. Petersburg in Russia, which would pass through Almaty, Kazakhstan's most populous urban centre. Initial indications for this project suggest it was going to be finalized and opened in 2016. The logistics terminal in the port of Lianyungang was jointly built by China and Kazakhstan in order to make it a platform for transporting Central Asian goods to overseas markets. The first phase of the terminal's construction, concluded in 2014, required an investment of US\$ 98 million. More construction phases and more investments were expected to follow.⁶⁷

In 2015, Kazakhstan continued to maintain its leadership as a principal destination of China's foreign investments. During Chinese Premier Li Keqiang's visit in 2014, the two countries signed US\$ 14 billion worth of economic deals, and the March 2015 Kazakhstani Prime Minister Karim Qajymqanuly Massimov's visit to China added another US\$ 23.6 billion of economic deals.⁶⁸ In Kyrgyzstan, the PRC, with a US\$ 850 million allowance from the state-owned China Export-Import Bank (or Exim Bank), has been financing the construction and reconstruction of major highways. In Tajikistan, with a US\$ 900 million loan, Chinese companies have been building roads linking the capital, Dushanbe, with other important towns. In 2013, China signed a contract with Uzbekistan worth US\$ 455 million for the construction of a railway tunnel. Furthermore, in its 2015 hearing before the US and China Economic and Security Review Commission, professor Sebastien Peyrouse of George Washington University highlighted Chinese extensive investments in Central Asia, using China Exim Bank or China Development Bank funds, in sectors such as hydroelectricity, telecommunications, uranium, and cement.⁶⁹

2014; '5 Things to Know about Horgos and China's New Silk Roads', *The Wall Street Journal*, 9 November 2014.

66. US – China Economic and Security Review Commission, *2015 Annual Report to Congress*, Chapter 3 'China and the World', Section 1 'China and Central Asia', 2015 (http://www.uscc.gov/Annual_Reports/2015-annual-report-congress), pp. 391-427.

67. '5 Things to Know about Horgos and China's New Silk Roads'; 'China-Kazakhstan Logistics Terminal Opens in Lianyungang', *Xinhuanet*, 20 May 2014.

68. Shannon Tiezzi, 'China's Silk Road in the Spotlight as Xi Heads to Kazakhstan', *The Diplomat*, 8 May 2015.

69. U.S.-China Economic and Security Review Commission, *Hearing on Looking West: China and Central Asia*, written testimony of Sebastien Peyrouse, 18 March 2015

China's «going out – going west» investment policies, as part of the Silk Road Economic Belt project, have headed farther west, beyond Central Asia, and targeted Eastern and Western Europe, enhancing the opportunities for the growth of financial cooperation among China, Europe, and European-member states. In June 2015, Hungary was the first European country to sign a cooperation pact, inserting her in China's New Silk Road, when Chinese Foreign Minister Wang Yi and his Hungarian counterpart, Peter Szijarto, signed an MoU, the first of its kind between China and a European country.⁷⁰ Also, at the end of 2014, a new direct railroad line between Europe and Asia was launched: the first direct freight train to connect China and Spain reached Madrid after a journey of around 13,000 kilometres. The journey lasted 21 days, starting from Yiwu, a Chinese city on the east coast. It was meant to be the longest rail route in the world – surpassing even the combined 12,250 kilometres covered by the Trans-Siberian Railway and the Orient Express routes – and of course, a major international link between Europe and Asia. The route crossed Kazakhstan, Russia, Belarus, Poland, Germany, and France before reaching Spain.⁷¹

Aside from direct freight railroads, China was also planning to build a high-speed passenger railway between China and the United Kingdom and between Beijing and Moscow. The first would entail an investment of US\$ 150 billion and would take approximately ten years to be completed.⁷²

Furthermore, this long Eurasian corridor was supposed to be complemented by several smaller corridors, such as: the Bangladesh-China-India-Myanmar Economic Corridor aiming to connect Yunnan, the south-western Chinese province with the Bay of Bengal,⁷³ the rail services aiming to connect Nepal to Thailand as part of a MoU on railway cooperation signed by China and Thailand in December 2014, and, more important, the China-Pakistan Economic Corridor connecting Kashgar in Xinjiang with the port of Gwadar in Pakistan through roads, rails, and pipelines. This last project was discussed at a forum on the China-Pakistan Economic Corridor held in Xinjiang in August 2015, which was attended by hundreds of officials and delegates from companies and think tanks. At the

(http://origin.www.uscc.gov/sites/default/files/Annual_Report/Chapters/Chapter%203,%20Section%201%20-%20China%20and%20Central%20Asia.pdf).

70. 'Hungary is first in Europe to sign up for China's New Silk Road Plan', *South China Morning Post*, 7 June 2015.

71. 'First direct China-Madrid freight train arrives after epic 13,000 km journey', *El Pais*, 10 December 2014.

72. 'More Talks Needed on High-Speed Rail Link', *China Daily*, 5 July 2014; 'China to Design New Russian High-Speed Railway', *The Wall Street Journal*, 19 June 2015.

73. Zaara Zain Hussain, 'Initiative for "Southern Silk Route". Linking Bangladesh, China, India, and Myanmar', *Institute of South Asian Studies Working Paper*, n. 192, 17 June 2014.

forum, the two countries signed 20 cooperation agreements accounting for US\$ 1.6 billion projects.⁷⁴

5.2. *From the East China Sea to the Mediterranean Sea and Africa coasts: re-building the ancient maritime routes.*

Maritime routes are as important as land routes to China's economy, as most goods in the global-trade economy are transported by ship. Being the world's largest trading nation, China is the major destination and a key starting point of international shipping routes. According to a Clingendael report, seven out of the ten busiest container ports in the world are positioned in China, with the port of Shanghai being the world's largest; three Chinese shipping companies are among the twelve largest container transporters in the world; China is the largest shipbuilding nation in the world; Chinese firms are particularly dynamic in the construction and management of ports around the world.⁷⁵

China's effort to build a new maritime route officially started in 2013 in Southeast Asia. At the time, major Chinese foreign investments were committed to the region, through bilateral or multilateral agreements on infrastructure building. This happened notwithstanding the heated maritime territorial disputes, which were pitting China against several Southeast Asian countries (Philippines, Vietnam, Malaysia, Brunei, and Taiwan), and the United States.⁷⁶ As suggested by Cai Penghong, a Senior Fellow at the Shanghai Institute for International Studies, maritime cooperation between China and ASEAN started in the early 1990s. However, since the launch of the Maritime Silk Road in Indonesia in 2013, every major agreement and commitment, although previously signed or taken, has gone under the banner of the New Maritime Silk Road project.⁷⁷ In particular, the year 2015 was declared, in relation to the project, as the «ASEAN-China year of maritime cooperation». Indeed, 2015 was particularly marked by a great number of visits by high-level Chinese officials to Southeast Asian countries.⁷⁸

74. 'The China-Pakistan Economic Corridor gets even more ambitious', *The Diplomat*, 13 August 2015; 'News Analysis: railway cooperation with China ushers in new era for Thai infrastructure development', *Xinhuanet*, 20 December 2015.

75. Frans Paul van der Putten & Minke Meijnders, *China, Europe and the Maritime Silk Road*.

76. Francesca Congiu, 'La Cina sull'orlo di una crisi politica e internazionale: l'anno del 18° congresso del PCC', *Asia Maior 2012*, pp. 379-383.

77. Cai Penghong, 'China-ASEAN Maritime Cooperation: Process, Motivation and Prospects', *China International Studies*, July-August 2015, pp. 26-40. See also: Liu Cigui, 'Reflections on Maritime Partnership: Building the 21st Century Maritime Silk Road', *China Institute of International Studies*, 15 September 2015 (http://www.ciis.org.cn/english/2014-09/15/content_7231376.htm).

78. *Ibid*; 'Top Official's Visit to Southeast Asia Advances China's Neighborhood Diplomacy', *Xinhuanet*, 28 July 2015.

Among the ASEAN countries, Vietnam, one of the main players in the South China Sea's territorial disputes and the site of several anti-China riots,⁷⁹ was a major focus of China's Maritime Silk Road initiative in 2015. In April, the General Secretary of the Communist Party of Vietnam, Nguyen Phu Trong, visited China. On that occasion, the two countries signed two MoUs aimed at founding two working groups: one for infrastructure cooperation and another for finance and currency cooperation. In July, Chinese Vice Premier Zhang Gaoli visited Vietnam, to be followed in November by Xi Jinping, the first Chinese President to visit Vietnam in over a decade. The major proposal that emerged from all of these high-level meetings was the need to combine China's Belt and Road initiative with Vietnam's «Two Corridors and One Economic Circle» plan. This plan, proposed in 2004 by Vietnam and endorsed by China, refers to: the «Kunming – Lao Cai – Hanoi – Haiphong transport corridor», the «Nanning – Lang Son – Hanoi – Haiphong transport corridor», and the «Beibu Gulf Rim Economic Circle». The two transport corridors and the economic circle, the latter also known as Gulf of Tonkin Economic Belt, defined the economic region comprising south-western China, and northern and central Vietnam. During Xi's visit, the two countries signed agreements concerning party-to-party cooperation, infrastructure, trade, investment, culture, and education. In particular, Xi committed to loan US\$ 158 million over the following five years for the conclusion of a high-speed railway project.⁸⁰

Also, Laos, Thailand, Malaysia, and Singapore were part of a large 3,000-km-long regional railway project involving China, which would connect Kunming, the capital and largest city in Yunnan Province, Southwest China, to the Southeast Asian markets. On 1 December 2015, Zhang Dejiang, the chairman of the Standing Committee of China's National People's Congress, went to Laos to attend the celebration of the 40th anniversary of the founding of the Lao People's Democratic Republic. The visit followed the formal start of the construction of the China-Laos high-speed railway, which was part of the bigger construction plan. The project entailed a total investment of US\$ 6 billion, 70% of which came from China and 30% from Laos. The intention was to build a 418-kilometre railway departing from Kunming and arriving in Vientiane, the capital of Laos.⁸¹

Beijing's plans to develop a network of ports and coastal infrastructures involved all countries along the maritime route until the door of Western Europe, where the China Ocean Shipping Company (COSCO), a Chinese

79. Francesca Congiu, 'China 2014: China and the Pivot to Asia', p. 24.

80. 'Keep Brotherly Friendship for Better Sino-Vietnam Future', *CCTV.com*, 11 July 2015; 'China, Vietnam to Link Development Initiatives', *Xinhuanet*, 6 November 2015; 'China, Vietnam Pledge to Boost Strategic Partnership', *Xinhuanet*, 17 July 2015; 'China's Xi Misses the Mark on Vietnam Visit', *The Diplomat*, 6 November 2015.

81. 'China, Laos to Build \$6 Billion Railway by 2020', *The Diplomat*, 16 November 2015; 'China, Laos Pledge to Further Develop Ties', *Xinhuanet*, 2 December 2015.

state-owned enterprise, was developing the port of Piraeus in Greece into a major hub at the European end of the Maritime Silk Road. At the end of 2015, the COSCO Group was in pole position to obtain the majority stake of Piraeus Port, thanks to the privatization process launched by the Greek government. In 2008, COSCO had already obtained one of the two Piraeus terminals as a 35-year concession. Since then, a Chinese-built railway has been constructed to connect the Greek port with Central Europe's three major ports of Hamburg, Rotterdam, and Antwerp.⁸² It was also remarkable that each of these three European ports maintained very special relations with China. China was indeed considered the port of Hamburg's most important trade partner. In October 2015, the Bank of China and the port of Rotterdam authority signed a MoU in an effort to strengthen their reciprocal investments, and the port of Rotterdam affirmed its will to cut for itself the role of a key logistic hub in the Chinese network of the Belt and Road. Furthermore, at the end of 2015, the port authority chairman of Belgium's port of Antwerp, Marc Van Peel, declared he would warmly welcome Chinese investments in the port in order to make it part of the Chinese Belt and Road project in line with a long tradition of friendship between the Belgian port and China.⁸³

As in the ancient maritime silk route, Africa was meant to be an integral part of the new development as well. Chinese infrastructure building in Africa certainly preceded the launch of the OBOR project. Nevertheless, since its launch, Chinese infrastructure activities in Africa started to be presented as an integral part of the Maritime Silk Road initiative. This was the case of the Kribi Port project in Cameroon, the first phase of which started in 2011. This first phase's cost amounted to US\$ 568 million, of which 85% came from China and 15% from the Cameroon government, but the final expense was projected to reach US\$1 billion. Furthermore, the Chinese were also committed to build roads and railways connecting the new port to major urban areas in Cameroon, which would give birth to an integrated industrial area.⁸⁴

According to Brian Eyler, Deputy Director of the Southeast Asia programme at the Stimson Center in Washington DC, Africa's role in the Maritime Silk Road was not secondary to that of Europe. It was, on the contrary, a primary focus, not only of the current Chinese international political

82. 'China's Next Target? A Strategic Greek Shipping Port', *Fortune*, 10 April 2015; 'China Cosco is Sole Bidder for Stake in Greece's Piraeus Port', *The Wall Street Journal*, 23 December 2015.

83. 'China Confirms Itself as the Port's Most Important Trade Partner', *Hamburg-news*, 19 June 2014; 'Port Authority and Bank of China Enter into Strategic Alliance', *Portofrotterdam.com*, 29 October 2015; 'Belgian Port of Antwerp eyes active role in promoting new «Silk Road»', *Xinhuanet*, 28 October 2015.

84. 'What's it Like to Have China Build You a Port? Ask Cameroon', *The Diplomat*, 27 February 2015.

economy but also of Southeast Asian countries' trade interests.⁸⁵ According to Eyler, behind the Maritime Silk Road project and, in particular, behind the complex rail links connecting Yunnan to Southeast Asia, there was a very well-organized cooperation between China and the most advanced Southeast Asian economies in order to jointly exploit the growing markets in Africa, the Middle East, and South Asia. Southeast Asia – by providing strategic port facilities and exporting goods, such as Thai rice, alongside with Chinese products – was indeed a key actor in the construction of the Maritime Silk Road. This connection between some Southeast Asia countries and China was also visible in the joint China-Thailand project, aimed at building a canal connecting the South China Sea to the Andaman Sea, through the Isthmus of Kra. This project bypassed the Malacca Strait, seen by China as a dangerous choke point, where, in case of military confrontation, the US could easily cut off the Chinese routes to West Asia and East Africa. Eyler describes the Maritime Silk Road as «a network of exporters formed of commercial interests from China and advanced economies in Southeast Asia sending manufacturing and food exports to Africa's growing markets while importing valuable minerals and metals from African trading partners».⁸⁶ According to the author, Thailand was the most-interested Southeast Asian country in the commerce with Africa: thai rice exporters are likely to be one of the main beneficiaries of the Asia-Africa link under the MSR (Maritime Silk Road) plan. Already 60 per cent of Thai rice exports in 2013 are headed for Africa.⁸⁷ With the purpose of controlling the Asia-Africa trade, Beijing has been developing 12 deep-water ports, seven of which along the African coasts (Djibouti, Dares Salaam, Maputo, Libreville, Tema, Dakar, and Bizerte), while, at the same time, constructing airports, railroads, and highways.⁸⁸

6. *Financing the OBOR: China-led multilateral financial institutions and funds and the IMF democratization process*

China's infrastructure diplomacy of the Belt and Road project has been complemented by the foundation of a number of China-led multilateral financial-institutions and development funds: the Silk Road Fund, the Energy Development Fund, the Maritime Silk Road Bank, and the so-called Asian Infrastructure Investment Bank.

China announced the creation of the US\$ 40 billion national Silk Road Fund in November 2014. The fund was meant to be financed from Chi-

85. Brian Eyler, 'China's Maritime Silk Road is All about Africa', *East by South-east.com*, 17 November 2014.

86. *Ibid.* (§. 3).

87. *Ibid.* (§. 7).

88. 'China Steps up Drive to Integrate Africa into Silk Road', *The Hindu*, 21 January 2015.

na's foreign currency reserves (accounting for about 65% of the fund), from the government's sovereign wealth fund, and from the Exim Bank and the China Development Bank. In the case of the Silk Road Fund, China was the sole founder and founding source.⁸⁹ The Energy Development Fund was, on the contrary, meant to be a multilateral fund aimed at investing in energy infrastructure along the Silk Road land and maritime routes. The idea of this fund was conceived by the China Energy Fund Committee, a Hong Kong-based think tank concerned with global energy cooperation that sought both Chinese funds and foreign investments, aiming at putting together US\$ 20 billion.⁹⁰ Among the strategies to raise enough money to finance the ambitious OBOR initiative, there was also the project to create a Maritime Silk Road Bank, a project for which several ASEAN countries have shown the intention to contribute, in an effort to raise US\$ 16 billion.⁹¹

The launch of the AIIB initiative – already mentioned above – coincided with the OBOR launch in October 2013. However, its constitution was only completed in 2015. The final text of the AIIB founding document (*Articles of Agreement*) was adopted at the 5th Chief Negotiator Meeting on 22 May 2015 in Singapore and was signed by 57 Prospective Founding Members between 29 June and 31 December of the year under analysis. By 31 December 2015, 18 members among the 57 had ratified the agreement. More members were expected to ratify the document by the final deadline of 31 December 2016.⁹² The AIIB's main declared goal was to support the «development of infrastructure and other productive sectors in Asia, including energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection,

89. US-China Economic and Security Review Commission, *2015 Annual Report to Congress. Chapter 3 China and the World*, US Government Publishing Office Washington, November 2015 (http://www.uscc.gov/Annual_Reports/2015-annual-report-congress); Sarah Lain & Raffaello Pantucci, 'The Economics of the Silk Road Economic Belt. Workshop Report', *Royal United Services Institute for Defence and Security Studies, Occasional Paper*, London 2015 (https://rusi.org/sites/default/files/20151126_cr_economics_of_the_silk_road_economic_belt.pdf).

90. 'New fund initiated for Silk Roads', *Global Times*, 25 January 2015; China Energy Fund Committee, *Press Report*, 25 January 2015 (<http://www.cefc.org.hk/a-list/6177-eng>).

91. 'Jinrong jiaoma zhichi yidai yilu: haishang sichouzhilu yinhang zheng choujian', *Zhongguo zhengquan bao, Ministry of Finance of the People's Republic of China*, 13 November 2014.

92. The Chief Negotiator Meeting was a forum established by Prospective Founding Members in order to negotiate and agree on the Articles of Agreement. See AIIB website: 'History of AIIB' (<http://www.aiib.org/html/aboutus/introduction/history>). For updated information on the membership status see also: 'Signing and Ratification Status of the AOA of the AIIB' (<http://www.aiib.org/html/aboutus/introduction/Membership>). See also the bank's chart: Asian Infrastructure Investment Bank, *Articles of Agreement*, Chapter XI, art. 58 (http://www.aiibank.org/html/aboutus/Basic_Documents).

urban development and logistics [...]».⁹³ The bank had a founding base of US\$ 100 billion, with China contributing approximately 30% of the initial capital and holding the largest number of shares (30.34%), followed by India (8.52%), Russia (6.66%), and Germany (4.57%). China's capital shares gave her 26.06% of voting rights, followed by India (7.51%), Russia (5.93%), and Germany (4.15%). Since AIIB constitution required 75% of voting rights for deciding key issues, such as changes in the bank's capital base or in the board of directors, China de facto enjoyed veto power.⁹⁴

The AIIB foundation acquires a more-profound meaning if connected with the long-run battle over the IMF (International Monetary Fund) reforms aimed at democratizing its governance. The IMF reform process was officially launched in 2009 at the G20 in Pittsburgh, and the year after produced two agreements on IMF reform that needed to be ratified by the single countries involved. The reform was aimed at increasing the fund's financial resources from roughly US\$ 330 billion to US\$ 660 billion and shifting more than the 6% of quota shares to emerging markets and developing countries in a major effort to reflect the dramatic changes in world economy and the greater economic weight of developing countries. At that time, notwithstanding the extraordinary changes in the world-economy balance of powers, the IMF voting rights' distribution continued to be quite similar to the one established in 1944, when the IMF and the World Bank were created at the Bretton Woods Conference. Still, in 2015, the US controlled 16.7% of voting rights, while China, the second largest economy, controlled only the 3.8%, highlighting a clear asymmetry between its weight in the global economy and its role in the governance of IMF. Through the proposed reforms, Brazil, Russia, China, India, and South Africa, the five major emerging economies forming the so-called BRICS, enjoyed a total increase of 4.5% of voting share corresponding to 14.3% of total voting power. In this way, China would become the third-largest member country in the fund and the US's quota share would be reduced from 16.7 to 16.5%, which, however, leaves her veto power to key IMF issues untouched. However, this reform process was stalled for five years, as the US Congress finally authorized it only in mid-December 2015.⁹⁵

93. See AIIB website: 'What is the Asian Infrastructure Investment Bank?' (<http://www.aiib.org/html/aboutus/introduction/aiib>).

94. Asian Infrastructure Investment Bank, *Articles of Agreement*, Chapter V, art. 28 (http://www.aiibank.org/html/aboutus/Basic_Documents/). See also: 'China to hold 30 per cent stake in AIIB and 26 per cent voting rights', *South China Morning Post*, 29 June 2015.

95. Francesca Congiu, 'Il processo di modernizzazione cinese tra «multipolarismo e polarizzazione»', *Asia Maior 2009*, pp. 233-34; 'Implementing IMF Governance: baby steps in slow motion', *Brettonwoods Project*, 29 November 2010, (<http://www.brettonwoodsproject.org/2010/11/art-567219>); 'IMF Fails to Approve IMF Reform', *Financial Times*, 14 January 2014; Robert Wade & Jakob Vestergaard, 'Impasse at the IMF', *Brettonwoods Project*, April 2015 (<http://www.brettonwoodsproject.org/2015/03/>

The most remarkable aspect, related to the AIIB foundation, has been the unexpected enthusiastic response to China's initiative from the United States' allies within Asia as well as within Europe, including South Korea, India, Philippines, Australia, the United Kingdom, Germany, Italy, and France. Together, they have given a significant legitimacy in supporting this new China-led multilateral financial institution in spite of American and Japanese refusal to join and, above all, US lobbying efforts against it. According to Chinese press and academics, this has been a major diplomatic victory for China, particularly if the UK's critical position on IMF reform impasse and its positive stance on AIIB set up are taken into account.⁹⁶ As noticed by Lu Feng, professor of Economics at Beijing University, «[...] In a rare case of disagreement with the US, the United Kingdom, France, Germany, Luxembourg and Switzerland all applied to join the AIIB. This symbolic development marks the rise of emerging economies, with China as their representatives, and is a prelude to the restructuring of the global financial system».⁹⁷

The AIIB has not been the sole multilateral financial institution created as a result of the emerging markets and developing nations' dissatisfaction with the Bretton Woods architecture. In July 2014, China contributed to establish, together with the other BRICS countries, the New Development Bank (NDB).

The NDB – funded following the Fortaleza Declaration, made at the 6th BRICS Summit – was officially launched in July 2015. However, the project had been under discussion among BRICS countries since around 2012. Among the major goals of the bank, the Fortaleza document highlighted the objective of financing infrastructure and sustainable development projects in developing countries by increasing the amount of money at their

impasse-at-the-imf); 'US Congress Ratifies IMF Quota Reforms', *Xinhuanet*, 19 December 2015; 'IMF Governance: one step forward, one step back', *Brettonwoods Project*, 8 February 2016, (<http://www.brettonwoodsproject.org/2016/02/imf-governance-one-step-forward-one-step-back>).

96. Pang Zhongying, 'What Does Europe's AIIB Entry Mean for China and US?', *Chinausfocus.com*, 1 April 2015 (<http://www.chinausfocus.com/foreign-policy/what-does-europes-aiib-entry-mean-for-china-and-u-s>). See also: David Daokui Li, 'The AIIB as China's Pilot Attempt to Reform the Global Economic Governance', *Chinese People Institute of Foreign Affairs The 116th Issue Summer 2015* (<http://cpifa.org/en/q/listQuarterlyArticle.do?articleId=332>); 'US Urges Allies to Think Twice Before Joining China-led Bank', *Reuters*, 17 March 2015; 'Meiguo Guo fandui tigao Zhongguo IMF huayu quan zao Yingguo caizhang qiangle piping', *Caijing*, 8 December 2015; 'AIIB qihang, Zhongguo lun haishi shijie hao', *China.org*, 28 December 2015 (http://opinion.china.com.cn/opinion_20_142920.html); Agatha Kratz, 'China's AIIB: a triumph in public diplomacy', *China Analysis*, June 2015 (http://www.ecfr.eu/page/-/China_analysis_belt_road.pdf).

97. Lu Feng, 'The Change in the Attitude of Most Western Powers Toward the China-Proposed Asian Infrastructure Investment Bank Can Only be Termed Dramatic', *China Daily*, 18 April 2015.

disposal. The bank was established with an initial capital of US\$ 50 billion and an emergency reserve fund of US\$ 100 billion.⁹⁸ The document openly asserts the BRICS countries' disappointment with the impasse in IMF reforms. In fact, the Fortaleza document states «We remain disappointed and seriously concerned with the current non-implementation of the 2010 International Monetary Fund (IMF) reforms, which negatively impacts on the IMF's legitimacy, credibility and effectiveness».⁹⁹ On the NDB official web site, it is furthermore specified that: «The New Development Bank BRICS [...] is a multilateral development bank operated by the BRICS states [...] as an alternative to the existing US-dominated World Bank and International Monetary Fund. The Bank is set up to foster greater financial and development cooperation among the five emerging markets. [...] Unlike the World Bank, which assigns votes based on capital share, in the New Development Bank each participant country will be assigned one vote, and none of the countries will have veto power».¹⁰⁰

6.1. *The West divided over the AIIB/China question*

From the end of 2014 till the end of 2015, the AIIB question was the cause of significant turbulence in US-Europe relations as well as in US-Australia relations. The West has thus been divided over an issue concerning China and how to deal with its rise in a way that, in spite of the deep differences in context and meaning, brings to mind the 1950s and 1960s, when a more-open European stance on how to deal with China was counter-posed to a total American closure.¹⁰¹

As reported by the Australian Financial Review, between the end of 2014 and the beginning of 2015, the US repeatedly tried to dissuade Australia from joining the AIIB, stating its official concerns about the nature of the AIIB objectives, its standards, and the fact that the bank would give the possibility to enhance China's military capacities in the region. In particular, the US was worried about China's having veto power over the AIIB's decision-making body, as this would further empower its foreign policy.¹⁰²

98. Rajiv Biswas, 'Reshaping the Financial Architecture for Development Finance: The new development banks', *LSE Global Studies Unit. Working Paper Series*, n. 2, 2015.

99. Ministry of External Relations, Brazil, *Press Release*, 'Fortaleza Declaration, 6th BRICS Summit', July 2014 (<http://brics.itamaraty.gov.br/media2/press-releases/214-sixth-brics-summit-fortaleza-declaration>).

100. 'About the NDB', *New Development Bank BRICS homepage*.

101. Carla Meneguzzi Rostagni & Guido Samarani, *La Cina di Mao, l'Italia e l'Europa negli anni della guerra fredda*, Bologna: Il Mulino 2014.

102. 'Abbott Missed an Opportunity with China', *Australian Financial Review*, 26 November 2014; 'Stop Thinking the «Worst» about China: Kevin Rudd', *Australian Financial Review*, 18 February 2016; 'US Anger at Britain Joining Chinese-led Investment Bank AIIB', *The Guardian*, 13 March 2015.

Among Western countries, the ice was broken in March when the United Kingdom announced its decision to become an AIIB founding member; after the UK, other Western countries, Australia included, followed its lead.¹⁰³ The US had an unusual and almost immediate public reaction: the 12th March issue of the *Financial Times* anonymously quoted an Obama administration official accusing the UK of «a trend of constant accommodation with China, which is not the best way to engage a rising power».¹⁰⁴ The anonymous official further argued that the British decision had been taken when the G7 was still in the midst of a debate in order to develop a comprehensive common approach towards the bank.¹⁰⁵

The issue at stake between the US and the rest of the West seemed to be what stance to take vis-à-vis China's ambiguous attitude towards the international system and its rules: engagement or containment. In this specific case, the US – whose own policy towards China has constantly wavered between the two stances since Nixon's times – was adopting a containment stance. Washington argued that the best way to be sure that China's AIIB would have been willing to abide by high-level international standards on workers' rights, environment, and corruption would be by putting pressure on Beijing from outside the AIIB. On their part, European countries claimed that, from inside the bank, they would be by far more effective in pushing China to follow those international rules. Of course, behind the divided American and European stance, so remarkable and, above all, so openly shown for the first time in history, there were diverging national priorities.

At that point, the US seemed far more worried about defending its declining global hegemony rather than securing her already-solid economic relations with China. As explained by Tobias ten Brink, America's greater ability, in comparison to the other countries, to deal with her own trade deficits, her massive military expenses and the recurring economic crises was not only due to China being the principal owner of the US national debt but also to the absolute global dominance of the US dollar. The US dollar global dominance, however, has been under attack for several years, as shown by at least two crucially important developments. The first is the use of currency-swap agreements finalized to substitute the US dollar with the Chinese yuan in commercial exchanges, especially among Asian countries. The second development is China's diversification policies of international financial investments, aiming at substituting US bonds with those from other international sources. In a context of increasing threat for the US dollar dominance, it's no wonder that the coming to the fore of the BRICS New Development Bank but, above all, of the AIIB provoked a sharp reaction

103. 'Europeans Defy US to Join China-led Development Bank', *Financial Times*, 16 March 2015.

104. 'UK and US in Sharp Row on How to Deal with Rising China'; 'US Attacks UK's «Constant Accommodation» with China', *Financial Times*, 12 March 2015.

105. *Ibid.*

from the Obama administration.¹⁰⁶ Moreover, as previously mentioned, the competitive pressure in the global market coming from the Chinese global firms was affecting the US as well as European firms, already seriously damaged by the global economic recession. The Chinese way of internationalizing firms was often under attack and accused of being unfair for not abiding by the neoliberal rules of the international market, especially because of the significant role played by the State in the «Go Global» process.¹⁰⁷

While the US seemed to have chosen a radical method to try to force the PRC to abide by neoliberal rules – by refusing to adhere to the AIIB, lobbying their allies not to do it, and creating the TPP, which excludes China – European countries seemed to have chosen to exploit the benefits of the Chinese way. Between September and October 2015, just to mention the most striking example, China and the UK exchanged visits at the highest level: George Osborne, UK Chancellor of the Exchequer, visited China in October, and Xi Jinping visited the UK in November. During Xi's four-day trip, the two countries issued a document, the *UK-China Joint Statement on Building a Global Comprehensive Strategic Partnership for the 21st Century*, which stated: «This visit opens a golden era in UK-China relations featuring enduring, inclusive and win-win cooperation». Among the several agreements on investment, commercial, and financial cooperation, it is worth mentioning the fact that China was offered the opportunity to invest in different sectors of the British economy and, in particular, in the nuclear sector. Furthermore, London was chosen as the first-ever financial centre outside China in which to open a sovereign debt market in Chinese renminbi.¹⁰⁸

On the whole, the great absence in the current triangular relations among the PRC, the US, and the UK was the usual Western pressure over China for human rights' protection. David Cameron had indeed been refusing to host the Dalai Lama since they last met in the UK in 2012, provoking, at that time, harsh reactions from China. During Xi Jinping's visit in October 2015, Prince Charles, a well-known supporter of Tibetan human rights, refused to participate in the state banquet. However, he hosted Xi and his wife at his Clarence House London Mansion and avoided meeting the Dalai Lama when the Tibetan leader visited the UK in September, just one month before the Chinese President's visit. Moreover, in 2014, London absolutely failed in supporting the Hong Kong pro-democracy movement against Beijing, a behaviour that has been defined «deferential» and «shameful» by Hong Kong pro-democracy activists. Lastly, in 2015, during his official visit in September, Mr. Osborne visited Xinjiang in spite of the controversial and harsh Chinese

106. Tobias ten Brink, 'The Challenges of China's Non-Liberal Capitalism for the Liberal Global Economic Order', p. 42; Francesca Congiu, 'Il processo di modernizzazione cinese tra «multipolarismo e polarizzazione»', pp. 233-34.

107. Francesca Congiu, 'China 2014: China and the Pivot to Asia', pp. 18-30.

108. 'UK-China Joint Statement 2015', *Foreign & Commonwealth Office*, 22 October 2015 (<https://www.gov.uk/government/news/uk-china-joint-statement-2015>).

repressive policy against Uyghur separatism. His goal was to try to assure UK lucrative construction contracts in the province in line with the overall aims of the Chinese OBOR project.¹⁰⁹ Notwithstanding this poor record by the UK government in defending Chinese human rights, the main argument used by the US to confront the UK decision to join the AIIB completely eschewed any reference to this problem. As noted above, the Obama administration's critique was indeed related to a supposedly wrong way to «engage a rising power».¹¹⁰

7. «Seeking new models of international cooperation and global governance»
in a changing international landscape

In 2015, the «One Belt, One Road» initiative was proposed by the Chinese leadership as a new and innovative Chinese foreign-policy strategy, potentially able to reform global governance and democratize international relations. As stated by an official Chinese press agency: «The [OBOR] plan is expected to change the world political and economic landscape through development of countries along the routes, most of which are eager for fresh growth».¹¹¹

The point of departure and the legitimacy basis for this strategy – which, as already noted, were not new in Chinese foreign policy but which were reaffirmed with significant emphasis by the fifth generation of Chinese leaders – was Xi Jinping's Address at the Fourth Central Conference on Work Relating to Foreign Affairs (*Zhongyang waishi gongzuo huikuai*), held in Beijing on 28-29 November 2014.¹¹² The Conference, chaired by Premier Li Keqiang, was the first on foreign affairs since 2006 and was attended by the entire Politburo Standing Committee, by central and local civilian and military bureaucrats, by almost all Chinese ambassadors, and by commissioners of the Ministry of Foreign Affairs to both the Hong Kong and Macao

109. 'UK woos China during Xi visit', *World Socialist Website*, 21 October 2015; 'Dalai Lama on Britain's Policy Towards China: «Money, Money, Money. Where is Morality»', *The Independent*, 23 September 2015; 'Hong Kong Activist Attacks «Def-erential» Britain', *The Telegraph*, 5 September 2014; 'Osborne Seeks Trade in China's Restive Xinjiang Region', *Financial Times*, 23 September 2015.

110. 'US anger at Britain joining Chinese-led investment bank AIIB', *The Guardian*, 13 March 2015.

111. 'China Headlines: China's Belt and Road; connecting the world', *Xinhua-net*, 28 March 2015. See also: 'An Outlook on China's Diplomacy', *Beijing Review*, 19 March 2015; Ministry of Foreign Affairs of the People's Republic of China, *Foreign Minister Wang Yi Meets the Press*, 8 March 2015 (http://www.fmprc.gov.cn/mfa_eng/wjb_663304/wjbz_663308/2461_663310/t1243662.shtml).

112. Ministry of Foreign Affairs of the People's Republic of China, *The Central Conference on Work Relating to Foreign Affairs was held in Beijing*, 29 November 2014 (http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1215680.shtml).

Special Administrative Regions. Its main aim was to launch and strengthen the guidelines, principles, and major goals of China's diplomacy in a deeply transformed and interdependent international scenario. The core argument of Xi Jinping's address was the necessity to develop a new diplomatic approach in accordance with both China's long-standing dependence on the world and the world's new and growing dependence on China.¹¹³ According to Xi, the world and China were so intertwined that, for the sake of China's own domestic and international development, the Chinese leadership had, more seriously than in the past, to rethink its diplomacy in terms of «win-win cooperation» in order to build «a new type of international relations» (*xinxing guoji guanxi*).¹¹⁴

In the words of Chinese Foreign Minister Wang Yi: «This important exposition of President Xi Jinping is a synthesis of the new diplomatic theories and practices we have developed in our relations with major countries, neighbouring countries and developing countries».¹¹⁵ According to Wang Yi, this diplomatic stance had already brought about the establishment of a China-centred «global network of partnerships». Since the end of the Cold War, China had indeed launched a diplomatic strategy aimed at getting «partners instead of allies».¹¹⁶

Xi Jinping's theses have been reiterated and given theoretical depth by some well-known Chinese intellectuals. In one of his articles, Su Ge, the President of the China Institute of International Studies in Beijing, identified the 9/11 attacks (2001) and the 2008 international financial crisis as the major turning points that contributed to modify the international structure. In Ge's words: «[...] the economies of the United States and developed western countries tended towards relative decline while those of some newly emerging economies experienced new vitality and an increase in strength and standing [...] The G20 summit has become the principal platform for the international community to cope with the financial crisis, the emerging countries have enhanced their influence in international affairs, and the trend of world multi-polarity is becoming increasingly salient».¹¹⁷ In addition, Su Ge argued that the US, in order to cope with her decline, had promoted her rebalancing strategy towards the Asia-Pacific region and taken a hard line on what she judged the unfair competition practices of the emerging economies. This hard line had found expression in both the Transpa-

113. 'Xi eyes more enabling int'l environment for China's peaceful development', *Xinhuanet*, 30 November 2014.

114. *Ibid.*; 'The Central Conference on Work Relating to Foreign Affairs was held in Beijing'.

115. 'Full Text of Foreign Minister Wang Yi's Speech on China's Diplomacy in 2014', *Xinhuanet*, 26 December 2014.

116. *Ibid.*

117. Su Ge, 'Transformation of International Structure and China's Diplomatic Strategy', *China International Studies*, July-August 2015, pp. 5-25 (§. 6).

cific Partnership Agreement and the Transatlantic Trade and Investment Partnership (TTIP), which had been conceived with the goal «to bypass or replace relevant WTO rules and formulate a capital operation system that overrides state sovereignty».¹¹⁸ Likewise Ding Yuanhong, previous Ambassador in the European Union and former Director of the Policy Research Center of the Ministry of Foreign Affairs, identified the shifting balance of power between developed and developing countries as one of the major factors of change in the international architecture.¹¹⁹

This vision, which highlighted the need for a rebalance in global governance, was further enhanced, with special reference to Asian countries, by the rhetorical concept of the so-called «community of common destiny», propounded by Xi Jinping in his speech at the Boao Forum for Asian Annual Conference of March 2015.¹²⁰ In Xi Jinping's speech – integrated by the remarks of Chairman of the National Committee of the Chinese People's Political Consultative Conference Yu Zhengsheng, and of Chinese vice-president Li Yuanchao¹²¹ – the «community of common destiny» substantially appears as another expression to indicate Chinese aims and efforts to promote a different type of international relations and global governance. As stated by Li Yuanchao, China proposed itself as the «proponent, supporter and facilitator» of the process aiming at reaching this goal.¹²²

Although most of the rhetorical discourse around the «community of common destiny» was especially addressed to Asian countries, China's declared aims were effectively and ambitiously directed to the whole world. In Li Yuanchao's own words: «The destiny of the Chinese people is inseparable from that of people of all countries, so are our dreams and aspirations closely connected with those of other people. China actively advocates a community of common destiny for all».¹²³

The Asian «community of common destiny» was essentially intended in two forms: Asian economic integration and Asian security. In an undeniable effort to deal with the extraordinary escalation of military and economic tensions in the East and South China Seas, Xi Jinping asked Asian countries to «shelve differences and seek common grounds».¹²⁴ In particular, apart from

118. *Ibid.* (§. 9).

119. Ding Yuanhong, 'Different Perceptions of International Order', *Chinese People Institute of Foreign Affairs*, 115th Issue, Spring 2015.

120. 'Towards a Community of Common Destiny and a New Future for Asia', *Full text of Chinese President's Speech at Boao Forum for Asian Annual Conference 2015 – China.org*, 29 March 2015.

121. 'Advance Asian Security for Common Development. Remarks by Yu Zhengsheng'; 'Working together to Build a Community of Common Destiny for World Peace and Security. Remarks by Li H. E. MR. Li Yuanchao', *Chinese People Institute of Foreign Affairs*, 115th Issue, Autumn 2015.

122. *Ibid.*

123. *Ibid.*

124. 'Towards a Community of Common Destiny and a New Future for Asia' (§. 12).