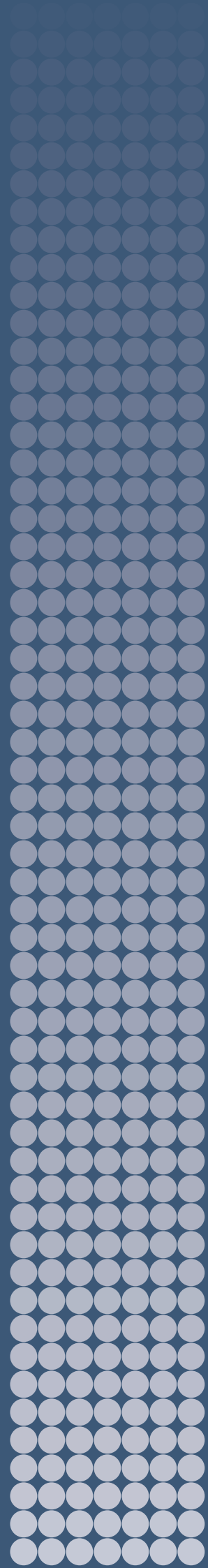


THE SILK ROAD ECONOMIC BELT

Considering security implications
and EU–China cooperation prospects

BY RICHARD GHIASY AND JIAYI ZHOU



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Contents

Preface	v
Acknowledgements	vii
Executive summary	ix
1. The Silk Road Economic Belt dissected	1
1.1. Defining the scope and aims	2
1.2. Exploring China's motivations	4
1.3. Relation to China's evolving security concepts	12
1.4. Conclusions	16
2. The Silk Road Economic Belt: interaction with regional security dynamics	19
2.1. Interaction with security dynamics in Central Asia	19
2.2. Interaction with security dynamics in South Asia	28
2.3. Compatibility with Russian security interests	39
2.4. Conclusions	42
3. The Silk Road Economic Belt: an opportunity for European Union–China cooperation?	45
3.1. Compatibility with European Union security interests	45
3.2. Ways forward for the European Union	50
Annex I. United Nations Sustainable Development Goals (SDGs)	57
Annex II. Abbreviations	59
List of figures	
Figure 2.1. Map of Central Asia illustrating Silk Road Economic Belt projects and fragility indicators per state	24
Figure 2.2. Map of South Asia illustrating China–Pakistan Economic Corridor projects and interaction with South Asian security dynamics	34

Preface

The Silk Road Economic Belt (the ‘Belt’) component of the Belt and Road Initiative proposed by China in 2013 is an ambitious vision that has evoked enthusiasm among many stakeholders. Among other objectives, the Belt intends to promote infrastructural development and connectivity, and stimulate economic integration across the Eurasian continent. Europe is an integral part of China’s transcontinental vision, and the European Union (EU) has its own vested interests in the Belt—as the EU–China Connectivity Platform demonstrates. Beyond direct economic engagement, the Belt could also function as an entry point for deeper cooperation between the EU and China on a range of issues related to global and regional governance.

However, the EU first requires a more comprehensive understanding of the Belt’s strategic implications in their totality—and how they might relate to its own security and foreign policy objectives. There remain concerns and uncertainties as to why China has proposed the Belt, whether it potentially serves a geopolitical agenda, and how it will interact with economic and political dynamics in the many fragile and developing states through which it passes. There are also questions as to how the Belt will interact with local security dynamics and regional geopolitics. To date, very little international discourse has focused on answering these important questions, and it is precisely this gap in analysis that made SIPRI initiate this project in cooperation with the Friedrich-Ebert-Stiftung (FES).

The first section of this report describes what the Belt essentially is, as well as the drivers and interests that led China to initiate it. It places the Belt in the context of China’s own evolving security interests and aspirations. The second section delves into perceptions of the Belt and its interactions with security dynamics in two selected regions that are integral to the Belt’s vision and road map: Central and South Asia. The third and concluding section turns its sights on the EU and assesses the compatibility of the Belt with the EU’s foreign and security interests, both in general and in these specific regions. Based on this, an analysis is provided of whether, and in which domains, the EU could possibly engage in cooperation with China and regional actors within the context of the Belt.

This policy report is the culmination of a year’s work of extensive research and analysis on a novel, vast and still-evolving Chinese vision. The authors have gone to great lengths to explore the issues. In addition to secondary sources in English, the authors utilized Chinese and Russian primary sources, and spoke with 156 experts, including academics, journalists, policy advisors and policymakers, at a total of 84 institutes in 12 cities in 7 countries throughout Eurasia. These conversations took place in countries along the main corridors of the Belt, starting in China and gradually moving west to the seat of the EU in Brussels. The offices of the FES in Beijing, Astana, Islamabad, Moscow and Brussels facilitated many of the meetings and organized policy workshops. Evidently, these conversations greatly contributed to this report. We hope that stakeholders in the EU, as well as Chinese and other Belt stakeholders, will find this policy report an illuminating read.

SIPRI and the FES would like to express their sincere gratitude to all the interlocutors who met with the authors and shared their valuable insights.

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Any faults in the report are our own.

The Authors

Executive summary

This one-year desk and field study has examined the Silk Road Economic Belt (the ‘Belt’) component of China’s Belt and Road Initiative from a security perspective. The report has three components: (a) it has analysed what the Belt essentially is, what has driven China to initiate it, and how it relates to China’s own security interests; (b) it assesses what the Belt’s security implications are and might be in two selected regions of the Eurasian continent (in this report ‘Eurasia’ refers to the combined landmass of Europe and Asia), namely Central and South Asia; and (c) based on the sum of these findings, this study elaborates on whether the Belt is a platform for European Union (EU)–China cooperation on mitigating security threats throughout Eurasia, and provides policy recommendations to the EU on how to proceed. In the context of the report, ‘security’ is defined broadly in relation to intra- and interstate stability: it encompasses human security and developmental conditions.

The Belt is a still-evolving, long-term Chinese vision for Eurasian infrastructural development, connectivity and economic cooperation. There exists a vast vacuum of critical infrastructure in large parts of Eurasia, which many relevant states are not able to fill, even with the aid of existing multilateral development funds. The Belt intends to fill much of this vacuum, and while the political longevity of the initiative and efficacy of its implementation remains to be seen, it has been received with enthusiasm throughout many parts of Eurasia.

In official terms, the Belt is framed as a relatively altruistic offering, based on the principles of mutual benefit and win–win. It sets no a priori limitations on actors, methods or norms, and permits for a great deal of flexibility. In this regard, it has the potential to become a leading model of bilateral and multilateral economic cooperation in Eurasia. However, a number of stakeholders are sceptical of its feasibility, specifically in reference to security challenges throughout Eurasia. There are additional concerns about its geopolitical underpinnings, namely that the initiative is not in fact sufficiently multilateral, and serves to expand China’s strategic political and economic influence among participating states. There is little official Chinese discourse on its political drivers, which contributes to this speculation.

But what is clear is that the Belt is driven by a wide range of motivations, including enhancing China’s domestic economic security by increasing its global economic and, particularly, financial clout, mitigating security threats, and garnering strategic space. Indeed, it has evolved beyond any singular issue to become a convergence and clustering of multiple diplomatic, domestic socioeconomic, financial, geoeconomic and geopolitical interests and drivers, as well as pre-existing governmental overtures and proposals. Whether it is able to successfully further China’s interests in relation to these issues remains to be seen.

Regardless, China’s expanding overseas economic footprint through the Belt will, over the long term, serve as additional impetus for it to take leadership in global governance and regional and local state security affairs. Indeed, the Belt corresponds with China’s increasingly proactive security concepts, which stress common security through development and economic cooperation. The initiative may become one of the cornerstones of Asian economic growth and integration, and eventually of closer political and security cooperation among states, but the pathway to this scenario is long and fraught with obstacles. Without clearly defined targets it is difficult to assess the Belt in terms of success, or failure, over time.

Indeed, China may have overestimated local institutional and economic governance capacity and its own financial and diplomatic clout. It may also have underestimated the breadth of the geopolitical difficulties it may encounter. Political tensions and

turmoil within Eurasian states may impact the Belt, but the Belt itself also interacts mutually with these dynamics. Some implications of the Belt on security dynamics in Central and South Asia are as follows.

1. In both Central Asia and South Asia (specifically Pakistan), the Belt could exacerbate governance problems, primarily economic accountability and corruption. It could also potentially help to keep regimes in place that have a poor democratic or developmental track record and exacerbate structural elements of instability. It may, however, stimulate greater stability if the local governments can utilize Belt capital to foster inclusive and sustainable socioeconomic growth.

2. In Central Asia, the Belt could potentially stimulate greater cooperative efforts and political will among states to effectively address underlying regional hazards in the interest of mutual economic benefit.

3. In South Asia, the Belt's China–Pakistan Economic Corridor (CPEC), has raised political temperatures between India and Pakistan. India strictly opposes CPEC, and while the Belt is not a harbinger of new conflict, it has so far intensified historic competition over influence in South Asia. Furthermore, at this stage, the Belt has little potential to help thaw relations between Pakistan and Afghanistan, but there may be prospects for this over the medium to long term.

4. For now, the Belt does not structurally conflict with Russian security or Eurasian Economic Union (EEU) objectives, whether nationally or in Central Asia.

More specific local sources of insecurity in Central and South Asia exist with or without Belt presence. They are not easily resolved on their own accord, and the Belt is, at the very least, an opportunity to begin to address these common challenges.

Indeed, the Belt can provide public goods that could potentially catalyse socioeconomic development in Central and South Asian countries. However, positive developmental spillovers of the Belt will also very much depend on the practical details of implementation: the distribution of spoils and benefits, both between Chinese stakeholders and local states, as well as between the ruling elite in those states and other sections of the population. It will require a more comprehensive commitment to policies that foster human security, rather than only regime- and state-centric security, both by China and, particularly, local actors.

Inevitably, the Belt impacts EU security interests in both Central and South Asia. Greater interconnectivity potentially facilitated by the Belt gives the EU impetus to think more strategically and contribute more proactively to stability outside of its immediate neighbourhood. This, however, requires the EU to develop its own strategic vision for stability and security in Eurasia as a whole, and the role it sees for itself and stakeholders within that picture. Such a vision would be an ideal starting point from which to assess the Belt. At present, bar the EU–China Connectivity Platform, Brussels does not have a common voice and strategic response to the Belt.

At an institutional level, the EU still requires a more comprehensive understanding of the Belt's strategic implications in their totality before it engages in the Belt in greater measure. This includes understanding all of the Belt's implications on the EU's own stated foreign, security and economic interests.

The Belt, as a loose and non-institutionalized framework that proceeds largely through economic projects, is not itself an ideal platform for the EU and China to collaborate on topics of hard security. However, in relation to Belt implementation, this report concludes that there are potential cooperation opportunities within the realm of human security and development.

The EU, in coordination with other relevant stakeholders, could utilize the opportunity presented by the Belt to engage China and pull it closer towards the type

of ‘rules-based global order’ most in line with its own interests and values. There is value in EU engagement with China on a range of associated non-traditional and soft security topics, from sustainable development and energy security to regional integration and governance.

However, cooperation in practical terms may be hampered by differences in approaches and political values. While the Belt is largely in line with the EU’s interests in Central and South Asia, implications for the EU’s normative and value-based agenda remain in question. As such, one feasible and relatively apolitical avenue for the EU and China to cooperatively engage with the Belt is through the common framework of the United Nations Sustainable Development Goals (SDGs). Indeed, the Belt is a potential accelerant to the achievement of the SDGs, and both China and the EU view socioeconomic development as being heavily linked to stability and security in the relevant states of Central and South Asia.

More concretely, this report recommends that the EU considers the following.

Over the short term

1. Allocating more human capital at the European External Action Service (EEAS) and other relevant agencies to map and monitor Belt security implications. Building on this, reach out to relevant Chinese authorities to discuss and map the Belt’s short-, medium- and long-term security implications, and how these affect EU foreign and security interests. This can serve as a framework through which unfolding implications can be monitored and assessed.

2. Establishing more robust and frequent in-country dialogues with China at the level of embassies and missions, as well as with other third-party actors such as non-governmental organizations (NGOs) and organized business, with the minimal goal of greater Belt security information and risk evaluation sharing. This could also be utilized to explore synergies in developmental and soft security programming between the EU and China. Local states and third-party actors could share information, and case studies for best practices in engaging China could be developed.

3. Engaging with China, the UN and other Belt stakeholders through the Global Development Framework and UN Agenda 2030, to maximize benefits to human security, state-societal resilience, and social returns of Belt investment in infrastructure and associated sectors. Outside of UN channels, this could take place through the annual bilateral development dialogues at senior official levels, as established in the EU–China 2020 Agenda for Cooperation.

Over the short to medium term

4. Delineating an EU vision for a more stable and secure Eurasia. This would need to incorporate the EU’s own strategic role in Eurasia, its views on Asian security architecture and its vision for governance vis-à-vis other important stakeholders, including not only the United States and China, but also India and Russia, middle powers, and local actors. This vision would need to include policy suggestions for a more unified and strategic EU approach to security interests in Central Asia and South Asia. This vision could then act as the guideline for all EU endeavours in, and assessment of, other Eurasian security and connectivity proposals, including the Belt.

5. Providing technical and development-security policy assistance for Belt-participating states to better utilize and align Belt funding for purposes of sustainable national economic development, human security provision, and local states’ own commitments to the SDGs. This could be done in coordination with Chinese actors. Many Belt-participating states lack the institutional capacity to pursue such agendas

effectively, and the EU's competitive advantages and soft power could translate into much-needed expertise.

6. Taking the lead with key continental Eurasian actors, China, India and Russia, and other relevant actors to set up a joint consultative Belt coordination mechanism. As the Belt's footprint grows, so will security implications to all these and smaller actors. All interested Belt stakeholders should engage in closer joint analysis, planning and monitoring. This assessment should be comprehensive and include the Belt's development and integration vision, including routes and trade flows. These are better coordinated in advance so that possible future post-implementation friction is avoided and EU economic security interests are not threatened.

7. Tailoring EU developmental programming in relevant states in response to changing economic or business landscapes as shaped by the Belt, for instance, through (a) educational and vocational training programmes in associated technical industries to maximize local job creation and poverty reduction; (b) the use of existing environmental protection programmes to monitor and minimize the ecological footprint of Chinese large-scale investments; or (c) complementary projects in social infrastructure. This could be done in greater coordination with Chinese stakeholders, as well as in conjunction with local civil society, to ex ante minimize any socioeconomically disruptive aspects of Belt projects.

Over the medium term

8. Seeking a role in and/or dialogue mechanism with the Shanghai Cooperation Organization (SCO) and the Conference on Interaction and Confidence-Building Measures in Asia (CICA): it is likely that these bodies will play an increasingly important role with regard to discussions on the Belt's security dynamics and, in the case of the SCO, of actual security policies and related activities. In addition, the EU could seek greater security dialogue with China through the Organization for Security and Co-operation in Europe (OSCE).

9. Engaging with China, Afghanistan and other relevant stakeholders on assessing how the Belt, specifically the CPEC component, may be best utilized to contribute to Afghanistan's fragile security situation. This could be spearheaded through Track 1.5 dialogues. The EU has invested substantially in Afghanistan since 2001 (by any measure): it is therefore only logical that it has a say in regional integration efforts. Chinese and Pakistani interest in developing, connecting and safeguarding CPEC cannot be underestimated and could be utilized strategically to improve Afghanistan's stability.

10. Exploring longer-term joint investment projects in third countries, and deepening cooperation between relevant Chinese funding institutions, including the Asian Infrastructure Investment Bank (AIIB), and those such as the European Investment Bank (EIB) or European Bank for Reconstruction and Development (EBRD), as well as other relevant banks and developmental agencies, as a means of raising procurement, regulatory, environmental, labour and other investment standards. This could help to (a) mitigate risks that Belt investment could exacerbate poor economic governance in relevant states; and (b) minimize any socio-politically disruptive investments.

1. The Silk Road Economic Belt dissected

KEY FINDINGS

The Silk Road Economic Belt:

- is a loose and still-evolving international economic cooperation model that could catalyse development and integration in Eurasia and contribute to mitigating security threats—yet its effectiveness and longevity remain to be seen;
- addresses a vast Eurasian critical infrastructure and connectivity deficit that has few or no other large-scale financial alternatives. It has largely been received enthusiastically, although there remain concerns about its feasibility, geopolitical underpinnings and long-term political implications;
- is driven by a wide range of Chinese national interests: economic, diplomatic, financial, and geopolitical. These include enhancing domestic economic security, increasing China's global financial clout, mitigating security threats, and garnering strategic space for itself in Eurasia;
- will, over time, serve as an impetus driving China to become more proactive in shaping global governance and regional and local state security affairs, as China's interests expand in line with its overseas economic footprint;
- fits into China's security concepts, which stress common security through economic cooperation. It could become a cornerstone of an economically more autonomous Eurasia—and Asian security cooperation;
- may have overestimated local institutional capacity and could be bogged down by geopolitical competition and China's own financial overextension; and
- requires greater in-depth analysis of the political and socioeconomic dynamics throughout Eurasia.

The Belt and Road Initiative (BRI) is arguably China's single most ambitious foreign policy programme since the People's Republic was founded in 1949.¹ The initiative, introduced in September–October 2013, is a long-term infrastructural development, production and economic integration vision—primarily, but not exclusively, targeting the Eurasian landmass (in this report 'Eurasia' refers to the combined landmass of Europe and Asia). Albeit to a smaller degree, according to some quasi-official maps the BRI also intends to connect with: Africa, mostly North, North East and South Africa (South Africa is a pivotal state in some of the designs of the Road); Oceania; and even Latin America. The BRI has two major components: the land-based Silk Road Economic Belt (the 'Belt'), and the sea-based 21st Century Maritime Silk Road (the 'Road').

This report focuses only on the Eurasian continent-focused Belt. In subsection 1.1 official Chinese narratives regarding the Belt are compared and contrasted against the various understandings and general concerns of stakeholders. Subsection 1.2 considers China's motivations for initiating the Belt, meaning the drivers and underlying interests. The Belt is then placed in the context of China's evolving security concept in subsection 1.3, to assess how it is being integrated. The authors hope that this approach will provide Belt stakeholders and other interested parties with an updated, comprehensive and nuanced understanding of the broader Belt security context and drivers. While the focus of the report is on the Belt, the BRI is nevertheless referenced where due. This is because (a) the nature and purpose of the Belt are intertwined with the initiative as a whole: both the Belt and the Road were introduced as complementing

¹ Reference to the Silk Road Economic Belt and the 21st Century Maritime Road collectively has shifted from 'One Belt, One Road' (OBOR) to the 'Belt and Road Initiative' (BRI). The reason for this probably lies in retrospection: the previous title evoked notions of a single, land-based 'belt', i.e. route, and a single sea-based 'road', i.e. sea lane, instead of the multitude that it intends to comprise. However, the new title still carries some notion of singularity. The BRI is neither really a 'belt' nor a 'road'. China had the 'misfortune' that the United States had already used 'New Silk Road' in 2011 before it could.

components of the initiative; and (b) in some cases, the context specifically requires reference to the BRI. Security in the context of the report is defined broadly in relation to intra- and interstate stability. It includes developmental factors and encompasses human security.

1.1. Defining the scope and aims

The Belt is a Chinese proposal to interlink the countries and economies of the Eurasian continent through a range of projects focused first and foremost on infrastructural development and connectivity, and coordination of national and regional development plans. In essence, the Belt intends to (a) expand and connect transport networks and markets; (b) disperse and improve Eurasian production capacity; and (c) facilitate the transit of goods, capital, energy, raw materials and—to some extent—information, people and culture. It plans to do this through substantial investments in road, rail, port and aerial infrastructure, along with ancillary facilities such as power grids, energy pipelines and high-speed fibre optic cables. Chinese authorities claim that cooperation through the BRI could involve some 65 countries, some 63 per cent of the current world population and an increasing, yet undefined, share of the world's gross domestic product (GDP).² In addition, the initiative could contribute, directly or indirectly, to many if not all of the United Nations Sustainable Development Goals (SDGs) (see Annex I), although this ultimately depends on the quality of the BRI's implementation.³

The March 2015 white paper, 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road', the most comprehensive official policy on the BRI issued to date, has clarified general integration goals. The Belt's five major goals are to promote: (a) policy coordination, (b) facilities connectivity, (c) unimpeded trade, (d) financial integration, and (e) people-to-people bonds (the 'five connectivities').⁴ In China's view, connectivity and co-development are common interests and keys to peace and prosperity.⁵

More concretely, the Belt is related to six planned economic corridors stretching outwards from China throughout Eurasia, some of which merge with the Road.⁶ In the European Union (EU), these corridors end up in Rotterdam, Hamburg, Prague and Madrid.⁷ Some of these economic corridors, as well as related components or projects, had already been proposed, planned or completed prior to the Belt announcements, but have been subsequently subsumed into the Belt. However, the Belt is also progressing through a range of investment projects unconnected to infrastructural and transport corridors, ranging across a variety of economic sectors (see figure 2.1. and figure 2.2.). Beyond outwards investment, there is also a strong domestic component to the Belt. One case in point is the Xinjiang Special Autonomous Region (SAR), which is deemed

² Wu, J., "One Belt and One Road", far-reaching initiative', China-US Focus, 26 Mar. 2016, <<http://www.chinausfocus.com/finance-economy/one-Belt-and-one-road-far-reaching-initiative/>>.

³ Hong P., 'The "Belt and Road" towards the Sustainable Development Goals', 15 July 2016, <http://blog.sina.cn/dpool/blog/s/blog_9cc0e6840102x6ig.html?type=-1&from=timeline&isappinstalled=0>.

⁴ Chinese National Development and Reform Commission, 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road', Chinese Ministry of Foreign Affairs and Chinese Ministry of Commerce, 28 Mar. 2015, <http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html>.

⁵ See e.g. President Xi Jinping's Remarks at the Fourth Conference on Interaction and Confidence Building Measures in Asia (CICA), May 2014, <http://www.fmprc.gov.cn/mfa_eng/topics_665678/yzhxzyxrcshydsfht1162057.shtml>.

⁶ The six planned economic corridors are the China–Mongolia–Russia Economic Corridor (CMREC), the New Eurasian Land Bridge (NELB), the China–Central Asia–Western Asia Economic Corridor (CCWAEC), the China–Indo–China Peninsula Economic Corridor (CICPEC), the China–Pakistan Economic Corridor (CPEC), and the Bangladesh–China–India–Myanmar Economic Corridor (BCIMEC).

⁷ These are proposed corridors and termini as found in Chinese state media: they are semi-official and subject to change.

to be a ‘core area’ and a major economic hub connecting China to the other Eurasian markets. Xinjiang borders no fewer than eight countries and connects the broader region with the Indian Ocean through the China–Pakistan Economic Corridor (CPEC), a Belt flagship corridor. Twenty-four other Chinese provinces, SARs and municipalities have also been identified in the ‘Vision and Actions’ white paper as relevant areas for BRI construction and cooperation.⁸

However, the Belt has no formal institutional structure. A deliberation and coordination body for the BRI overseen by vice-premier Zhao Gaoli has been established within the National Development and Reform Commission (NDRC), a powerful mostly domestic-oriented ‘super ministry’, in charge of the Chinese economy and development. However, implementation of the BRI takes place across multiple actors at multiple levels. This includes various Chinese ministries, most notably the Ministry of Commerce (MOC) and the Ministry of Foreign Affairs (MFA), local provincial or municipal authorities with individual implementation plans, as well as both state-owned and private corporate actors and investors. Certain funding mechanisms for the Belt have already been established, including the Asian Infrastructure Investment Bank (AIIB) and the New Silk Road Fund (NSRF),⁹ and banking structures such as the China Development Bank (CDB), the New Development Bank (NDB) and the Export-Import Bank of China (EXIM).¹⁰ Other major financial sources include China’s sovereign wealth fund (SWF), through the China Investment Corporation, and China’s foreign exchange reserves, through the State Administration of Foreign Exchange.¹¹ China stresses that it is not aiming to export Chinese state capital as the sole source. Instead, it is looking to stimulate Chinese and non-Chinese private capital, including for smaller ancillary industries. However, while the ‘Vision and Actions’ white paper mentions market mechanisms, it is likely that in initial stages large financial institutions and investment groups and Chinese and non-Chinese state-owned enterprises (SOEs) will take the lead. In large part, this is because they have access to resources, tend to be more willing to take on risk to build and link critical infrastructure, and in some cases are the recipients of investment protection from host countries.¹² Connectivity projects will be realized through mostly bilateral but also multilateral processes, including in cooperation with other pre-existing regional initiatives.

Importantly, there exists no official and definitive list of the countries and projects encompassed by the initiative. Although the BRI makes reference to 65 countries, these countries are categorized simply as either BRI-‘adjacent’ (沿线) or BRI-‘related’ (相关) countries.¹³ Furthermore, while China’s Ministry of Commerce publicly reports on BRI-related activity, it places the wholly Chinese-backed non-financial investments and foreign-contracted projects within these countries into the broad

⁸ Chinese National Development and Reform Commission (note 4).

⁹ Japan and the USA have opted not to become members.

¹⁰ Apparently, the CDB has already committed to investing more than 890 billion US dollars into more than 900 projects involving 60 countries. However, these numbers include the Road. China Daily, ‘China to invest \$900b in Belt and Road Initiative’, 28 May 2015, <http://www.chinadaily.com.cn/business/2015-05/28/content_20845654.htm>.

¹¹ China’s SWF as of June 2016. See Bloomberg, ‘China Foreign Reserves Unexpectedly Climb to \$3.21 Trillion’, 7 July 2016, <<http://www.bloomberg.com/news/articles/2016-07-07/china-reserves-rise-on-valuation-as-brex-it-boosts-haven-demand>>; and Jin, Q., ‘丝绸之路基建计划: 资金从何而来?’ [The Silk Road infrastructure plan: from where will the funds come?], *Financial Times Chinese*, 13 May 2016.

¹² The Economist Intelligence Unit, ‘Prospects and challenges on China’s ‘one belt, one road’: a risk assessment report’, 2015.

¹³ Chinese Ministry of Commerce, ‘“一带一路”有望构建新的全球经济大循环’ [The Belt and Road will hopefully construct a new global economic cycle], 13 Apr. 2016; <<http://trb.mofcom.gov.cn/article/zuixindt/201604/20160401295001.shtml>>; and Wang C., ‘Gongyehua lanpishu: “yidai yilu” yanxian guojia gongyehua jincheng baogao fabu’ [工业化蓝皮书: “一带一路”沿线国家工业化进程报告发布], Chinese Academy of Social Sciences, 7 Feb. 2016, <http://www.cssn.cn/zx/bwyc/201602/t20160207_2863161.shtml>.

‘BRI-related’ category.¹⁴ This lack of specificity speaks again to the lack of a well-defined formal framework, but also to a high degree of flexibility for both projects and participating countries. As of mid-February 2016, China had signed official BRI-related memorandums of understanding (MOUs) with approximately 30 countries. By August 2016, this had reached active participation with over 60 countries and several international organizations, including the UN Development Programme (UNDP).¹⁵ However, several of these MOUs have not yet been given much substance and BRI partner country follow-up and commitment has not always been notable.¹⁶ Therefore, the Belt is very much a work in progress, one whose development may in fact be measured across decades. The initiative is referred to as a very long-term one by Chinese authorities, and no completion date has been set.¹⁷

Thus, the Belt remains, at the conceptual level, a rather loose cooperation framework. While it aims to coordinate policies and economic development strategies among states, it does not set a priori parameters on methods, actors or mechanisms—nor is it treaty-based. Nonetheless, it should be noted that the Belt is not an entirely new endeavour. China and a number of states in the Caucasus, Central Asia and Eastern Europe have been promoting closer integration since at least the late 1990s.¹⁸ To some degree, the Belt is also a continuation of China’s regional connectivity policies from the 1990s, and builds on a number of existing and uncompleted physical linkages throughout Eurasia. As such, the Belt serves to harmonize and synchronize existing fragmented policies with new policy aims, and current and future projects—including a number of existing oil and gas pipelines.¹⁹

1.2. Exploring China’s motivations

The BRI finds its origins in a number of policy ideas originating from Chinese ministries. Within China’s MFA, the Eurasian Division united a variety of regional economic cooperation initiatives that had been explored over the past decade into the Belt concept. Within the MFA’s Asia Division, the Belt idea was posited as a means of furthering Asian-Pacific integration and cooperation with the Association of Southeast Asian Nations (ASEAN).²⁰ Around the same time, the MOC proposed a plan for a large-scale outpouring of China’s capital reserves in order to stimulate economic demand overseas, to mitigate China’s structural overcapacity problems and to resolve the issue of slumping demand.²¹ These various proposals came to the attention of the high-level political leadership and, after the 18th Communist Party of China (CPC)

¹⁴ Chinese Ministry of Commerce, ‘2016年1季度对“一带一路”相关国家投资合作情况’ [Investment cooperation with Belt and Road-related countries in the first quarter of 2016], Department of Outward Investment and Economic Cooperation, 21 Apr. 2016, <<http://hzs.mofcom.gov.cn/article/date/201604/20160401302151.shtml>>.

¹⁵ Chinese National Development and Reform Commission, “‘一带一路’建设取得良好开局” [Belt and Road construction has achieved a good start], 15 Feb. 2016, <http://www.sdpc.gov.cn/xwzx/xwfb/201602/t20160215_774656.html>.

¹⁶ Montesano, F. S. and Okano-Heijmans, M., ‘Economic diplomacy in EU–China relations: why Europe needs its own “OBOR”’, Clingendael Policy Brief, June 2016, p. 5.

¹⁷ According to Renmin University Professor Wang Yiwei, the design of the initiative should be completed by 2021 (the centenary of the founding of the Communist Party of China, CPC) and the implementation phase by around 2049 (the centenary of the founding of the People’s Republic of China). See Wang, Y., *The Belt and Road Initiative: What Will China Offer the World in Its Rise* (New World Press: Beijing, Feb. 2016), p. 16.

¹⁸ Shepard, W., ‘The new Silk Road is not Chinese, it’s international’, *Forbes*, 14 Oct. 2016.

¹⁹ More recently, other actors have also laid out integration visions for (Eur)Asia: notable examples include Russia’s Eurasian Economic Union (EEU), North Sea/Arctic route, and the North–South Transport Corridor (NSTC), India’s ‘Act East’ and its Iran-Afghanistan-Central Asia connectivity vision, Japan’s Indo-Pacific concept, South Korea’s Eurasian Initiative and Turkey’s Vision 2023.

²⁰ K., Zhao, ‘‘一带一路’的中国方略研究’ [Research on the Grand Strategy of China’s BELT], *Xinjiang shifan daxue xuebao (zhexue shehui kexue ban)*, no. 1, 2016.

²¹ ‘许善达:中国版马歇尔计划需5000亿美元外储支持’ [Xu Shanda: Chinese Marshall Plan to be supported by 500 billion in foreign exchange reserves], <<http://finance.sina.com.cn/china/hgjj/20090806/07566578273.shtml>>; and ‘China’s Great Game: road to a new empire’, *Financial Times*, 12 Oct. 2015.

National Congress, were adopted and merged into a broader unified initiative, as laid out in the March 2015 'Vision and Actions' white paper.

Many scholars and experts in China have come to associate the BRI with President Xi Jinping himself: it has become one of his signature policy pillars and initiatives, and a marker of his leadership. Given the top-down nature and opacity of policymaking in China, speculation has abounded as to why the BRI was introduced and as to what specific interests it serves. Indeed, Chinese scholars themselves remain divided in their views on whether the BRI is in essence a geostrategic, economic or national developmental strategy.²² For those that stress the geostrategic importance, such as prominent scholars Wang Jisi at Peking University and Yan Xuetong at Tsinghua University, geoeconomic and geopolitical pressures include the squeezing of strategic space in the Asia-Pacific region and a desire to increase China's strategic influence with cooperating states.²³ Although economic cooperation is usually framed in cooperative win-win terms by the government, it has been suggested that it will also increasingly be used as an asymmetric tool of economic and political leverage.²⁴ However, in the absence of official verification, these remain only interpretations. It is also worth noting that there is often a lack of actual policy coordination between China's economic diplomacy and its security interests in practical terms.²⁵

Despite these uncertainties, the fact that the Belt serves multiple purposes in relation to both domestic and foreign policy objectives is clear. Although the BRI was conceived within Xi Jinping's close circles, the initiative has broadened beyond its initial conception: as different ministries and local authorities have become involved, it has evolved beyond any singular issue to become a convergence and clustering of multiple diplomatic, domestic socioeconomic, financial, geoeconomic and geopolitical interests and drivers, as well as pre-existing governmental overtures and proposals.²⁶

More specifically, as the government-affiliated *Blue Book of Non-Traditional Security (2014–15)* states, the BRI is expected to serve the interests of (a) 'safeguarding China's national economic security'; (b) promoting energy security through alternative shipping routes; (c) facilitating border security through development of China's western regions; (d) combating the 'three evils' within and abroad through economic development and wealth redistribution; (e) helping to mitigate US-led geopolitical machinations; and (f) '[building] a new international system of discourse' and a 'new international security order' that enhances China's comprehensive national power and cultural soft power.²⁷ Various elements of these security goals have been highlighted both in Track 1 diplomatic forums and in publications by prominent scholars.²⁸ The

²² Chinese scholars, Interviews with authors, Beijing, Shanghai, Lanzhou and Urumqi, China, Apr. 2016.

²³ Grieger, G., 'One Belt, One Road (OBOR): China's regional integration initiative', European Parliamentary Research Service (EPRS) Briefing, July 2016.

²⁴ Yan, X., 'China's new foreign policy: not conflict but convergence of interests', *Huffington Post*, 28 Jan. 2014.

²⁵ Li, Y. and Liang, J., 'Periphery diplomacy requires learning how to rise above adversity', *Guoji Xianqu Daobao*, 24 Dec. 2010, quoted in Swaine, M. D., 'Chinese views and commentary on periphery diplomacy', *China Leadership Monitor*, 28 July 2014.

²⁶ Elements of the BRI can even be traced to the Jiang Zemin and Hu Jintao administrations, including China's 'Peaceful Development' concept, the 'Going Out' strategy initiated in 1999, the 2000 'Grand Western Development' strategy, 'March West' strategies that have evolved since 2004, the 2005 'Harmonious World' concept, the 2012 'Chinese Dream' and the 2013 adapted 'Community of Common Destiny'. There was already mention of a new 'Silk Road' in the 1990s, see e.g. Artykova, N., 'Li foresees "new Silk Road" as China, Uzbekistan sign pacts', *Agence France-Presse*, 19 Apr. 1994.

²⁷ Yan (note 24). The 'three evils' are 'terrorism, separatism, and religious extremism', as defined by the Chinese Government and adopted by the Shanghai Cooperation Organization. An, X. and Xie, G., '论"一带一路"建设与国家安全战略' [On the One Belt, One Road's construction and the national security strategy] in *非传统安全蓝皮书: 中国非传统安全研究报告(2014–2015)* [*Non-Traditional Security Blue Book: Report on China's Non-Traditional Security Studies (2014–2015)*] (Social Sciences Academic Press: Beijing 2015).

²⁸ He, M. and Zhang, J., *新丝绸之路经济带的国家战略分析* [Analysis of the National Strategy of the New Silk Road Economic Belt], *CPC News*, 31 Dec. 2013, <<http://theory.people.com.cn/n/2013/1231/c40531-23993161-4.html>>; Jiang, Z., *一带一路: 以空间换时间的发展战略* [One Belt One Road: developmental strategy of using space for time], <http://www.ciis.org.cn/chinese/2015-09/01/content_8203018.htm>; *深化中巴务实合作, 推进"一带一路"建设* [Deepen

following subsections describe a number of key drivers of the Belt in more detail (in no specific order of relevance to the Chinese authorities).

Domestic economic security: new markets and balancing growth

To a large extent, the Belt is a domestic initiative, implemented by provincial and municipal authorities across China to meet domestic economic targets. In the context of a struggling global economy, and a slow domestic economic transition from a growth model driven mainly by manufacturing and exports, the Belt is a means through which China's economic growth can be maintained by expanding the market beyond China's borders.²⁹ This has the added benefit of fortifying China's own development and economic 'resilience' by stimulating regional demand for industrial and agricultural goods. Simultaneously, this can, over time, contribute to balancing its trade dependence between developing and developed economies. As such, the Belt is a means by which China can expand and balance its trade supremacy, while at the same time creating land 'lifelines' through which essential food and non-food products can flow in the event of trade wars, sanctions or US naval interdiction of transit.

Through the Belt, large SOEs in construction and other industries with excess capacity that have suffered from domestic overinvestment now have more alternatives abroad. While these foreign alternatives may not be on the same scale and relative 'ease' as domestic projects, they could serve to boost the international competitiveness of such SOEs.³⁰ Beyond these practical realities, the Belt also serves as a tool to expand the market for China's quality and high-end manufacturing industries, as targeted by the 'Made in China 2025' initiative, including among others nuclear power and high-speed rail technologies, rather than its more traditional low-value manufacturing.³¹ As labour costs rise in China, the Belt can also facilitate a governmental drive to shift its labour-intensive and low-value-added manufacturing facilities abroad. In addition, the Belt pursues a more balanced internal economic development for China, through investments into its more peripheral and often lagging economic areas, in particular Xinjiang.³²

Going Out 2.0: stimulating globalization, integration and development

The Belt can be seen as an updated version of China's 'Going Out' policy, which was launched in 1999 and gives Chinese overseas foreign direct investment (OFDI) a more strategic direction and impetus. The Belt complies with the policy's aim of integrating China more deeply into the world economic system—while also positing China as a leader within that system.³³ Shi Zi, a prominent Chinese scholar at the China Institute of International Studies, notes that the Belt contributes to the process of globalization.³⁴

pragmatic cooperation between China and Pakistan, to promote the construction of CPEC], <<http://www.sic.gov.cn/News/456/4453.htm>>; and Li, Y., '一带一路'建设对于中国国家安全具有重大战略意义 [One Belt One Road's is of great strategic significance to China's national security], 《论'一带一路'建设与国家安全战略》 [On BELT's construction and China's national security strategy], May 2015.

²⁹ Zhao, M., 'China's New Silk Road initiative', Istituto Affari Internazionali (IAI), Working Papers 15–37, Oct. 2015.

³⁰ Arduino, A., 'China's One Belt, One Road: has the European Union missed the train?', S. Rajaratnam School of International Studies, RSIS9 Policy Report, Mar. 2016, p. 9.

³¹ Li, H., 'Made in China 2025: How Beijing is revamping its manufacturing sector', *South China Morning Post*, 9 Jun. 2015.

³² Chinese experts in conversation with authors, China, Apr. 2016.

³³ Yan (note 24); and Li and Liang (note 25).

³⁴ Shi, Z., 'A look at a new concept and the remarkable practice of China's development through the "One Belt, One Road"', presentation given by Senior Research Fellow and Director of International Strategic Studies on Energy at the China Institute of International Studies (CIIS) at the International Schiller Institute, [n.d.], <<http://newparadigm.schillerinstitute.com/media/pr-shi-ze-regard-sur-le-concept-nouveau-d-une-ceinture-une-route/>>.

China's overseas investment through the Belt also offers a means by which China can foster the status of a global development frontrunner. Current Western-led developmental institutions are not able to address Asia's vast infrastructure deficit, an estimated 4 trillion US dollars for the period 2017–20 alone.³⁵ In meeting that need, China positions itself in a leadership role, contributing to regional development, connectivity and even stability. Economic cooperation could expand China's circle of friendship and, if executed well, has the potential to amplify its soft power and enhance its neighbourhood diplomacy.

Enhancing China's energy security

China faces energy security issues: its economic growth rate has far exceeded its available supply of energy, and domestic oil yields continue to decline.³⁶ China's dependence on foreign supplies of oil is at nearly 60 per cent, of which roughly half comes from the Middle East and one quarter from Africa, while dependence on foreign supplies of natural gas is at close to 30 per cent, of which nearly 50 per cent comes from Turkmenistan.³⁷ Eighty per cent of China's energy supplies pass through the Strait of Malacca, which is controlled by the US Navy.

In the event of conflict with the USA, China's access to external energy resources could be interdicted. Therefore, one of China's objectives is to create alternative energy and raw material channels across land bridges from Central Asia, South East Asia and Pakistan—and the Belt facilitates this endeavour.³⁸ These channels, mostly through land, run through sovereign states and are thus perceived to be less vulnerable to US interdiction.

In particular, the Pakistani port of Gwadar, which is leased by China and serves as part of the southern corridor of the Belt, commonly known as CPEC, could support this purpose of maintaining access to energy resources. Transporting oil to inland Chinese cities from Gwadar is anticipated to cut delivery times by 85 per cent vis-à-vis the Malacca strait route.³⁹ However, it should be noted that this route faces topographical challenges as well as security threats from insurgency in Pakistani territory.

In addition, China's construction of pipelines through Central Asia over the past few years, carrying oil from Kazakhstan and natural gas from Turkmenistan and Uzbekistan, has, in relative terms, reduced its dependence on maritime and Russian imports.

Increasing China's global financial clout

The Belt and corresponding Chinese-initiated multilateral financial institutions, such as the AIIB, are a reaction to arguments in China that the Western-led Bretton Woods system of monetary order, which set the global protocol for commercial and financial relations, limits China and developing countries from having a greater role

³⁵ PricewaterhouseCoopers (PWC), *Foundations of the Future* (PWC: 2013). According to the report, which was prepared for the Asia-Pacific Economic Cooperation Business Advisory Council, to sustain current economic growth levels, it will be necessary to inject between US\$800 billion and US\$1.3 trillion annually into infrastructure projects between now and 2020.

³⁶ Li, L., 'Energy security and energy risk management', *Journal of International Affairs*, vol. 69, no. 1 (Fall/Winter 2015).

³⁷ Hong Kong Commission on Strategic Development, 'One Belt, One Road (translation)', Working Paper CSD/2/2015, 3 July 2015, <http://www.cpu.gov.hk/doc/en/commission_strategic_development/csd_2_2015e.pdf>.

³⁸ Energy security through diversification of import channels is mentioned in China's *Blue Book of Non-Traditional Security (2014–2015)*. See Yan (note 24).

³⁹ Zhen, S., 'Chinese firm takes control of Gwadar Port free-trade zone in Pakistan', *South China Morning Post*, 11 Nov. 2015.

in decision-making processes.⁴⁰ Beyond the Belt's aim of shaping global economic governance writ large, two key objectives central to recent Chinese economic policy are also important drivers. According to the 'Vision and Actions' white paper, these objectives are: (a) finding new uses for Chinese capital surpluses; and (b) internationalizing the underpowered renminbi (RMB).⁴¹

Domestic investment, particularly in larger projects, has been generating diminishing returns for a decade. This has led to substantial Chinese attention abroad, as demonstrated by the spate of recent international acquisitions.⁴² Traditional alternatives such as US Government bonds are also offering low yields in an era still marked by quantitative easing. Regions such as Central Asia, with its relatively underdeveloped markets, may offer increased returns on capital and, at the very least, offer supplemental non-financial returns for state-backed capital usage.

Furthermore, unlike investment in more developed countries, a number of developing states along the Belt present an opportunity to use the RMB as a settlement currency—a currency used in international trade and financial transactions. This brings the RMB a step closer to obtaining the currency benefits of the US dollar. If indeed the RMB gains wider acceptance in Belt jurisdictions, both SOE and private-sector investment will not weigh as heavily on China's foreign exchange reserves, which have been declining. The Belt, if successful, would permit China to translate economic prowess and capital into more political influence. Yet, there is doubt over the sustainability of such political influence due to its price tag. The long-term nature of infrastructure projects and slow return-on-investment (ROI) time frames create considerable financial risk, possibly leading to Chinese financial overextension.⁴³

Mitigating common threats and securing China's neighbourhood

The Belt can be seen as an instrument to buttress China's regional and neighbourhood policies. A stable and prosperous neighbourhood would reinforce China's own economic growth and social stability, particularly in the conflict-prone Xinjiang SAR, which borders both Afghanistan and Pakistan. This requires improving ties with China's immediate neighbours and mitigating political distrust in the hope that its borders with 14 states become a strategic asset instead of a vulnerability.⁴⁴ Development and economic cooperation can contribute to this objective. China considers infrastructure as the bedrock of development, which in turn is the greatest form of security according to President Xi Jinping's remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA).⁴⁵

China will need to reduce the impact of common threats such as poverty, terrorism, the narcotics industry and organized crime in neighbouring regions on its own domestic and regional aims for stability. According to the Chinese Minister of Foreign Affairs, Wang Yi, economic cooperation may help to address deep-rooted causes of instability and radicalization in underdeveloped Asian countries that China deems are

⁴⁰ See e.g. Gabuev, A., 'A "Soft Alliance"? China–Russia Relations after the Ukraine Crisis', European Council on Foreign Relations, Policy Brief, no. 126, Feb. 2015, p. 7.

⁴¹ Chinese National Development and Reform Commission (note 4).

⁴² E.g. China National Chemical Corp (ChemChina) acquirement of Pirelli PCEI.MI, the world's 5th largest tyre maker, in a deal worth 7.1 billion euros (7.7 billion US dollars).

⁴³ It should also be noted that some Belt-participating countries have poor economic fundamentals, including large fiscal and current account deficits. Lo, C., 'China's One Belt One Road: one stone kills three birds', BNP Paribas, 24 June 2015, <http://institutional.bnpparibas-ip.com/wp-content/uploads/2015/06/Chi_Lo_Chi_on_China_China_One_Belt_One_Road_Part1.pdf>.

⁴⁴ Burrows, M., and Manning, R. A., 'America's worst nightmare: Russia and China are getting closer', *National Interest*, 24 Aug. 2015.

⁴⁵ President Xi Jinping's Remarks (note 5). See also Chinese Ministry of Foreign Affairs, 'New Asian security concept for progress in security cooperation', 21 May 2014, <http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951.shtml>.

on the periphery of the global system—with economic imbalances cited as one of the root causes of conflict.⁴⁶ Although drivers of extremism are not solely economic and tend to be more nuanced and context-specific, there is certainly merit to the notion, and the Belt could contribute to creating a ‘buffer’ of more stable states around China. Interestingly, one senior Indian expert anticipates that the incentive of increased economic integration may also contribute to resolving territorial and maritime disputes throughout Asia.⁴⁷

Facilitating Asian security cooperation

The Belt ties well into the Xi Jinping administration’s more active stance on regional security matters. As proposed in the 2014 ‘New Asian Security Concept’ (NASC), China is interested in establishing a new Asian security order in which it plays a much larger agenda-setting role.⁴⁸ Currently, China does not see the existing US military alliance-guided regional security framework as stable or in its own interests. It has instead proposed that Asian security be left to Asians. But the NASC goes beyond traditional security and military relations. It is a comprehensive security concept, based on the bedrock of development, and for which connectivity and infrastructure are key.⁴⁹ According to one senior Chinese expert, such cooperation and economic interdependence is aimed at diminishing political distrust with its neighbours, and in the Chinese view may allow a sense of common security cooperation to emerge with China, and among states themselves.⁵⁰ At the same time, the evolution of the BRI itself will probably force China to expand its traditional diplomacy of non-interference and to commit to a broader political and security engagement with states involved in the initiative.⁵¹

The BRI therefore fits into the Chinese agenda of broadening its engagement with regional states on both developmental and security matters, to diminish the US-led alliance system in Asia.

‘Pushing and shoving’ to the east, garnering strategic space to the west

A number of external developments that occurred around the early 2010s were probably part of China’s calculus in the development of the Belt, including (a) greater friction with its Asia-Pacific neighbours over territorial disputes; (b) the announcement of the US ‘pivot’ (later ‘rebalance’) to Asia in 2011; and (c) the US-led Trans-Pacific Partnership (TPP) (President Donald Trump pulled the US out of TPP on 24 January 2017, likely leading to its discontinuation), of which China is not a part.⁵² As a result of the US pivot to Asia and its partnerships in the region, strategic space for China to strengthen political and diplomatic ties to its east has been more limited compared to continental Asia, an area from which the USA has actually been pivoting away and in which it is relatively weak in influence.⁵³

⁴⁶ Chinese Ministry of Foreign Affairs, ‘Foreign Minister Wang Yi meets the press’, 8 Mar. 2015, <http://www.fmprc.gov.cn/mfa_eng/wjz_663304/wjz_663308/2461_663310/t1243662.shtml>; and Zhao (note 29).

⁴⁷ Senior Indian expert, Conversation with authors, India, Sep. 2016.

⁴⁸ Chinese Ministry of Foreign Affairs (note 45). See also President Xi Jinping’s keynote address at the Fifth CICA Summit, ‘Xi proposes to build security governance model with Asian features’, Xinhua News, 29 Apr. 2016, <http://news.xinhuanet.com/english/2016-04/29/c_135321261.htm>.

⁴⁹ President Xi Jinping’s Remarks (note 5); and Chinese Ministry of Foreign Affairs (note 45).

⁵⁰ Senior Chinese expert on the BRI, Conversation with authors, China, Apr. 2016.

⁵¹ See e.g. Swanström, N., ‘China expands its global power’, *Dragon News*, no. 3 (2015), pp. 6–7.

⁵² Grieger (note 23); and Chinese scholars, Conversations with authors, China, Apr. 2016. Apparently, a number of Chinese officials and scholars were surprised that the USA had come up with the idea of a ‘New Silk Road’ with Afghanistan at its heart and that the Chinese themselves had failed to come up with something that builds on what they perceive as a part of their own history.

⁵³ Grieger (note 23), p. 2.

The Belt also lays the groundwork for an industrially self-sufficient Eurasian market that can diminish the relevance of non-Eurasian states in economic terms. According to some foreign analysts, in time, China anticipates that commerce and commercial channels will gravitate somewhat towards the Eurasian landmass from the waters surrounding it and that this will reduce the significance of US naval supremacy.⁵⁴ This has the added advantage of countering relevance of the US-led, yet pending, TPP and Transatlantic Trade and Investment Partnership (TTIP) initiatives, which would help to ensure that the West continues to define the international trade and finance system. While the future of the TTP and TTIP remains uncertain, they were probably factored into China's initial development of the Belt. The more tightly bound the economies of potential TTIP and TPP members are to China, the more likely it is that such countries would take into account China's economic and geopolitical interests and priorities.⁵⁵ The Belt can therefore be characterized as a means of shaping a Eurasian economic bloc.

Nonetheless, for the Belt to truly integrate Eurasia, its closer cooperation with the EU economy is required. China sees the EU as a potential partner for peace in Eurasia that has the prospect of becoming a counterweight to the USA in international affairs.⁵⁶ The Belt can indeed facilitate increased EU economic interdependence with Asia, which in turn could erode the relevance of its transatlantic trade ties.⁵⁷ In this scenario, the world's economic and political gravity could recalibrate from the transatlantic and the trans-Pacific economic blocs to continental Eurasia.⁵⁸ If this does materialize, China's dependence on the US market could reduce and the impact of possible future trade wars and sanctions would diminish. However, the level to which this reflects the reality or a mere aspiration remains to be seen.

Facing ongoing challenges and concerns

Unlike the old Silk Roads that grew organically as a consequence of undirected local and regional trade interests, the Belt represents a vision, albeit one that still has low levels of granularity. Among some stakeholders, this has contributed to a lack of clarity on the precise nature of the Belt, and why the Chinese authorities have proposed it and actively promoted it in the first place. The main regional powers acknowledge that the Belt offers many benefits. However, the idea of China leading this initiative and the possible geopolitical implications has stirred up anxiety among a number of Belt stakeholders, including within China. It has also raised concerns among larger actors, most notably Japan and the USA, as well as India and to a lesser extent the EU.⁵⁹ In authors' conversations with observers from Afghanistan, Kyrgyzstan, Pakistan, Russia, Tajikistan and Uzbekistan, they were all largely positive about the Belt, while Kazakh observers were positive but seemed more cautious and prudent.

China has repeatedly expressed that while the Belt has been proposed and promoted

⁵⁴ See e.g. Rolland, N., 'China's New Silk Road', National Bureau of Asian Research, 12 Feb. 2015, <http://nbr.org/downloads/pdfs/psa/rolland_commentary_021215.pdf>. However, the author provides no sources for these claims.

⁵⁵ Bond, I., 'China's European charm offensive: silk road or silk rope?', Centre for European Reform, 27 Nov. 2015, <<http://www.cer.org.uk/insights/chinas-european-charm-offensive-silk-road-or-silk-rope>>.

⁵⁶ Wacker, G., 'Chinese Internal Views of the European Union', Europe China Research and Advice Network (ECRAN), Short-term policy brief, 23 Mar. 2012.

⁵⁷ Although this is not concretely stated, this can be interpreted from the 'Vision and Actions' white paper. Chinese National Development and Reform Commission (note 4). See also Conley, H. A. et al., 'A rebalanced transatlantic policy toward the Asia-Pacific region', Centre for International and Strategic Studies (CSIS), May 2016. Total trade between the EU and China grew from 212.8 billion euros in 2006 to 520 billion euros in 2015, see European Commission, Directorate-General for Trade, European Union, Trade in goods with China, [n.d.], <http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113366.pdf>, p. 3.

⁵⁸ Rolland (note 54).

⁵⁹ Based on views expressed by various EU and Indian participants at the project's workshops, and in the authors' meetings with observers from the EU and India, Apr.–Nov. 2016.

by China, it is in no way a ‘pivotal cog’ and has no veto power. Any state, as well as public or private sector entity that is interested in engaging in Eurasian connectivity initiatives is welcome to do so, with or without direct connectivity to China or its consent.⁶⁰ Yet China knows that many of these states lack the financial means to pursue such aims. Furthermore, suggested designs of Belt routes so far have China as the starting point and Europe as a ‘terminus’. There are also grave doubts over the multilateral dimension of Belt design, the inclusivity of tenders and implementation.⁶¹

This has raised questions about how much the Belt is actually centred on China, rather than the EU. The sceptics, including some within the EU, are worried about the routes and trade flow directions, or ‘arrows’, of these corridors. They raise the issue of whether trade transit along these corridors will mostly end up pointing away from China, such that China is able to export rather than import even more than it does now. On the other hand, China is currently a major trade partner of the majority of Eurasian states and, as a result, a more central role for China is only logical. There is also hesitance because a number of states along the Belt are cash-strapped and need external funding for large infrastructure projects. While China can provide this to some extent, some observers fear this might translate into increased Chinese economic and political leverage over time, meaning a *quid pro quo*.⁶²

Such scepticism might linger as long as it remains difficult to characterize the Belt at a conceptual level. Chinese policy is, at times, created purely through ad hoc decision making, developing solutions as problems arise. However, if China pushes ahead with the Belt without having a general notion of how to address such imbalances and local political backlashes, it risks exacerbating discontent with the Belt. China’s approach to the development and implementation of the Belt in an area as large and diverse as Eurasia appears to have largely been based on trial and error. China’s promotion of the belt is a notable example of this approach. The Belt could have established greater early momentum if the initiators had been more effective in communicating the ‘what’, ‘why’ and ‘how’ right from the start. The first substantial white paper on the Belt, the March 2015 ‘Vision and Actions’ white paper, was released some 18 months after the Belt was introduced.⁶³ The time frame between the presentation of the Belt and the publication of the first white paper suggests that the initiative was hastily introduced. Alternatively, China could have deliberately chosen to release the Belt as a ‘pilot’ to collect views and its design was thus largely left open and flexible.

The Belt’s immense ambitions have also left much room for speculation, allowing some observers to brand it a ‘strategy’ or China’s ‘Marshall Plan’. However, the Chinese Government has discouraged these descriptions of the Belt, stressing that it is based on voluntary participation and does not hedge against anyone.⁶⁴ Nevertheless, it can arguably be labelled a strategy since it has a clear objective: increased Eurasian cooperation and connectivity. Yet, this would turn it into a meta-strategy for Eurasia (and beyond), rather than merely for China.

⁶⁰ 李克强在博鳌亚洲论坛2016年年会开幕式上的演讲 [Li Keqiang’s speech at the opening ceremony of the 2016 Boao Forum for Asia], Chinese State Council, 25 Mar. 2015, <http://www.gov.cn/guowuyuan/2016-03/25/content_5057611.htm>; Chinese Ministry of Foreign Affairs (note 46); and Chinese Ministry of Foreign Affairs, ‘Xi Jinping attends and addresses China–UK Business Summit’, 22 Oct. 2015, <http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpdygyxgfw/t1308463.shtml>.

⁶¹ Multiple experts, Conversations with authors, Eurasia, Apr.–Nov. 2016.

⁶² Observers, Interviews with authors, Eurasia, Apr.–Nov. 2016.

⁶³ The Chinese Government first made reference to the Belt on 7 Sep. 2013 and the first elaborate document on the BRI, the ‘Vision and Actions’ white paper, came out on 28 Mar. 2015. Chinese National Development and Reform Commission (note 4).

⁶⁴ See e.g. Xie, T., ‘Is China’s ‘Belt and Road’ a strategy?’, *The Diplomat*, 16 Dec. 2015. However, the State Council and other Chinese governmental bodies continue to publish public articles in which the Belt and Road are referred to as a ‘zhanlüe’, the Chinese equivalent of the term ‘strategy’.

Experts expressed to the authors that doubts have been raised both inside and outside China as to whether China is actually prepared to implement the Belt, although it should be noted that it is not unusual for there to be doubts about implementation for an initiative on this scale.⁶⁵ There are questions as to whether China has grown over-assertive and is pursuing ‘rushed’ and excessively centralized ‘blind development’. Questions also remain as to whether China has accurately and realistically researched and analysed the impact of political dynamics, as well as corruption and economic fluctuations on the Belt.

Evidently, given the international partnerships on which this large-scale cooperation platform depends, the Belt is much broader in scope than could be accomplished by Chinese actors alone. The effectiveness of the governments of China’s Belt partners will be instrumental. Improved infrastructure can certainly serve as a catalyst for employment and economic activity, but tapping the developmental potential of infrastructure requires investment in human and institutional capital, and the implementation of smart economic policies by local states—it is certain to be a slow process and one that is not in China’s hands.⁶⁶ While such dynamics can, and indeed should, be highlighted, it would be premature at this stage to pass judgement on the current state of this process. The outcome of the various interactions will be observed as the Belt narrative unfolds.

Improved infrastructure can certainly serve as a catalyst for employment and economic activity, but tapping the developmental potential of infrastructure requires investment in human and institutional capital and the right economic policies from local states. This is an inherently political process, one that is not necessarily in the hands of China.

1.3. Relation to China’s evolving security concepts

Since the late 1970s and the era of reform and opening up, the main strategic thrust of China’s foreign policy has been to maintain a stable external environment in support of domestic socioeconomic development—the mainstay of legitimacy and regime stability for the CPC. Throughout the 1990s and the early–mid 2000s, this meant a posture that remained on the whole reactive, rather than proactively addressing international security threats. China largely focused on addressing peripheral and neighbourhood security issues, which affected its core territorial interests, as opposed to global power projection.⁶⁷

A number of drivers have led to an evolution in this security posture in scope and geography over the past decade, including an expansion in China’s overseas interests as well as a more robust willingness by leadership to take on the mantle of a global public goods provider. The Belt will accelerate both these tendencies, although it may be a proactive attempt to shape the political and indeed security environment in its favour. Security contingencies brought on by greater exposure of its economic assets and personnel will also probably lead to new shifts in China’s security practices.

Although the Chinese Government does not explicitly refer to the BRI in strategic or security terms, the initiative does fall neatly into international security concepts that China has posited over the years. Included in these is China’s National Security Commission (NSC), first delineated in the 1998 Defense White Paper. Within its broader

⁶⁵ Observers, Interviews with authors, Eurasia, Apr.–Oct. 2016.

⁶⁶ Experts from China, Central Asia and South Asia, Interviews with authors, Apr., June and Sep. 2016.

⁶⁷ These are: state sovereignty, national security, territorial integrity and national reunification, China’s political system established by the Constitution and overall social stability, and the basic safeguards for ensuring sustainable economic and social development. Chinese State Council Information Office, ‘China’s Peaceful Development’, Sep. 2011, <http://www.fmprc.gov.cn/mfa_eng/topics_665678/whitepaper_665742/t856325.shtml>.

global trend of redefining ‘security’ in the wake of the cold war, China’s criticized traditional zero-sum and one-sided perspectives. Instead, it stressed ‘common security’ between states pursued through dialogue, cooperation and coordination.⁶⁸

The NSC went beyond the military domain to include non-traditional security threats. Importantly, it also highlighted economic security, mentioned in subsection 1.2 as a Belt driver, as a key pillar of China’s state security and the global order more broadly, proposing steps to be taken for forming an ‘economic basis of global and regional security’, in addition to a political one. As the 1998 Defense White Paper stated, ‘economic exchange and interaction [is] an important avenue to a lasting security in [China’s] surrounding area’.⁶⁹ This concept served more as a set of principles than a concrete policy prescription, however, and China’s security footprint abroad remained rather limited, in line with former President Deng Xiaoping’s dictum of ‘keeping a low profile’.

However, as the 2011 White Paper ‘China’s Peaceful Development’ stated, ‘China will assume more international responsibility as its comprehensive strength increases’, and this is indeed increasingly borne out by evidence.⁷⁰ Since the 2000s, an expansion of overseas interests as well as normative pressures have led to China taking a more active role, in some cases even a leadership role, in global security governance. The People’s Liberation Army Navy (PLAN) has, for instance, engaged in counterpiracy operations in the Gulf of Aden in order to protect shipping routes since 2008, and is building its first overseas military base in Djibouti to provide support for China’s military escort, peacekeeping, humanitarian relief and rescue tasks.⁷¹ China has engaged in mediation in Sudan–South Sudan disputes, North Korea’s Six-Party talks, Iranian nuclear disarmament, the Afghan peace process, and other political negotiations. It is taking a stronger role in addressing challenges such as climate change, and is now also the biggest troop contributor to UN peacekeeping operations among the Permanent Members of the Security Council.⁷²

These changes have fed into the analytical debate on ‘creative’ involvement and ‘constructive’ involvement of a foreign policy and security posture that is flexible rather than rigid, and proactive rather than reactive.⁷³ Such tendencies have only accelerated under President Xi Jinping. Diplomatic efforts to promote the ‘new model of great power relations’, mark a shift in China’s self-image and acceptance of its own role as a great power in the geopolitics of the 21st century. Regionally, China has also more assertively posited a leadership role, as exemplified in the NASC proposed in May 2014. The NASC stresses common, comprehensive, cooperative and sustainable security among Asian actors, but goes further than previous Chinese rhetoric by also proposing actionable steps to achieve this.⁷⁴

The BRI, along with the AIIB and the NDB, is also an indication of a China that has become more visible on the world stage. Although the BRI is mainly referred to in economic terms by officials, it does follow the long-standing conceptual thread of China’s official views on regional and international security on the ‘economic basis’ for regional and global security. Economic integration and connectivity are seen as

⁶⁸ Chinese Ministry of Foreign Affairs, ‘China’s Position Paper on the New Security Concept’, July 2002, <http://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/gjs_665170/gjzzyhy_665174/2612_665212/2614_665216/t15319.shtml>.

⁶⁹ Chinese State Council Information Office, ‘China’s National Defense’, July 1998.

⁷⁰ Chinese State Council Information Office (note 67).

⁷¹ Ministry of Foreign Affairs of the People’s Republic of China, ‘中国在非首个军事基地动工 吉布提总统支持 [China’s first military base in Africa begins construction, President of Djibouti expresses support]’, 26 Feb. 2016, <<http://www.fmprc.gov.cn/zflt/chn/zxxx/t1343368.htm>>.

⁷² Fung, C. J., ‘China’s troop contributions to UN peacekeeping’, US Institute of Peace, Peace Brief no. 212, July 2016.

⁷³ See Wang, Y., *Creative Involvement: The Evolution of China’s Global Role* (Peking University Press: 2013).

⁷⁴ Chinese Ministry of Foreign Affairs, ‘New Asian Security Concept for Progress in Security Cooperation’, 21 May 2014, <http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951.shtml>.

a way to build trust among its neighbours, and to increase mutual dependency and benefits for regional stability, as was highlighted in the CPC's October 2013 work forum on peripheral diplomacy.⁷⁵ The BRI has been buttressed with much political and foreign policy weight, with the Foreign Minister, Wang Yi, stating that it would be China's primary diplomatic focus for 2015.⁷⁶ Indeed, President Xi Jinping's recent proposition that development is 'the greatest form' of security and the 'master key to regional security issues' suggests that China aims to become a major, and most likely the main, regional security provider.⁷⁷

The Belt also touches on many elements of China's revised national security concept and reorganization announced in 2014. Under this 'holistic' (总体) national security concept, 11 different traditional and non-traditional domains are emphasized, including political, homeland, military, economic, cultural, social, science and technology, information, ecological, resources and nuclear. Importantly, this national security concept links internal and external security together.⁷⁸

However, there remains a lack of clarity over whether the Belt falls into China's evolving security frameworks more by accident than design, as noted above. Again, there is no consensus, even within China, on whether the BRI is itself primarily a geostrategic, economic or a national developmental strategy at heart—although each of these factors probably plays a role.⁷⁹ Regardless, the Belt will inevitably also become an impetus for new security thinking and activity from China. The massive increase in China's economic footprint abroad has already significantly impacted China's security posture, with a definite increase in military engagement abroad both in distance and in function since the 2000s.⁸⁰ In 2004, then President Hu Jintao delivered a pivotal speech in which he highlighted China's 'overseas interests'—a term which encompasses (a) the safety of overseas nationals; (b) institutions, companies and investments; (c) strategic sea lanes and communication channels; (d) and overseas energy and resources.⁸¹ The term primarily centres on China's economic interests abroad, although these do overlap with overseas political and military interests as well.⁸² As China's 2013 Defense White Paper stated, these have become an 'integral component of China's national interests'.⁸³ In 'China's Military Strategy' 2015, 'safeguard[ing] the security of China's overseas interests' had been upgraded to one of the strategic tasks of the People's Liberation Army (PLA).⁸⁴

The Belt will bring new security risks from increased exposure of Chinese personnel and investments, and an even larger overseas footprint than ever before. Flowing through some of the most turbulent and politically unstable areas of Eurasia, the Belt may force unprecedented activities from China's security apparatus, which to date remains relatively limited in its experience of either targeted military or complex operations abroad. That China is already preparing for contingencies can be seen in its 2015 Counterterrorism Law, Article 71 of which allows overseas counterterrorism

⁷⁵ Swaine, M. D., 'Chinese views and commentary on periphery diplomacy', *China Leadership Monitor*, 28 July 2014.

⁷⁶ 'China's 2015 diplomacy focuses on "Belt and Road"', *Xinhua News*, 8 Mar. 2015, <http://news.xinhuanet.com/english/2015-03/08/c_134047992.htm>.

⁷⁷ Chinese Ministry of Foreign Affairs (note 74).

⁷⁸ *Xinhua Daily Telegraph*, '习近平主持中央国安委第一次会议' [Xi Jinping presides over the first meeting of the National Security Commission], 16 Apr. 2016.

⁷⁹ Interviews in Beijing, Shanghai, Lanzhou and Urumqi, China, Apr. 2016.

⁸⁰ Duchâtel, M., Brauner, O. and Hang, Z., *Protecting China's Overseas Interests: The Slow Shift away from Non-interference*, SIPRI Policy Paper no. 41 (SIPRI: Stockholm, June 2014); and Chinese State Council Information Office, 'The diversified employment of China's armed forces', Apr. 2013.

⁸¹ Duchâtel, Bräuner and Hang (note 80); and Chinese State Council Information Office (note 80).

⁸² Liu, X., 'On China's overseas interests', *CPC News*, 17 Aug. 2010, <<http://cpc.people.com.cn/GB/68742/187710/191095/12464892.html>>.

⁸³ Chinese State Council Information Office (note 80).

⁸⁴ Chinese State Council Information Office, 'China's Military Strategy', May 2015, <<http://eng.mod.gov.cn/Database/WhitePapers/index.htm>>.

missions to be conducted by the PLA and People's Armed Police Force.⁸⁵ Certain Chinese analysts stated that use of this new provision should not be ruled out even in the short term.⁸⁶ Intensified exposure to terrorism and extremism was also highlighted in the *Blue Book of Non-Traditional Security (2014–15)*. Other security threats for the Belt identified among China's analytical community include: (a) great power geopolitics; (b) territorial disputes; (c) organized crime; (d) political instability (including colour revolutions); (e) economic and financial risks; (f) environmental and ecological hazards; (g) quality control; (h) China's border security; (i) social and human security factors; (j) piracy along the Road; and (k) issues related to information security.⁸⁷

Currently, China depends primarily on local armed forces or in some cases external security providers (e.g. Russia in certain Central Asia states) for protection of its overseas interests.⁸⁸ China may make more use of Chinese private security companies in future to meet the growing demand for additional security capacity.⁸⁹ As a proactive measure, however, the Chinese Government is also expanding and deepening its security relationships with state actors through both bilateral and multilateral channels.⁹⁰ In security assistance terms, China has engaged mostly with developing countries at a small scale, providing aid in the form of grants for military equipment and off-site training.⁹¹ Although this type of military and security cooperation with countries along the BRI has been relatively limited to date, it has been stepped up in meaningful ways. In Sri Lanka, joint military exercises named 'Silk Road Cooperation 2015' were explicitly referred to in terms of BRI protection. China is also working with other countries, including Cambodia, Myanmar, Thailand, Viet Nam and other South East Asian countries, to expand bilateral security ties in order to mitigate risks that could be encountered in the framework of the BRI. In Pakistan, China has plans to send its own security personnel to supplement the Pakistani Army's Special Security Division, especially created and designated for protection of Chinese nationals and property.⁹²

At the academic and analytical level, scholars have been proposing new paradigms of security interaction with other countries in relation to the Belt, including new global security early warning and prevention mechanisms, and international security intelligence cooperation on non-traditional security issues such as counterterrorism.⁹³ The Shanghai Cooperation Organization's (SCO) Regional Anti-Terrorism Structure (RATS), established in 2004, is one such existing mechanism, but China is in fact also pursuing new multilateral partnerships, evidenced by the Quadrilateral Cooperation and Coordination Mechanism established between the armed forces of China, Pakistan, Afghanistan and Tajikistan in August 2016.⁹⁴ Beyond practical cooperation,

⁸⁵ 中華人民共和國反恐怖主義法（主席令第三十六號）[People's Republic of China Counterterrorism Act, Presidential Decree no. 36], Dec. 2015, <http://big5.gov.cn/gate/big5/www.gov.cn/zhengce/2015-12/28/content_5029899.htm>.

⁸⁶ Interview with authors, Beijing, Apr. 2016.

⁸⁷ Wang, Y., and Zheng, D., 一带一路面临的非传统安全挑战 [Non-traditional security challenges One Belt, One Road faces], *China Opening Journal*, Aug. 2015; and Liu, H., 一带一路'战略的安全挑战与中国的选择 [Security challenges to the One Belt, One Road strategy and China's choices], *Pacific Journal*, no. 2 (2015).

⁸⁸ Kurlantzick, J. et al., 'Beijing's Asia pivot in 2016', Council on Foreign Relations, 5 Jan. 2016, <http://www.cfr.org/china/beijings-asia-pivot-2016/p37409#expert_roundup_author_9268>.

⁸⁹ Zi, Y., 'China's private security companies: domestic and international roles', *China Brief*, vol. 16, no 5, 4 Oct. 2016.

⁹⁰ Du, P., '杜平: 中国丝绸之路安全隐患多 要加大投入' 加大Du Ping: China's Silk Road's many security risks, requires more investment], Feng Huang Net, 31 Aug. 2016, <http://phtv.ifeng.com/a/20160831/44444978_0.shtml>.

⁹¹ Saunders, P. C., 'China's global activism: strategy, drivers, and tools', Institute for National Strategic Studies, National Defence University, Oct. 2006.

⁹² Li, D., 中外联手为'一带一路'安全保驾护航 [China and Sri Lanka join hands to provide security for the One Belt, One Road], Bauhinia Net, 31 July 2015, <<http://www.zijing.org/htmls/zz/647097.shtml#>>.

⁹³ Zhao M. et al., 一带一路'沿线国家安全形势评估及对策 [Assessment of Countries' Security Situation along the One Belt One Road and Road and Countermeasures], Chinese Academy of Social Science, 29 May 2015.

⁹⁴ Chinese Ministry of National Defense, 'Afghanistan, China, Pakistan, Tajikistan issue joint statement on anti-terrorism', 4 Aug. 2016, <http://eng.mod.gov.cn/DefenseNews/2016-08/04/content_4707451.htm>.

some prominent Chinese scholars, such as Zhao Kejin at Tsinghua University, have argued that BRI security will also require new security norms of relevant BRI countries.⁹⁵ Writings have referred back to the NSC and the NASC as reference points for this normative transformation.

As Yan Xuetong of Tsinghua University puts it, the intertwining of developmental trajectories will, over time, ‘cover a much wider range of strategic elements beyond mere economic interests. A strong political dimension will be a must. Eventually this may even extend to providing security guarantees to select countries’.⁹⁶ Even among the Chinese, however, it remains difficult to assess how the realities and practical contingencies of the Belt’s implementation will affect China’s security policy and response, both in terms of on-the-ground protection and geopolitics more generally.⁹⁷ Non-interference in the internal affairs of sovereign states continues to be a central precept of China’s external security policy and there are no signs that this will change officially. While there is no suggestion that China has breached the bounds of host state consent or UN authorization and prioritization of non-military solutions, greater flexibility in China’s posture is already being observed and this shift will likely continue.⁹⁸

1.4. Conclusions

The Belt is a long-term Chinese connectivity vision with no a priori parameters on methods, actors or mechanisms, nor much granularity to date. It therefore allows a great deal of flexibility and could—possibly—become a leading new model of cooperation and global governance. In this scenario, it may contribute to affecting the Bretton Woods system over time—to what extent this turns out to be complementary or erosive is an open question. Given the Belt’s ambitions, a lack of official narrative on what China’s own drivers and interests are has resulted in concern among a number of China’s, mostly geopolitical, contenders. China’s public diplomacy in relation to the Belt has conveyed mostly notions of altruism and win-win cooperation, but the initiative is also calculated to serve many of China’s national interests.

The Belt initiative has been proposed in response to China’s domestic economic problems and its foreign policy goals. The Belt also fits well into China’s evolving security concepts, which stress common security through economic cooperation. Indeed, if the Belt is developed and sustained successfully, it could possibly become one of the cornerstones of further Asian economic growth and integration, and closer political and security cooperation in the region.

It is beyond question that there is an immense infrastructure vacuum in large parts of Eurasia, which many relevant states have not been able to fill independently, nor with the aid of existing multilateral development mechanisms. There is also much untapped development and integration potential in Eurasia. The Belt could, therefore, be a win-win deal for some states. Yet, while the Belt intends to address the infrastructural and developmental needs of relevant states, the question is also to what extent China’s interests and drivers overlap with political and socioeconomic on-the-ground realities of such states.

While the Belt has the potential to address some of the socioeconomic challenges in the Eurasian continent, there is also the prospect of a mismatch in governance

⁹⁵ Zhao, K., 一带一路应强化安全为基 [One Belt, One Road should strengthen its security basis], China.org, 15 June 2015, <http://opinion.china.com.cn/opinion_83_131683.html>; Li (note 92).

⁹⁶ Yan (note 24).

⁹⁷ Multiple interviews with authors, Beijing, Apr. 2016.

⁹⁸ He, M. and Zhang, J., 新丝绸之路经济带的国家战略分析 [Analysis of the National Strategy of the New Silk Road Economic Belt], CPC News, 31 Dec. 2013, <<http://theory.people.com.cn/n/2013/1231/c40531-23993161-4.html>>.

expectations. Arguably, the Belt works best if other governments are comparatively as efficient at mobilizing themselves as China. Improved infrastructure can certainly serve as a catalyst for employment and economic activity, but tapping the developmental potential of infrastructure requires investment in human and institutional capital and the right economic policies from local states. This is an inherently political process, one that is not necessarily in the hands of China.

The Belt will certainly expand China's overseas security interests and will require China to take an increasingly active stance on regional security affairs, not least to protect its investments. China's non-interference stance, which has already been evolving over the past few years, will likely become much more creative in the future. Yet, how this unfolds will depend on the specific security dynamics in Belt target states, as the Belt implementation progresses. The next section elaborates on this.

2. The Silk Road Economic Belt: interaction with regional security dynamics

KEY FINDINGS

The Silk Road Economic Belt:

- has the potential to support the conditions for stability, development and human security through the provision of investment and public goods at the domestic level in Central and South Asia (specifically Pakistan); however, this will very much depend on practical details of implementation and the distribution of spoils, both between Chinese stakeholders and local states, as well as between the ruling elite and other sections of the population;
- could exacerbate some of the structural governance problems in both Central and South Asia (specifically Pakistan), including corruption and lack of accountability; the capture of economic benefits by the political elite could exacerbate political instability over the long term;
- has the potential, at the regional level, to stimulate greater cooperative efforts and political will among states to effectively address common security threats in the interest of mutual economic benefit in Central Asia. This is not (yet) the case in South Asia;
- is not necessarily a harbinger of new conflict in South Asia, but has somewhat intensified historic competition over influence and security interests between China and Pakistan on the one side and India on the other, as well as bilaterally between Pakistan and India;
- faces challenges from the Afghan security situation, and has little potential at this stage to help thaw relations between Pakistan and Afghanistan. It may, over time, enhance regional cooperation on economic development in Afghanistan; and
- does not currently conflict with Russian national security interests or regional security interests in the Eurasian Economic Union (EEU) and Central Asia. There are indications that Russia may be comfortable with China taking a more active security role in Central Asia.

This section examines how the Belt interacts with security dynamics in two selected regions of common interest to China and to the EU, namely Central Asia (subsection 2.1) and South Asia (subsection 2.2). Central Asia is the primary land bridge through which two main Belt corridors connect China with the markets of Europe and the Greater Middle East. The CPEC is the main Belt corridor in South Asia and connects China with the Indian Ocean through the Arabian Sea. Both regions face complex and intertwined traditional and non-traditional threats, and are to differing degrees subject to intra-regional and geopolitical rivalry. Will the Belt help to resolve some of these security challenges or will it exacerbate them, and possibly even create new security threats? Compatibility of the Belt with development and security interests of Russia, an important actor in the Belt vision, is presented in subsection 2.3, particularly with regard to its interests in Central Asia. India's perspectives on the Belt and CPEC are also presented.

2.1. Interaction with security dynamics in Central Asia

Central Asia, home to approximately 66 million people, comprises a landlocked geographic region with significant resources, mostly in the form of oil, gas, mineral and water, distributed unequally among its five constituent states: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The region holds great potential as a transit bridge for eastern and western Eurasia, a primary commodities

hub, and a market for trade and investment. Nonetheless, political distrust and an array of physical and non-physical barriers hamper the economic and developmental potential of the region.

Central Asia was of lower strategic priority for China prior to the 2000s, but has risen in prominence in China's foreign relations (a) as a zone of strategic interest for the security of western China's Xinjiang SAR; (b) for its commercial and resource interests; and (c) as a 'testing ground' for China's foreign engagements—including multilateral institution building. China has emerged as the region's biggest trade partner and a major energy client. Through the platform of the SCO, China has increased its security ties with states through bilateral and joint military exercises, as well as information sharing, largely oriented around combating the 'three evils'. China also has a strategic partnership with each of the five states, and has in recent years begun to step up its provision of military aid, and bilateral engagement on defence topics.⁹⁹

Central Asia is now also the location of major Belt routes. The China–Central Asia–West Asia Corridor, the Eurasian Land Bridge, and the Khorgos–Aktau railway are of particular relevance. All these routes run through Kazakhstan, which has already received over 27 billion US dollars of China's Belt investment so far.¹⁰⁰ Additional pipelines, railways, hydropower stations, logistics hubs and special economic zones are also in the planning or execution phase. Increased capital will flow to all five states through means of China's Silk Road Fund of 40 billion US dollars, as well as through Chinese policy banks, investments by national and provincial SOEs, and private channels of funding whose projects will be subsumed into the Belt framework.

Chinese economic and security interests in the region will only increase as implementation proceeds. However, the degree to which these interests will overlap with those of local actors, as well as those of external powers such as Russia, the USA and the EU, remains to be seen. Since the independence of Central Asian republics, the region has been characterized as a 'backyard' and a zone of special interest for Russia. Through the Belt's implementation, China's more prominent economic role in Central Asian affairs may or may not, over the long term, erode Russia's traditional security and soft power dominance in the region. However, Russia's official response thus far has been to link its own integration initiative—the Eurasian Economic Union (EEU)—together with the Belt, in a show of mutual political approval. There have been some indications that Russia, as a primary regional security provider, may even become comfortable with China stepping up its security cooperation in Central Asian states.¹⁰¹ This proposition remains relatively nascent and untested, although China's establishment of the Quadrilateral Cooperation and Coordination Mechanism between the armed forces of China, Pakistan, Afghanistan and Tajikistan in 2016 was done without the inclusion of Russia, or even consultation with it.¹⁰²

The USA, whose interest in Central Asia stems partly from its engagement in Afghanistan, has been winding down its security presence in the region. US officials have previously indicated that they welcome Chinese infrastructural projects and integration initiatives as complementary to the efforts of the USA.¹⁰³ Although the EU is a peripheral player in terms of hard security in Central Asia, it does have substantial economic clout as the second largest trade partner for the region, and a major energy

⁹⁹ Muzalevsky, R., 'China's long march into central Asia', Statfor, 27 Apr. 2016; Swanström, N. 'The security dimension of the China–Central Asia relationship: China's military engagement with Central Asian countries', Testimony given before the US Congressional Commission on U.S.–China Economic and Security Review, 18 Mar. 2015.

¹⁰⁰ Tiezzi, S., '3 years on, where does China's Silk Road stand?', *The Diplomat*, 9 Sep. 2016.

¹⁰¹ Interviews in Moscow, Russia, Oct. 2016.

¹⁰² Interviews in Moscow, Russia, Oct. 2016.

¹⁰³ Blinken, A. J., 'An enduring vision for Central Asia', US Department of State, Deputy Secretary Remarks at Brookings Institute, 31 Mar. 2015.

client of Kazakhstan in particular.¹⁰⁴ For reasons of geography and energy security, the EU deems the region of ‘geostrategic importance’.¹⁰⁵ It also retains a developmental and soft security presence through a number of bilateral and multilateral projects and dialogues. There are also normative dimensions of the EU’s engagement with Central Asia, with emphases on human rights, democracy promotion and civil society building—often in conflict with local states’ political values, as well as those of Russia and China. Beyond these differences in approach, a degree of geopolitical and geoeconomic contest among these external actors also cannot be excluded. Nevertheless, there remain many shared interests among them in supporting security, stability and development in Central Asia.

Interacting with security threats

Traditional and non-traditional threats are often intimately connected in Central Asia, and interstate disputes have been exacerbated by issues related to resource sharing and border security. Meanwhile, the regional cooperation necessary to begin to address transnational threats and developmental barriers is hampered by political distrust. As in all cases of foreign investment, successful implementation of the Belt in Central Asia requires a stable security situation. Examining the Belt as the dependent variable, both Chinese and foreign analysts have highlighted that various Chinese projects may be incidentally impacted by outbreaks of protest or violence, if not become targets themselves.

There are also non-kinetic threats that are of concern, including corruption, organized crime, limited institutional and human capital, lack of accountability and economic risks. However, beyond investment safety for Belt-linked assets, capital and personnel, China’s grand initiative also interacts with Central Asian security dynamics in a mutually constitutive way. To the extent that it stimulates either Chinese or local authorities to work to resolve these threats, the Belt could stimulate greater cooperative efforts and more political will to effectively address and counter both structural and localized hazards. More directly, greater economic growth brought by Chinese investment could also provide the conditions for stability and development. Still, there remain concerns that Chinese capital could also exacerbate some of the governance problems in the region. The following is an overview of threats to the region and their interaction with the Belt.

Facing interstate disputes and tensions

At the regional and interstate levels, relations among Central Asian states are far from sanguine. The five states were part of a unified command economy during the Soviet era, which has led to an infrastructural legacy that belies their separation into independent economic entities. As a result, resource-sharing conflicts, particularly over water and energy, have led to a number of standing disputes.

For instance, Kyrgyzstan and Tajikistan, which lie upstream relative to the other states, together control 90 per cent of water resources in the region. Disputes over the level and timing of supply affect relations between the states. The former President of Uzbekistan, Islam Karimov, even warned of water conflicts becoming ‘wars’.¹⁰⁶ In

¹⁰⁴ In 2015 the EU 28 represented 25.6% of trade flows in the region, behind China (29.5%) and above Russia (20.1%) and Turkey (5.7%). European Commission, Directorate-General for Trade, ‘Central Asia 5, Trade with world’, [n.d.], <http://trade.ec.europa.eu/doclib/docs/2013/november/tradoc_151896.pdf>; and European Commission Trade Website, ‘Countries and Regions: Central Asia’, updated 29 Apr. 2016, <<http://ec.europa.eu/trade/policy/countries-and-regions/regions/central-asia/>>.

¹⁰⁵ European Commission Trade Website (note 104).

¹⁰⁶ Lopour, J., ‘Geopolitics at the world’s pivot: exploring Central Asia’s security challenges’, Centre for International

addition to this, none of the five states has fully demarcated borders, and violent local clashes are recurrent—particularly between Uzbekistan, Tajikistan and Kyrgyzstan.

These border disputes also touch on the incomplete nation-state building processes in the region, as there are multiple areas where ethnic enclaves do not align with their titular nationality, particularly in the Fergana Valley. These further entrench the defensive stance of neighbouring countries, hindering regional cooperation on a range of transitional security threats, as well as economic and trade integration. Indeed, as of 2013, only 6.2 per cent of the Central Asian republics' trade was conducted with each other—a product not only of lack of physical connectivity, but also of the barriers of political distrust.¹⁰⁷

Regional cooperation has always been driven by external powers and, as such, Chinese pressure or financial incentives could induce states to begin to cooperate on, or move past interstate disputes that hamper the realization of transnational economic projects. Karimov noted that the Belt would 'advance the long-term economic interests of all countries in the region, including in part through trans-regional transport infrastructure'.¹⁰⁸ Although completion of the China–Kyrgyzstan–Uzbekistan railway remains hampered by concerns on the Kyrgyz side, the external stimulus provided by China's investments has nonetheless forced the often contentious relations between the two Central Asian states towards consideration of mutual economic benefits.

However, at the wider level, many analysts believe that political mistrust among all the states in the region is still too great for even China to overcome, posing its own threat to Belt connectivity initiatives.¹⁰⁹ New leadership in Uzbekistan has sent signals that a thawing of political and economic relations with its neighbours may be on the horizon, but this again remains to be seen.¹¹⁰

At intrastate levels, greater physical linkage between regions and communities could, in theory, promote greater national integration. Kyrgyz President Almazbek Atmabaev has highlighted that Chinese infrastructural projects will 'unite far parts of Kyrgyzstan with each other, and . . . help to unite our regions together'.¹¹¹ However, to the extent that investments are perceived to be favouring one group over another, they could also exacerbate regional, local community and inter-ethnic tensions—a very severe concern and a stumbling block to the aforementioned railway project.¹¹²

Assessing weak institutions and poor governance

Although many interstate disputes remain unresolved, it is internal challenges that are the most significant short- and medium-term threats to stability. After two decades of independence, the state-building process in much of Central Asia remains incomplete. In the Fragile State Index 2016, all five countries have been categorized on a range of 'warning' to 'high warning', with the associated array of socio-political, economic and security problems that affect stability. In a number of governance indicators, including voice and accountability, regulatory quality, rule of law and control of corruption,

Governance Innovation (CIGI) Paper no. 80, Nov. 2015.

¹⁰⁷ Kuchins, A. C. et al., 'Central Asia in a reconnecting Eurasia: Kazakhstan's evolving foreign economic and security interests', Center for Strategic and International Studies (CSIS), June 2015.

¹⁰⁸ Kuchins et al. (note 107).

¹⁰⁹ Interviews in Astana, Kazakhstan, 2016.

¹¹⁰ 'Uzbekistan: Mirziyoyev flirting with regional reset?', Eurasianet.org, 29 Sep. 2016, <<http://www.eurasianet.org/node/80721>>.

¹¹¹ 'Kyrgyz President wants China–Kyrgyzstan–Uzbekistan railway', Radio Free Europe, 23 May 2012, <<http://www.rferl.org/a/kyrgyz-president-pushes-china-uzbek-rail-link/24590625.html>>.

¹¹² Cooley, A., 'New Silk Route or classic developmental cul-de-sac? The prospects and challenges of China's BELT initiative', PONARS Eurasia Policy Memo no. 372, July 2015.

many of the states fall into the 0–10th percentile globally. All, with the exception of Kazakhstan, fall into the bottom quartile (see figure 2.1).¹¹³

Despite a measure of improvement in corruption in Kazakhstan and Kyrgyzstan in recent years, all the regimes of Central Asia remain clientele states to varying degrees, with patrimonial networks of the elite that control both economic and political resources, and little to no public accountability. Other security threats such as border security, terrorism, drug trafficking, ecological security, law and order, and development are not exogenous to corruption and weak state capacity. Both state corruption and criminality, for instance, are deeply intertwined with the drug trade.

In terms of governance, Chinese modes of foreign investment have not yet set conditions or required normative adjustments to target the states' political and economic governance systems, preferring to work through local channels—including sometimes informal back-room deals and kickbacks. In Central Asia, the China National Petroleum Corporation (CNPC) has been implicated in underhand payments to the Kazakh elite in relation to its purchase of state oil assets.¹¹⁴

Chinese investments have also been linked to high-profile cases of corruption in Kyrgyzstan, including a construction deal that brought down the Kyrgyz Prime Minister, Temir Sariyev, in April 2016.¹¹⁵ Reports from Tajikistan suggest that tolls for the Chinese-built Dushanbe–Chanak highway feed directly into offshore accounts purportedly owned by the ruling regime.¹¹⁶ Furthermore, the proceeds from the sale of land for the Western Europe–Western China International Transit Corridor have purportedly been diverted to the Central Asian elite.¹¹⁷

These cases are indicative of governance problems that go beyond simply Central Asia. Chinese SOEs are themselves targets of a massive domestic anti-corruption campaign. However, there is as of yet no law that prevents Chinese corporations from engaging in bribing foreign companies or foreign government officials.¹¹⁸ Lack of transparency surrounding many Chinese deals feeds into these concerns. Many expert analyses indicate that new Belt investments will likely exacerbate rather than improve problems associated with accountability and economic governance.¹¹⁹

So while there is some measure of political stability in authoritarian states, it is often based on the states' coercive apparatus and repressive measures, as is often the case in states that are 'internally contested and chronically insecure'.¹²⁰ This is particularly the case in Turkmenistan and Uzbekistan. Perversely, Kyrgyzstan and Tajikistan, which have faced the most incidents of political violence, still suffer from institutional weakness in their basic state monopoly on violence.¹²¹ For example, much of Tajikistan's external security has been outsourced to Russia, whose 201st military base has been stationed there for decades and remains to assist Tajik security forces.¹²² Internally, political and religious repression, culminating in the banning of the Islamic Renaissance Party in August 2015, has reached levels that have prompted concerns

¹¹³ World Bank, 'Worldwide Governance Indicators (Year 2015)', [n.d.], <<http://info.worldbank.org/governance/wgi/index.aspx#reports>>.

¹¹⁴ Chazan, G., 'Kazakh spat casts light on China deals', *Wall Street Journal*, 26 Mar. 2010.

¹¹⁵ 'Kyrgyzstan PM Sariyev resigns after cabinet accused of graft', Reuters, 11 Apr. 2016.

¹¹⁶ Toktomushev, K., 'One Belt, One Road: a new source of rent for ruling elites in Central Asia?', *China-US Focus*, 20 Aug. 2015, <<http://www.chinausfocus.com/finance-economy/one-Belt-one-road-a-new-source-of-rent-for-ruling-elites-in-central-asia>>.

¹¹⁷ Interview in Astana, Kazakhstan, 2016.

¹¹⁸ Chazan (note 114).

¹¹⁹ Cooley, A., 'The emerging political economy of OBOR: the challenges of promoting connectivity in Central Asia and beyond', Center for Strategic and International Studies (CSIS), Oct. 2016.

¹²⁰ Ditarych, O., 'New threats in Central Asia and the Caucasus and European security', Association for International Affairs Policy Paper, 2006.

¹²¹ Montgomery, D. W. and Heathershaw, J., 'Islam, secularism and danger: a reconsideration of the link between religiosity, radicalism and rebellion in Central Asia', *Religion, State and Society*, vol. 44, no. 3 (2 Nov. 2016).

¹²² Blank, S., 'Rethinking Central Asia and its security issues', UNISCI Discussion Papers no. 28, Jan. 2012.



Figure 2.1. Map of Central Asia illustrating Silk Road Economic Belt projects and fragility indicators per state

Credit: Map by Christian Dietrich.

Sources: Data compiled by authors, various sources.

even from China. Coupled with an economic crisis, the situation in Tajikistan is such that external observers have even suggested that state failure could take place. In Kyrgyzstan, whose election process is relatively freer than its neighbours, the reach of organized crime stretches into high politics and the parliament.¹²³ Outbreaks of inter-ethnic violence, as occurred in southern Kyrgyzstan in 2010, are also of concern.

¹²³ Daneykin, Y. et al., ‘Threats and challenges to the regional security in Central Asian region (the example of the

Finally, Chinese analysts have consistently highlighted the process of succession of authoritarian leaders in the Central Asian states as one of the risks most worrisome to political stability. After the death of Uzbekistan's long-standing leader, President Karimov, there has been a relatively smooth although incomplete power transition so far. Kazakhstan, however, lacks a clear succession process for aging President Nursultan Nazarbayev. The contest for power between the elite and the eventual power reconfiguration after his reign could potentially destabilize the country, the economy and indeed the investment climate. For now, it is unlikely that Chinese investments will directly impact what are more structural, political problems in the region, unless they become politicized by opposition movements or social movements.

Confronting terrorism and extremism

Although Islamic extremism has been highlighted time and again as a major security threat both by the Central Asian regimes and external observers, research suggests that political violence against the state has often not been primarily religiously motivated, even when portrayed as such.¹²⁴ A major exception to this has been the Islamic Movement of Uzbekistan (IMU), which has operationally linked and pledged allegiance to global terrorist networks. The IMU has been substantially weakened in recent years, however, and has turned its attention to Pakistan and Afghanistan.

Central Asia has been a fertile recruiting ground for the Islamic State (IS). Although exact numbers are difficult to gather, some 2000 to 4000 Central Asians were estimated to be fighting in IS ranks as of January 2015.¹²⁵ These figures have probably risen over the past two years. There have been some concerns about IS elements infiltrating and influencing broader swathes of society, but expert assessments were that the threat is slim and may be overblown by the regimes. It is important to note that Central Asian states' securitization of Islam often serves to justify a range of repressive measures not only against political opposition but also against civil society. Suppression of moderate forms of religious expression may in turn drive movements and individuals to radicalize further.

Particularly significant to Chinese security interests is the presence of Uighur separatist groups in the region. Through bilateral and multilateral channels, China has been successful in persuading the Central Asian regimes to crack down on activists, but the August 2016 attack on the Chinese Embassy in Bishkek suggests that Chinese assets and personnel in the region may continue to be targets of politically motivated attacks.¹²⁶ Indeed, counterterrorism has been a driving force for China's security and political engagement in the region since the 1990s—through the platform of the 'Shanghai five' and then the SCO. However, China has been stepping up its bilateral engagement with local states on counterterrorism, in part to protect the increased vulnerabilities that more Chinese capital, investment and nationals in the countries will engender.¹²⁷ It has recently initiated a Quadrilateral Cooperation and Coordination Mechanism in Counter Terrorism with Tajikistan, Afghanistan and Pakistan. While this cannot be specifically traced to the Belt, increased Chinese assets and personnel in Central Asia will necessitate more security measures.

Republic of Kyrgyzstan), International Conference on Research Paradigms Transformation in Social Sciences, 2014.

¹²⁴ Montgomery and Heathershaw (note 121).

¹²⁵ International Crisis Group, 'Syria calling: radicalization in Central Asia', Briefing no. 72, 20 Jan. 2015.

¹²⁶ Putz, C., 'Russian, Tajik, Chinese "traces" on Bishkek embassy bombing', *The Diplomat*, 14 Sep. 2016.

¹²⁷ Chinese Ministry of National Defense, 'China, Tajikistan vow to enhance anti-terrorism cooperation', 5 Aug. 2015, <http://eng.mod.gov.cn/DefenseNews/2016-08/05/content_4707977.htm>.

Finally, while spillover from the conflict in Afghanistan has so far been limited to small-scale clashes along the Tajik, Uzbek, and Turkmen borders, broader concerns about destabilization from the south remain.

Mitigating economic problems and social unrest

The transition process of Central Asian states has been marked by economic mismanagement, high dependence on commodities and extractives, and low levels of industrial development. This has led to significant economic disparity in the region and continued developmental challenges. In middle-income Kazakhstan, for instance, over half of the population remains in a state of functional poverty.¹²⁸ Over-reliance on extractive industries and undiversified economies have left many of the countries—Kazakhstan, Turkmenistan and to some extent Uzbekistan—vulnerable to fluctuations in international commodity markets. The fall in oil prices that began in 2014, for instance, has precipitated the largest economic slump in Central Asia and the Caucasus in two decades.¹²⁹

These trends have led to a job market unable to provide prospects for the demographic youth bulge. In 2014, the UNDP reported that only half of the population is employed and economic indicators have only fallen since then.¹³⁰ For Tajikistan and Kyrgyzstan, the poorest of the Central Asian states, with less oil and gas energy resources, national income depends substantially on human exports (half of the working-age men in the case of Tajikistan), primarily to the Russian labour market, in the absence of comparable local economic opportunities.¹³¹ The return of hundreds of thousands of these economic migrants has implications not only for each state's GDP, but also for socio-political stability. This is particularly so if lack of opportunity is coupled with perceptions of economic inequality and social injustice.

As for socioeconomic benefits of the Belt, as early as 2005 the UNDP highlighted the importance of regional trade and transit, not only for economic growth but also for human security, noting that non-cooperation among states leads to 'deterioration in income distribution, social services and general living conditions'.¹³² According to data compiled by the World Bank, being landlocked reduces a country's growth by 1.5 per cent on average. Thus, to the extent that Belt connectivity projects open the region to wider markets, Central Asian producers as well as consumers could benefit significantly from trade linkages—helping to mitigate the aforementioned developmental challenges and socio-political threats.¹³³ However, capturing broader benefits requires local states to channel OFDI and capital injections towards strengthening foundations for sustainable growth.

Kazakhstan's national strategy (*Nurly Zhol*), through which some of China's investments will take place, contains plans not only to strengthen and diversify the industrial basis of the country, but also to 'improve governance and oversight'.¹³⁴ Similarly, in Uzbekistan, where the state promotes strong protectionist policies, there is confidence expressed that the state will be able to channel Chinese funds towards its own national development agenda. For weaker states, such as Tajikistan and Kyrgyzstan, that have less absorptive capacity and little financial or trade leverage,

¹²⁸ Interview in Astana, Kazakhstan, 2016.

¹²⁹ International Monetary Fund, 'Regional Economic Outlook: external shocks hurt growth in Caucasus, Central Asia', 25 Apr. 2016.

¹³⁰ United Nations Development Programme (UNDP), *Trade and Human Development: Central Asia Human Development Series* (UNDP: 2014), p. 7.

¹³¹ Remittances comprised about 50 per cent and 30 per cent of their GDPs in 2013, respectively.

¹³² United Nations Development Programme (UNDP), *Central Asia Human Development Report* (UNDP: 2005).

¹³³ Arvis, J. F. et al., 'The cost of being landlocked', World Bank, 2010.

¹³⁴ Kuchins (note 107).

their ability to set terms and conditions on Chinese investments may be limited. In 2015, China held roughly half of each country's foreign debt.¹³⁵

Moreover, to the extent that Chinese loan conditionality provides benefits to mostly Chinese companies and labour, or is invested only in resource extraction for export, long-term employment opportunities for the local population may be diminished. This will probably also interact with 'Sinophobia' in the region, which is displayed in the general populace's suspicions of China's geopolitical intentions, anger over Chinese labour practices and fears over Chinese migration, as well as ethnic clashes and even violent protests.¹³⁶ As just one example, in summer 2016, Kazakhstan witnessed its largest-scale protests since independence over land reform legislation and deals that allegedly sold vast tracts of agricultural land to the Chinese. Such resource nationalism also plays a hand in negative attitudes towards Chinese investment in energy, which faces more social opposition, for instance, than that faced by Russian investment. To the extent that the Chinese are, or are perceived to be, contributing to social injustices, bad governance or economic woes, this could lead to social unrest and anger against the elite and against Chinese workers and residents.

Addressing ecological issues

In the longer term, ecological issues will increasingly compound political, social and economic risks. Coupled with environmental mismanagement, degradation and inefficient use of scarce natural resources, this may hit particularly hard for agrarian communities. Significantly, two-thirds of Central Asia's water and electricity potential is lost due to infrastructural problems and inefficient utilization.¹³⁷ This impacts not only energy security and national income, but also food security and rural livelihoods. Positive feedback loops between poverty and ecological insecurity will compound socio-political problems and may exacerbate the aforementioned interstate disputes.¹³⁸ Local and regional resource management inefficiencies thus represent a threat to broader stability. However, they may also provide a potential opportunity for cooperation.

Within this picture, China's growing resource needs and its extraction projects in oil, natural gas and minerals have associated environmental, developmental and health impacts, as will Belt-linked infrastructural projects.¹³⁹ This may particularly be the case in Central Asia, where Belt projects are predominately in traditional extractive sectors and so-called dirty industries. Protests in Kazakhstan in May 2016 over Chinese investments in agriculture were, among other factors, also fed by negative perceptions of Chinese environmental practices. However, there are also opportunities for collaboration on this less politically sensitive security topic. China's own stated goals for the Belt are to 'promote green and low-carbon infrastructure construction' and to 'promote ecological progress in conducting investment and trade, increase cooperation in conserving eco-environment, protecting biodiversity and tackling climate change'.¹⁴⁰

¹³⁵ Toktomushev, K., 'Central Asia and the Silk Road Economic Belt', University of Central Asia Policy Brief, 2016.

¹³⁶ Putz, C., 'China-Kazakhstan copper mine brawl: food for thought?', *The Diplomat*, 14 July 2015; and Peyrouse, S., 'Discussing China: sinophilia and sinophobia in Central Asia', *Journal of Eurasian Studies*, vol. 7, no. 1 (Jan. 2016), pp. 14-23.

¹³⁷ Lopour (note 106).

¹³⁸ International Fund for Agricultural Development (IFAD) and the UN Convention to Combat Desertification, 'Climate Change Impacts: Central Asia', [n.d.].

¹³⁹ World Bank, 'Kazakhstan-Western China Road Project: environmental assessment', Feb. 2016.

¹⁴⁰ Chinese National Development and Reform Commission (note 4).

Increasing energy efficiency and the promotion of renewables is of interest to Central Asian states, as they have commercial potential.¹⁴¹ Closely related to development, the Belt could also serve as an umbrella for work on technical issues, agricultural productivity and food security, in the form of agricultural cooperation funds and demonstration centres. In fact, agriculture is a target sector of China's Belt initiative and bilateral cooperation on green agricultural technology and eco-safety already occurs between China and Central Asian states.¹⁴² Highlighting China's interest, a SCO cooperation mechanism for food security has already been proposed by the Chinese leadership.¹⁴³

The Belt could, in theory, serve as an impetus to help soften some of the aforementioned issues. For example, Chinese investment and economic pressure could stimulate greater bilateral and even multilateral cooperation on a range of threats. At the intrastate level, the provision of public goods could also help to mitigate structural risks for political instability and violence as an extension of popular dissatisfaction with ruling regimes. However, negative ramifications and even exacerbation of elements of instability brought by large-scale, often politically non-neutral investments should not be ruled out.

Investment alone will probably not be sufficient to bring about transformative development in Central Asian society. Inclusive and long-term sustainable growth will require institutional reform in a region marked so strongly by patrimonialism and state corruption. National developmental strategies that ensure that benefits are accrued locally and that capital is channelled towards productive rather than extractive industries will also be necessary. However, it remains to be seen the degree to which China and Central Asian governments will prioritize good governance and long-term growth in addition to short-term economic gains. Thus, many of the purported positive spillovers of the Belt will still depend on the quality of its implementation and the distribution of the spoils, as well as how human security and regime and state-centric security are emphasized and addressed.

2.2. Interaction with security dynamics in South Asia

China considers CPEC to be a flagship project of the Belt.¹⁴⁴ It has the most concrete design at the project level of all of the Belt corridors to date. This is predominantly because there is a great deal of political trust between China and Pakistan, and CPEC construction is largely intrastate. CPEC intends to address Pakistan's critical infrastructure deficit. The failure of successive Pakistan governments to tackle this deficit has hamstrung the country's economy. Pakistan's economy, and that of all of South Asia for that matter, holds much potential for growth and integration.

From a sheer economic perspective, CPEC is a positive impetus. However, Pakistan's political and economic governance is characterized by ineffective and, to some extent, competing institutions. In addition, ethnic rivalry over CPEC derivatives persists. The South Asian region as a whole, in turn, is beset with strategic distrust, zero-sum foreign policies and geopolitical agendas of regional and extra-regional actors. As China and India vie for influence in the region, South Asia will increasingly witness push-and-pull from these two actors.

¹⁴¹ Wang, H., 'China, Central Asia further cooperation urged', *China Daily*, 9 May 2012.

¹⁴² Chinese Ministry of Agriculture, '7th China-Kazakhstan Joint Working Group Meeting on Locust Control Cooperation held in Xi'an', 1 Dec. 2015.

¹⁴³ Chinese Ministry of Agriculture, 'Across China: sore agricultural firms invest in central Asia', 18 Dec. 2015; and Zhang, H., 'China is marching west for food', 12 Mar. 2014, *Fair Observer*, <http://www.fairobserver.com/region/north_america/china-marching-west-for-food-72431/>.

¹⁴⁴ As expressed by the Chinese Minister of Foreign Affairs, Wang Yi, Islamabad, Pakistan, 12 Feb. 2015, <http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1238072.shtml>.

Under these conditions, the question remains as to whether or not CPEC will initiate a process of cooperation in Pakistan and a gradual recalibration from military to economic competition in the region. Alternatively, it might deepen existing fault lines in Pakistan and in the region, as well as among geopolitical powers. This subsection on South Asia examines how CPEC interacts with security dynamics in Pakistan and with the security interests of its two immediate South Asian neighbours—India and Afghanistan. It first presents China's motivation to develop CPEC.

Motivating factors to develop CPEC

CPEC should be sited within the broader Chinese–Pakistani relationship, which has always been security- and India-centric. There are some elements in this traditional relationship, discussed throughout this subsection, that are reinforced by CPEC. First, it should be noted that CPEC is a result of the synergy of China's and Pakistan's evolving development agendas. It is not solely the product of Chinese drivers and interests. Connectivity interests between the two can be traced back to at least 1959, when the Karakorum highway that links China and Pakistan was envisaged.

By the mid 2000s, the two countries had moved towards closer strategic economic cooperation and China commenced developing the port of Gwadar in Balochistan province.¹⁴⁵ At that time, then President Pervez Musharraf proposed to China a trade and energy corridor that was quite similar to CPEC. However, political instability, security threats and land disputes stalled the project.¹⁴⁶ China has been actively seeking alternative routes for what stood at nearly 4 trillion US dollars of annual foreign trade in 2015 and 7.97 million barrels of daily oil imports in 2016, equal to 11 per cent of China's total energy consumption, which are largely dependent on Malacca Strait sea lanes.¹⁴⁷

The USA, which China deems is actively attempting to contain its regional influence, can halt a number of these transits in the Strait of Malacca in the event of conflict.¹⁴⁸ This scenario could seriously damage the Chinese economy and, as an extension, the perceived legitimacy of the CPC among the Chinese population. CPEC permits China to import oil from the Middle East over land. While it is an alternative land-lifeline, it is limited in volume and by some measures less cost-efficient than maritime transit, including for the export and import of both food and non-food products.

China's reliance on CPEC means that it needs a stable and amicable Pakistan. A secure and prosperous Pakistan is a safe(r) bet to additional Chinese connectivity to the Indian Ocean, West Asia and Africa, and thereby fits well into China's diversification strategy for import–export channels. Furthermore, Pakistan is home to the world's sixth largest population, nearly 189 million in 2015.¹⁴⁹ The size of this population and Pakistan's growing economy—with an expected average 4.8 per cent annual growth over 2016–18—offer Chinese industry the prospect of a significant market.¹⁵⁰

¹⁴⁵ The clearest manifestation of this was the Five-year Development Program on Trade and Economic Cooperation, signed by both sides in Nov. 2006, <<http://pk.chineseembassy.org/eng/svhjt/t282202.htm>>. The Pakistani Government proposed a 'National Trade and Energy Corridor' (NTC) in 2005.

¹⁴⁶ Chinese Ministry of Commerce, News statement, Shanghai, 2006, <<http://pk2.mofcom.gov.cn/aarticle/chinanews/200606/20060602444058.html>>. See also Small, A., *The China–Pakistan Axis: Asia's New Geopolitics* (Oxford University Press: Oxford, 2015), pp. 93–117.

¹⁴⁷ See the World Bank's WITS database, <<http://wits.worldbank.org/CountryProfile/en/country/CHN/startyear/2011/endyear/2015/tradeFlow/Export/indicator/XPRT-TRD-VL/partner/WLD/product/Total>>. 7.5 million barrels per day in the first 3 quarters of 2016.

¹⁴⁸ 85% of China's oil imports flow through the US-controlled Strait of Malacca and the disputed South China Sea. See also the US Department of Defense (DOD), *Annual Report to Congress: Military and Security Developments Involving The People's Republic Of China 2015* (DOD: Washington, DC, Apr. 2015).

¹⁴⁹ World Bank, DataBank, <<http://data.worldbank.org/country/pakistan>>.

¹⁵⁰ World Bank, 'Global Economic Prospect Forecasts', <<http://data.worldbank.org/country/pakistan>>.

Despite these economic interests, the China–Pakistan strategic relationship must be understood from an international strategic perspective, specifically the interlocking geopolitical relationships among China, India, Russia and the USA. The China–Pakistan friendship functions as a strategic hedge against a rather rapidly developing India, which had 6.7 per cent average annual GDP growth in 2011–15 and the world’s seventh largest economy in total GDP in 2015.¹⁵¹ It also hedges against growing US–Japanese military cooperation with India, seen in part as aimed at containing China and Russia’s security expansion in the region. Russia has endorsed the BRI and has also shown willingness to be part of CPEC. As such, it was granted provisional export access to Gwadar in November 2016.¹⁵²

What CPEC—best-case scenario—benefits does China foresee for Pakistan?¹⁵³ On advancement, CPEC will form an estimated additional 3000 kilometre-long network of roads, railways and gas pipelines, and multiple power plants.¹⁵⁴ China anticipates CPEC to electrify and boost Pakistan’s economy, to connect it more closely with the massive Chinese economy, and to enable Pakistan to become a major extra-regional trade hub. According to some Chinese and Pakistani experts, the aim is also to gradually promote a ‘scientific’ Pakistani Government mindset to economic development rather than the current India- and military-centric one.¹⁵⁵

China hopes that CPEC will stimulate private sector growth and generate public resources that the Pakistani authorities could use for improvements in law and order.¹⁵⁶ Construction of CPEC infrastructure is likely to have a domino effect: with functional infrastructure in place, transaction costs will be minimized, probably leading to higher production, employment and profits.¹⁵⁷ In theory, this ties in with a number of the SDG goals.

These general improvements, in turn, could create more sustainable employment and erode social discontent with the state and the pull of radical Islam. Half of Pakistan’s population is younger than 24 years old and the population growth rate has been 1.87 per cent on average in 2006–15.¹⁵⁸ Unless this demographic youth bulge is presented with a constructive and legal channel of employment to exert their energy and aspirations, they might opt for destructive alternatives.

Yet, how far-reaching this will turn out to be in practice is unclear. Currently, a small elite group controls key economic activity in the country with little accountability. Whether the economic benefits offered by CPEC—beyond energy provision and hard infrastructure—will reach the broader population remains to be seen. Pakistan ranked 117 out of 168 in Transparency International’s 2015 Corruption Perceptions Index.¹⁵⁹

According to some Chinese analysts, China also anticipates CPEC to bring economic benefits that will gradually motivate Pakistan to support Afghanistan’s path to peace

¹⁵¹ World Bank, World Databank, World Development Indicators, <[http://data.worldbank.org/data-catalog/GDP-ranking-table](http://databank.worldbank.org/data/reports.aspx?source=2&series=NY.GDP.MKTP.KD.ZG&country=> and World Bank, Gross domestic product ranking table, <.

¹⁵² ‘Pakistan Allows Russia to Use Gwadar Port for Exports’, Sputnik News, 26 Nov. 2016, <<https://sputniknews.com/business/201611261047871226-pakistan-russia-gwadar-port/>>.

¹⁵³ CPEC corresponds well with Pakistan’s ‘Pakistan 2025: One Nation, One Vision’, as modernizing transportation infrastructure and greater regional connectivity is 1 of the 7 pillars of this vision. See also <<http://www.pc.gov.pk/wp-content/uploads/2015/05/Pakistan-Vision-2025.pdf>>.

¹⁵⁴ Government of Pakistan, Ministry of Information, Broadcasting and National Heritage, CPEC Factsheet, <http://infopak.gov.pk/InnerPage.aspx?Page_ID=47>, 3rd section, 1st para.

¹⁵⁵ Leading Chinese experts on the BRI and South Asia, Conversations with authors, Apr.–Sep. 2016.

¹⁵⁶ Markey, D. S., ‘Behind China’s Gambit in Pakistan’, 12 May 2016, <<http://www.cfr.org/pakistan/behind-chinas-gambit-pakistan/p37855>>.

¹⁵⁷ Sahoo, P., ‘OBOR: will it reboot the Chinese economy’, *World Commerce Review*, Dec. 2015, p. 79.

¹⁵⁸ Economic Adviser’s Wing, Finance Division, Government of Pakistan, ‘Highlights: Pakistan Economic Survey 2014–15’, [n.d.] <http://www.finance.gov.pk/survey/chapters_15/Highlights.pdf>, p. 10.

¹⁵⁹ Transparency International, Corruption Perceptions Index 2015, [n.d.], <<http://www.transparency.org/cpi2015>>.

and stability.¹⁶⁰ China seeks for Pakistan to utilize the sway it is believed to hold over the Afghan Taliban more constructively.¹⁶¹ After all, China desires a stable and economically developed neighbourhood that fuels the Chinese economic engine (and CPEC), rather than impeding it. In particular, there is concern in China over negative externalities to Xinjiang brought on by instability in Pakistan and Afghanistan—evidence of which already exists through Muslim Uighur linkages with al-Qaeda and the Pakistani Taliban hosting the Turkistan Islamic Party (TIP) in the lawless rugged border that divides Pakistan from Afghanistan.

Lastly, CPEC is also a showcase for China's financial and diplomatic support to its loyal friends. If CPEC is indeed developed and sustained successfully, it conveys a clear message to other cash- and infrastructure-strapped countries that close partners of China can qualify for notable manifestations.

CPEC interaction with security dynamics in Pakistan

Pakistan, with its agrarian economy, ever-growing population and the government's ineffective efforts to tap the country's development potential, could surely use the economic injection that China offers through CPEC as an economic foundation. In April 2015, China committed an investment package of 46 billion US dollars to CPEC over a period of 15 years, of which the majority (76 per cent) will be spent on addressing the country's energy crisis by improving system capacity, energy transmission and the distribution network.¹⁶² The remaining 24 per cent of this package is for infrastructure, transport and communication.

In recent years, power shortages have cost Pakistan up to four per cent of GDP, forcing hundreds of factories to close and damaging Pakistan's credit worthiness.¹⁶³ Currently, the energy sector is stuck in a circular flow of widespread inefficiencies, energy theft and debt.¹⁶⁴ This, in turn, negatively affects Pakistan's private sector and threatens its precarious security situation: the country's demographic youth bulge needs the private sector for employment opportunities. Chinese sponsors of energy projects have struck a deal with Pakistani authorities that intends to ensure uninterrupted payment and thus more consistent service provision.¹⁶⁵

There are so-called early harvest projects, mostly energy projects in coal, wind and hydro, which are expected to be completed by 2017–18 (some of which now have later completion dates), while the remaining projects are divided into short-term (2020), medium-term (2025) and long-term (2030) projects. The first phase of CPEC is specifically China–Pakistan focused, with later phases intended to include regional and extra-regional states. Depending on progress and mutual satisfaction, the plan may be extended to 2046.

This long-term time frame obviously increases CPEC exposure to domestic and regional security challenges. While Pakistan's leadership has called CPEC a 'game-changer' for the country and in a sense the region, a number of critical Indian and Pakistani analysts have stated that China has seriously underestimated the gravity of the situation in Pakistan.¹⁶⁶ They see Pakistan as a state that is synthetically kept

¹⁶⁰ Chinese analysts, Conversations with authors, China, Apr. 2016.

¹⁶¹ Zhao, H., 'Afghanistan and China's new neighborhood diplomacy', *International Affairs*, vol. 92, no. 4 (July 2016).

¹⁶² These include coal-fired power plants, two dams, a solar power park, and a gas pipeline to Iran. It should be noted that this figure is mostly used by Pakistani sources, not Chinese.

¹⁶³ Kugelman, M., 'Pakistan's interminable energy crisis: is there any way out?', Wilson Centre, 2015, <<https://www.wilsoncenter.org/publication/pakistans-interminable-energy-crisis-there-any-way-out>>, pp. 2–3.

¹⁶⁴ Kugelman (note 163).

¹⁶⁵ 'ECC approves plan to set up special funds for CPEC projects', Dawn, 19 Feb. 2016, <<http://www.dawn.com/news/1240546>>.

¹⁶⁶ 'Game Changer: all provinces will reap benefits of CPEC, says PM', *Express Tribune*, 12 Jan. 2016.

together by the military establishment and that is run by anaemic, corrupt and limitedly accountable governance and economic institutions. There are no signs that Jihadi-radicalism is dying, while IS ideology has been gaining ground. Balochistan, a pivotal province for CPEC, is seen as a political minefield and might become the next regional epicentre of geopolitical skirmish. It is also plagued by insurgency. Finally, the analysts emphasize that blanket economic development approaches will neither be effective nor sufficient.¹⁶⁷

The question is whether Chinese investment can instil a different mindset among Pakistan's authorities and foster economics-focused institutional capital, or whether it will result in a moral hazard: Pakistan might not engage in deep reforms since it knows that China will most likely continue to invest because it needs the support of Pakistan and a functioning CPEC. Furthermore, hard infrastructure needs to be supplemented by soft infrastructure, and smart and effectively enforced economic policies that empower and protect Pakistan's civil society and economic activity, thereby improving human security. Without this, the country's economic potential will only be marginally tapped and CPEC monetary benefits will probably remain concentrated in the hands of the few.

Moreover, the dual military-civilian nature of Pakistan's leadership may not be an ideal mechanism for the challenges posed by CPEC.¹⁶⁸ While both the military and the civilian government fully endorse CPEC, there is competition over project management. The military establishment wants to expand its role beyond security provision into project management, and China needs the military establishment to ensure security for project delivery, including circumventing political disputes.¹⁶⁹

Despite elements of prospective military capture and civilian government graft, economic trickle-down effects from CPEC on civil society and the business community are inevitable—even if these only amount to improved electrification. However, these trickle-down effects will mostly occur after CPEC implementation.¹⁷⁰

A number of Indian observers have stated that the CPEC construction phase is bilateral and exclusive to Chinese companies and that it does not operate according to market principles.¹⁷¹ Yet, there are few non-Chinese, including Pakistani, entities that have and are willing to invest the requisite funds and to face local security challenges. There has also been heated debate within Pakistan on the exact routes to be taken by CPEC, since these have grown in number and changed when compared with the original routes proposed by China's and Pakistan's authorities.¹⁷²

¹⁶⁷ Chinese and Pakistani analysts, Conversations with authors, Apr. and Sep. 2016, China and Pakistan respectively.

¹⁶⁸ This may indeed be the case, but in an interview with the authors one senior Pakistani expert stated that there is no one-size-fits-all model for delivery of projects and that this current mechanism might actually be the best fit for Pakistan.

¹⁶⁹ 'The \$46 Billion Tie That Binds China and Pakistan', Stratfor, 6 May 2016, <<https://www.stratfor.com/analysis/46-billion-tie-binds-china-and-pakistan>>. See also Syed, B. S., 'Civil-military differences hold up CPEC security plan', Dawn, 19. Sep. 2016, <<http://www.dawn.com/news/1284724>>.

¹⁷⁰ Pakistani analysts, Conversations with authors, Islamabad, Sep. 2016.

¹⁷¹ Indian experts, Discussions with authors, New Delhi, Sep. 2016.

¹⁷² The northeast-southwest strip starts from Kashgar, passes through Taxkorgan, Khunjerab Pass, Islamabad and Lahore, and ends in Sukkur where it is divided into two routes heading to Karachi and Gwadar on the Arabian Sea coast. Three passages refer to the east, central and west traffic passages in the core area from Islamabad to Karachi and Gwadar, each of which consists of several trunk railways and highways. The east passage consists of the railway-highway network from Islamabad to Karachi, via Lahore, Faisalabad, Multan, Sukkur and Hyderabad, and is the main traffic artery of the corridor. The central passage starts from Islamabad in the north and reaches Karachi, via Daria Khan, Jacobabad and Khuzdar through the N25 highway, or reaches Gwadar through the M8 motorway. The construction of this passage is in the planning and construction phase. The west passage starts from Islamabad in the north and reaches Gwadar, via Dera Ismail Khan, Quetta, Basima and Hoshab.

CPEC compatibility with Indian security interests

In India, the BRI as a whole and CPEC in particular have sparked heated debate in academic, journalistic, political and military circles. While the Belt was initially met with curiosity and some scepticism, the marriage of the Belt with the Road and its perceived unilateral nature have stirred a reaction in India.¹⁷³ Paranoia over Chinese encirclement and CPEC's strategic intentions has since grown.¹⁷⁴ The Indian Government has not taken any firm position on the BRI to date. Nonetheless, Prime Minister Narendra Modi has raised CPEC in summit meetings with President Xi Jinping and has referred to Balochistan in recent key speeches.¹⁷⁵ However, a number of former officials and scholars promote Indian involvement in the BRI on a subcomponent and project level and underline that both Chinese and Indian connectivity endeavours will make more economic sense when connected with one another.¹⁷⁶

Nonetheless, the Indian Government's stance on CPEC is clear-cut. India has publicly expressed its resolute disapproval on multiple occasions. This stance has three main drivers: (a) CPEC runs through disputed territory; (b) doubts about CPEC's economic viability and subsequent anxiety about it being a geopolitical ploy; and (c) China's overall stance regarding India on the BRI to date. These three drivers are elaborated on below and in figure 2.2., which depicts CPEC early-harvest projects in Pakistan and interaction with security dynamics.

Overall, CPEC has security implications for India as it runs through territories that it disputes with Pakistan and China. CPEC's northernmost parts will run through Gilgit-Baltistan. India currently administers around 43 per cent of the region but asserts that it is part of the Indian princely state of Jammu and Kashmir, and has long claimed rights over the entire region.¹⁷⁷ CPEC has rekindled this dispute.¹⁷⁸ CPEC also runs through territory in Kashmir, which India disputes with China.¹⁷⁹ India claims that China is not respecting international law by allowing CPEC to run through disputed territory and therefore has a fundamental objection to it.

The assertiveness and swiftness of Chinese actions in the South China Sea have implanted a preoccupation among China's critics in India that if China gains a foothold in the Arabian Sea and, as an extension, in the Indian Ocean through Gwadar, it might make national interest claims in India's maritime sphere too. After all, if Gwadar grows to be the immense port China envisions it to become, China will need to take on a bigger direct or indirect security role.

Furthermore, there is considerable concern within India that China, which has been neutral on Kashmir since 1963, can no longer be so now that its economic and security interests in these territories are growing in stake. Neither is India interested

¹⁷³ Indian experts, Discussions with authors, New Delhi, Sep. 2016.

¹⁷⁴ One senior Indian analyst stated: 'Encirclement does not mean anything in practice, it is irrelevant. The USA has never been able to control the Indian Ocean, leave aside Chinese naval capability. The China threat is exaggerated in India.' Conversation with authors, New Delhi, Sep. 2016.

¹⁷⁵ 'Modi questions Pak. on rights abuses in Balochistan, PoK', *The Hindu*, 18 Oct. 2016.

¹⁷⁶ See e.g. Saran, S., 'What China's One Belt and One Road Strategy means for India, Asia and the world', *The Wire*, 9 Oct. 2015, <<http://thewire.in/12532/what-chinas-one-belt-and-one-road-strategy-means-for-india-asia-and-the-world/>>; and Sachdeva, G., 'Trade winds to push geopolitics', *Hindustan Times*, 2 June 2016; and Indian experts, Discussions with authors, New Delhi, Sep. 2016.

¹⁷⁷ The Kashmir dispute is outstanding at the UN since 1947. See also UN Security Council Resolution 47 of 21 Apr. 1948.

¹⁷⁸ 'Has India perhaps overreacted to CPEC: it has lived with the Karakoram highway through Gilgit-Baltistan for decades, so why is CPEC an issue now?', Indian expert, Discussion with authors, New Delhi, Sep. 2016.

¹⁷⁹ According to the *Hindustan Times*, Indian Prime Minister Narendra Modi apparently asked Chinese Prime Minister Li Keqiang how China would feel if India allowed Pakistan to build a hospital in Arunachal Pradesh, which China has been claiming without recognizing the McMahon Line that demarcates the border. It is significant that China has settled its border with Myanmar on the basis of the same McMahon Line. Gupta, S., 'Govt makes it clear: India has not forgotten Pakistan-occupied Kashmir', *Hindustan Times*, 24 May 2015.

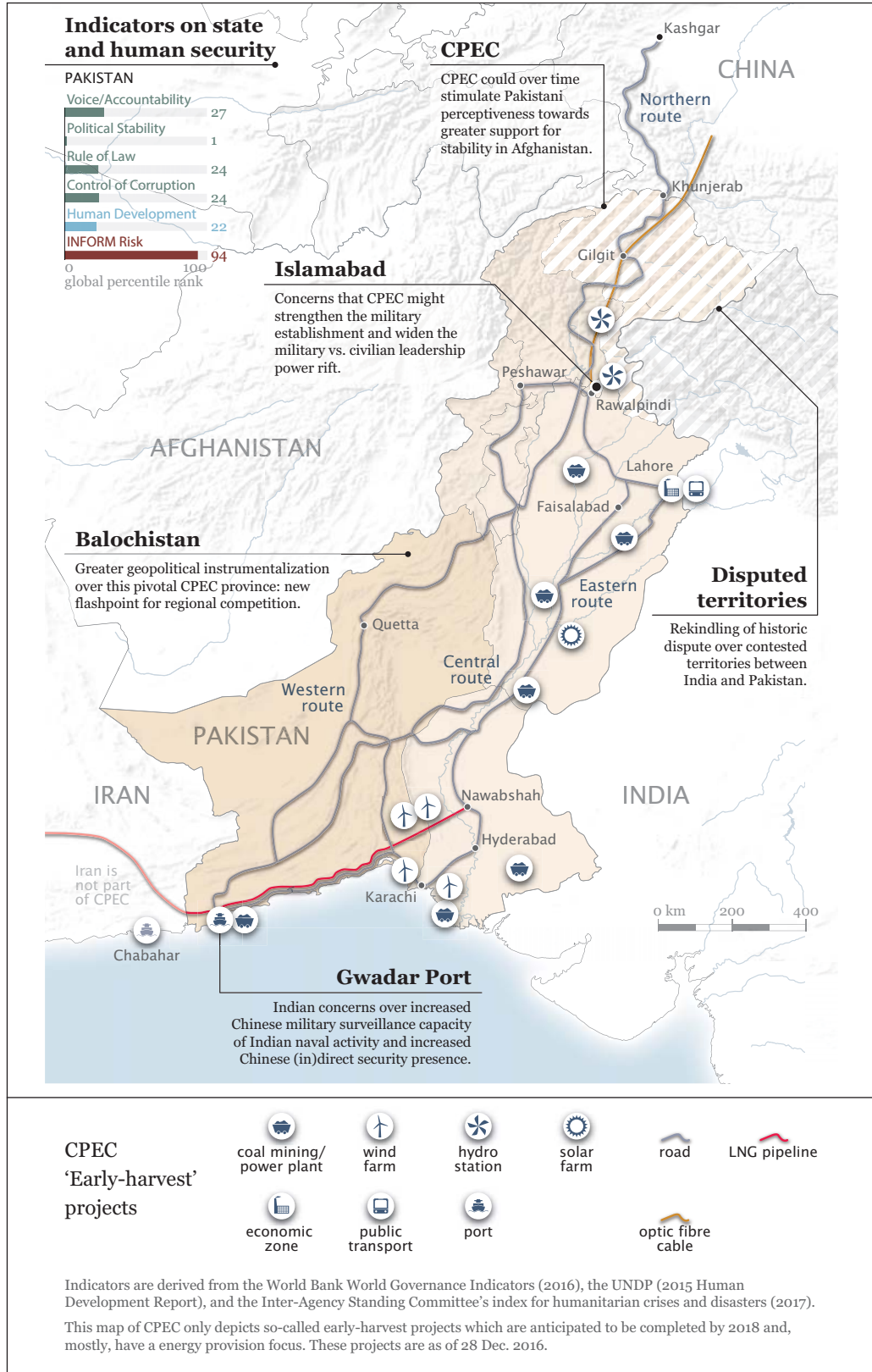


Figure 2.2. Map of South Asia illustrating China–Pakistan Economic Corridor projects and interaction with South Asian security dynamics

Note: Pakistan is centrally featured, coloured tan with Balochistan Province a shade darker.

Credit: Map by Christian Dietrich.

Sources: Data compiled by authors, various sources.

in a mediating role for China in these disputes. China has been equated with ‘malicious intent’ since the border conflict of 1962, which according to one expert left scars and left India feeling betrayed.¹⁸⁰ CPEC has reignited this sentiment and, since territorial compromise from either India or Pakistan is political suicide for any of the ruling parties, it remains to be seen whether CPEC will contribute to a resolution of this dispute or further fan the flames.¹⁸¹ Despite these potentialities, however, China and India generally believe that the dispute should be resolved through bilateral talks.

Beyond territorial complications, analysts in India have increasingly begun to see CPEC as a geopolitical ploy and as a security project. This has been partially fed by assumptions that CPEC is not commercially viable and has strong strategic drivers. This in turn has been driven by three elements: (a) India has claimed that China never reached out to it in regard to CPEC by genuinely inviting and engaging it with a defined role; (b) China has dealt in full with the Pakistani military establishment on CPEC, which itself is uninterested in trade with India, and created a new source of revenue for Pakistan’s military establishment; and (c) India has pointed out that the Pakistani economy is too small to justify an investment of 46 billion US dollars and that the Xinjiang economy is too marginal.¹⁸² The Indian experts interviewed by the authors mainly wondered whether CPEC would be cost-effective, since the risks were certainly numerous and therefore, in their view, could not be driven by economics. However, these arguments still tend to overlook the fact that Pakistan hosts the economic potential of the world’s sixth largest population, while China intends to turn Xinjiang into a major regional economic hub.

Given these arguments, in India it is commonly presumed that CPEC may be of civilian and military dual-use, such that China will use Gwadar to observe Indian naval activity and possibly even exploit it for an expansion of China’s own naval presence. There is also concern in India that while CPEC in the short and medium term could be an opportunity to generate jobs and growth in Pakistan, over the longer term its strategic consequences could reshape the regional balance of power in favour of China and limit India’s geopolitical reach.¹⁸³ Indeed, India has witnessed increasing Chinese interaction with and presence in states in the Indian Ocean and South East Asia, including the essentially dormant Bangladesh–China–India–Myanmar (BCIM) Economic Corridor (EC) and in Afghanistan and Iran. In 2016, China again strongly promoted the BCIM EC to India, which has the potential to become an important corridor of the Belt in South and South East Asia.

This negative strategic dimension is reinforced because China is viewed as having made limited efforts to engage India, or to suggest concrete avenues of cooperation.¹⁸⁴ CPEC has complicated the China–Pakistan–India relationship and placed India into a ‘we will wait and watch’ stance.¹⁸⁵ The fact that India is not neutrally disposed but rather hostile to CPEC is arguably the biggest obstacle in Chinese-Indian relations. The longer the status quo is sustained, the greater the discomfort between China, India and Pakistan grows.

¹⁸⁰ Indian expert, Discussion with authors, New Delhi, Sep. 2016.

¹⁸¹ Wagner, C., ‘The effects of the China–Pakistan Economic Corridor on India–Pakistan relations’, *Stiftung Wissenschaft und Politik (SWP)*, SWP Comments, 25 Apr. 2016.

¹⁸² Indian experts, Discussions with authors, New Delhi, Aug.–Sep. 2016; and Wagner (note 181).

¹⁸³ Indian experts, Conversations with authors, New Delhi, Sep. 2016; and Arduino (note 30), p. 6.

¹⁸⁴ Indian experts, Discussions with authors, New Delhi, Aug.–Sep. 2016.

¹⁸⁵ Indian experts, Discussions with authors, New Delhi, Aug.–Sep. 2016.

CPEC compatibility with Afghan security interests

Afghanistan and China commemorated 60 years of contemporary diplomatic relations in 2015—and during that time Afghanistan has gradually gained a more prominent place in China's foreign policy. In part, this has been accelerated by US forces scaling down, along with China's efforts to prioritize its relationships with its neighbours from 2013. Belt interests, or rather concerns, have lent more weight to the relationship. The Belt, through its central corridor that runs north of Afghanistan through southern Central Asia or possibly at some stage through CPEC, has the potential to integrate Afghanistan into the regional economy in ways that the USA has sought to do for years.¹⁸⁶ In doing so, it could potentially enhance exports and reduce costs of imports—the majority of which currently run through Pakistan.¹⁸⁷

Yet, there are five formidable obstacles to overcome. The first is the exceptional Chinese–Pakistani bond. This is a hurdle to expansion of trust among the Afghan elite, many of whom are US-centric. However, the Afghan leadership generally endorses the BRI and foresees great benefits to the Afghan economy, as well as possible medium to long-term cooling effects on Afghan–Pakistani ties.¹⁸⁸ Closer economic ties and interdependence with Pakistan might indeed discourage Pakistan from intervening harmfully in Afghanistan and its affairs.

Unlike in India, CPEC has not raised concerns in Afghanistan. Afghanistan is open to all regional initiatives that could reactivate its ailing formal economy, whether that is by way of CPEC or India-led efforts to connect with the Afghan economy through the Chabahar Port in Iran. Iran has not opposed CPEC and has expressed strong interest in the BRI. Chabahar will provide land-to-sea connectivity to Afghanistan and the Central Asian Republics, bypassing Pakistan. This India–Iran–Afghanistan nexus, if implemented and run successfully, could leave Pakistan in further self-imposed regional isolation and overly dependent on China. Pakistan needs CPEC to traverse Afghanistan if it wants to connect with the central corridor of the Belt that runs through Central Asia. The land alternative to reach Central Asia would run all the way through Chinese territory, which is a rather long detour.

The second obstacle is that current designs of CPEC will have a marginal impact on the Afghan economy. Merely local micro economies on the border with Pakistan might possibly benefit from the most west-running corridor. In order to change this dynamic, a more detailed development plan for CPEC's integration with Afghanistan and Central Asia needs to be articulated—and could come up as 'part two' of the current CPEC design. For now, CPEC's first benefits will be for Pakistan, not Afghanistan.

So while CPEC will, theoretically, expedite transit from and out of Afghanistan, the latter's exports through Pakistan will nonetheless remain politicized by Pakistan. Even if this changes, the agrarian Afghan economy is rather congeneric to Pakistan's economy. In a distant future scenario the Belt, through CPEC or the central corridor or both, could contribute to Afghanistan's economic security and lessen its overdependence on foreign aid—a scenario that the EU surely welcomes. Afghanistan's geographical location is advantageous as it connects Central Asia with South Asia. In addition, it has significant mineral wealth. Afghanistan could, therefore, become a transit hub and its mineral resources could also be funnelled into Chinese factories. However, this remains a long-term potential, since Afghanistan's current security

¹⁸⁶ Zimmerman, T., 'The New Silk Roads: China, the US, and the future of Central Asia', NYU Centre on International Cooperation, Oct. 2015, <http://cic.nyu.edu/sites/default/files/zimmerman_new_silk_road_final_2.pdf>.

¹⁸⁷ Husain, I. and Ather Elahi, M., 'The future of Afghanistan–Pakistan trade relations', US Institute of Peace, Aug. 2015, <<http://www.usip.org/sites/default/files/PB191-The-Future-of-Afghanistan-Pakistan-Trade-Relations.pdf>>.

¹⁸⁸ 'Kabul seeks Asia links, not competition', Global Times, 31 May 2016, <<http://www.globaltimes.cn/content/986042.shtml>>.

situation permits very little leeway for any major investments. In fact, the security situation in Afghanistan is an uncertainty for the Belt that may force China to slow future initiatives, not only involving Afghanistan but also those countries surrounding it.¹⁸⁹

The third obstacle is that Afghanistan is unlikely to benefit from CPEC unless Afghanistan–Pakistan relations improve. For this to happen, Pakistan’s security concerns in regard to Afghanistan need to be assuaged. These concerns are mostly rooted in a profound fear that India could dominate the Afghan economy and foreign policy. However, for Afghanistan to integrate efficiently and fully with the region’s economy, India might also need to become part of CPEC, although non-CPEC avenues such as the aforementioned India–Iran–Afghanistan nexus also exist.

The fourth obstacle is that political instability and the security situation in most of Afghanistan discourage investment and connectivity. The peace process in Afghanistan and Pakistan’s role are unlikely to be resolved over the short or even medium term.

The fifth obstacle is that a number of Afghanistan’s economic woes are the result of weak leadership, poor support of the private sector and unsound economic policies.¹⁹⁰ These cannot be resolved by CPEC. Afghanistan’s tapping of CPEC economic benefits will depend largely on the interest and ability of its government to create a conducive environment for investment and trade.

CPEC interaction with South Asian security dynamics

CPEC currently has the potential to exacerbate three fault lines in South Asian security. The first is between China and India themselves. The second is between China–Pakistan on one side and India on the other. The third is between China and India and its partners, namely the USA, Japan and, to a lesser degree, Vietnam. The region of Balochistan is being geopolitically instrumentalized by these various players. This is evidence that CPEC has contributed to political and security bloc formation, but the bloc rivalry between the USA–India and China–Pakistan exists regardless of CPEC. CPEC has merely strengthened the strategic Chinese–Pakistani alliance.

At this stage, it remains to be seen whether these formations could exacerbate the existing fault lines in the region and further destabilize it, or whether they could be a harbinger of economic growth through geopolitical competition. It also very much depends on whether the US administration under President Donald Trump will make major policy shifts within the region.

China sees South Asia as an economically underdeveloped and conflict-sensitive region that is stifled by Indian–Pakistani hostility, which in turn has allowed it a greater sway over relations with smaller states in South Asia. According to one Chinese expert, China believes that the security situation in the region could deteriorate and that economic competition might just be the way out of the current situation.¹⁹¹ Yet for now, Balochistan, one of the least-developed and most conflict-prone areas of Pakistan, is receiving new geopolitical impetus through CPEC implementation. It remains a strategic area that could become a flashpoint for regional competition and is even referred to as the new epicentre of the ‘Great Game’ by some regional analysts.¹⁹²

¹⁸⁹ Arduino (note 30), p. 6.

¹⁹⁰ Ghiasy, R., Zhou, J. and Hallgren, H., ‘Afghanistan’s private sector: status and ways forward’, SIPRI, Oct. 2015.

¹⁹¹ Chinese participant, South Asia workshop, Islamabad, Sep. 2016.

¹⁹² Indian and Pakistani experts, Conversations with authors, New Delhi and Islamabad, Sep. 2016. See also Kumar, S. and Stanzel, A., ‘The Balochistan tinderbox’, European Council on Foreign Relations, Commentary, 5 Oct. 2016, <http://www.ecfr.eu/article/commentary_the_balochistan_tinderbox7133#>.

While China and Pakistan are strongly compelled to implement CPEC for economic reasons, broader strategic and security interests are also driving both countries. Based on this logic, the project is invulnerable to a purely commercial cost-benefit calculus and stakeholders have taken note. Since CPEC's introduction, India's position has been increasingly hardening vis-à-vis China and Pakistan. One of the problems is that there is a general lack of understanding between India and China at the civil, academic, military and political level. One of the most evident disparities is that India sees itself as a great power, while China does not tend to see it as such. China is also too often in the Indian conscious, with the latter prone to fixation, much as the USA is frequently on the mind of Chinese authorities and analysts.¹⁹³

Essentially, there is a factual and conceptual objection to CPEC in India. The factual objection is that India does not want to internationalize the Jammu and Kashmir dispute it has with Pakistan. Chinese activity in disputed areas automatically makes it a stakeholder in these disputes. Yet, in Indian eyes, China is only a partial stakeholder. At the conceptual level, CPEC allows China to gain a toehold in the Indian Ocean through direct access to the Arabian Sea. There remain grave concerns that this might develop a military dimension at some stage. At the same time, there are more positive developments that might bring China and India a bit closer to cooperating on Asian governance. These include a possible reduction in US interference in Asian affairs under the incoming US administration, and India and Pakistan's accession to the SCO.

Furthermore, there is concern among observers in the EU, in India and to a lesser degree, in Pakistan over how CPEC might further strengthen the military-civilian leadership rift in Pakistan—as has historically been the case whenever foreign powers have provided financial support to the country. India believes that CPEC's stability impact is negligible, but will certainly solidify Pakistan's existing political structure. Thus, some observers in India envision CPEC as an opportunity for Pakistan to turn its back on the subcontinent and fear that it might strengthen the anti-India forces within Pakistan.¹⁹⁴

Indeed, in these early years of CPEC design and construction, anticipated benefits to Pakistan have not yet equated to windfalls for the region. Deep-rooted political distrust and socio-religious cleavages, mostly between the two largest actors, India and Pakistan, have crippled regional integration initiatives such as the South Asian Association for Regional Cooperation (SAARC) and compelled cooperation instead with extra-regional actors. CPEC is a prime example of that.

So far, CPEC has raised geopolitical tension and temperatures in South Asia, mostly between China-Pakistan and India. Increased Chinese presence in the region through CPEC negates India's desire to improve its South Asian geopolitical and commercial primacy. India fears that CPEC erodes its role as the region's most influential actor and may allow China to take a seat at the regional table—a region that India considers its historically geographic and cultural domain.

In essence, at the regional level, the security implications of CPEC are not so much the harbinger of new conflict but rather a rekindling and intensification of competition over influence and meeting the security interests of China and Pakistan, on the one hand, and India, on the other. To avoid any further hardening of stances and geopolitical rivalry, the first step to be taken is to shed more light on China's purposes in the Indian Ocean and to obtain practical assurances from China and Pakistan that

¹⁹³ See e.g. Indian printed and digital media on a given day—China dominates many pieces.

¹⁹⁴ Malik, A., 'What CPEC means for South Asia: it fundamentally alters Pakistan's alignment, sundering its link to the subcontinent', *Times of India*, 16 Nov. 2016.

CPEC is in the interest of the broader region.¹⁹⁵ The best way to achieve this is to give India and other regional actors a stake in its success.

2.3. Compatibility with Russian security interests

Russia officially endorsed EEU–Belt cooperation in May 2015, after a period of nearly two years of assessment, through a joint statement signed by President Vladimir Putin and President Xi Jinping.¹⁹⁶ To obtain a better understanding of what shifted in Russia's strategic calculus, it is essential to briefly discuss Russia's geoeconomic orientation more broadly.

Russian intentions to balance its economic trade dependence between Europe and Asia have been mooted since at least 1996.¹⁹⁷ The Ukraine crisis, which was followed by sanctions, economic fallout and a sharp decline in oil prices, has accelerated Russia's 'turn to the East'. This policy seeks to improve economic integration with the Asia-Pacific region and, in relative terms, decrease Russia's dependence on the West. So far, China's large economy has been the focal point of this policy, as the other major economies in the Asia-Pacific region, Japan and South Korea, are US treaty allies, and trade with ASEAN is negligible. China has steadily been working on integration with Russia through bilateral and multilateral institutions since the 1990s. The Belt may yet be another platform to further operationalize cooperation and integration between China and Russia, and discussions on the specifics of EEU–Belt cooperation are ongoing—albeit slowly.¹⁹⁸

Moreover, Russia believes that the world order is moving towards economic and security macro-blocs.¹⁹⁹ To its west, Russia sees the EU and the TPIP; to its east, it meets the TPP; and to its southeast, Russia faces the BRI. With the exception of the BRI, Russia finds itself excluded from all the other aforementioned economic blocs. The EEU, formally founded in 2014, is intended to serve Russia's own geoeconomic interests in much the same way.²⁰⁰ The creation of the EEU is the end result of numerous attempts to create a customs union and a single economic space since the early 1990s. Formally, it is the successor of the Eurasian Economic Commission (EEC) and its Customs Union. The EEU has the objective to give Russia and the former Soviet states of Armenia, Belarus, Kazakhstan, Kyrgyzstan and Ukraine a degree of economic latitude and sovereignty in world economic affairs. As a Russia-led initiative, it both results from and strengthens Russia's continued leverage over these former Soviet states. This has always been a top foreign policy priority for Russia. The

¹⁹⁵ Liu, Z., 'India's political goals hinder cooperation with China on "Belt, Road"', *Global Times*, 3 July 2016.

¹⁹⁶ 'Russia, China agree to integrate Eurasian Union, Silk Road, sign deals', *Russia Today*, 8 May 2015, <www.rt.com/business/256877-russia-china-deals-cooperation/>. See also Chinese Ministry of Commerce website, <policy.mofcom.gov.cn/section/gjty/fetch.action?id=TOEL000080>. The objectives described in the document are, however, limited in particulars. The agreement was bilateral—the other EEU members did not sign this agreement. See the EEU's 2015 document 'Transport' on the technical details of this integration, <http://www.eurasiancommission.org/ru/Documents/transport_eng.pdf>, pp. 42–45. The Russian intellectual community is largely supportive of the Belt and linking with the EEU: based on authors' conversations with multiple experts in Moscow, Oct. 2016. See also Spanger, H. J., 'Russia's turn eastward, China's turn westward: cooperation and conflict on the new silk road', *Valdai Papers* no. 47 (May 2016).

¹⁹⁷ Evgeny Primakov, Russian Minister of Foreign Affairs in 1996–98, already had the idea of a Russia–India–China triangle in 1996. See also Lavrov, S., 'The rise of Asia, and the eastern vector of Russia's foreign policy', *Russia in Global Affairs*, 12 July 2006, <http://eng.globalaffairs.ru/number/n_6865>. Notably, Viet Nam has become the first country to have signed a free trade agreement with the EEU. See Eurasian Economic Commission, 'Free Trade Agreement between the Eurasian Economic Union and Vietnam to enter into force on October 5', 19 Aug. 2016, <<http://www.eurasiancommission.org/en/nae/news/Pages/19-08-2016.aspx>>.

¹⁹⁸ One Russian expert noted that Russia could not handle both dealing with the fallout of the Ukraine crisis and competing with the Belt's advances—the Belt was too large and ambitious to ignore. Conversation with authors, Moscow, Oct. 2016.

¹⁹⁹ Duchâtel, M. et al., 'Eurasian integration: caught between Russia and China', *European Council on Foreign Relations*, 7 June 2016, <http://www.ecfr.eu/article/essay_eurasian>.

²⁰⁰ While the organization itself is officially abbreviated to EEAU on its website, academic discourse tends to use EEU more frequently.

EEU was also introduced as the result of a realization and decision in Russia that it should look beyond the mere transit potential of its own territory, and Central Asia's for that matter, to connect China, Europe and the Middle East through the Belt and other mechanisms.²⁰¹

Nonetheless, the EEU has three serious limitations that have caused Russia to link it to the Belt: (a) it is regional and protective rather than extra-regional; (b) it is exclusive in membership; and (c) it carries limited economic weight. With the exception of Russia, all member states are landlocked. Besides Russia and Kazakhstan, all member states have rather small economies. The aggregate GDP of Armenia, Belarus and Kyrgyzstan combined is only 5.4 per cent of that of Russia and only 19.4 per cent if Kazakhstan is added.²⁰² This gives Russia an overly central role. The economies of Russia and Kazakhstan are dominated by natural resources export and therefore lack complementarity—as does the EEU as a whole. Intra-EEU trade is thus of little significance to Russia. EEU total trade with third countries was at a mere 3.7 per cent of world export and 2.3 per cent of world import in 2014.²⁰³

Thus, Russia cannot rely on either the size or economic clout of the combined markets of the EEU to advance its economic interests. Instead, it has to rely on Asian and European markets and on external investment in EEU markets. This is where the Belt comes into the discussion. In conversation with the authors in Moscow, there was a consensus among many experts (but not all) that the Belt supplements the EEU.²⁰⁴ Russia is interested in improving the competitiveness of EEU industrial output and strengthening the collective market, and through the Belt, China can provide the investment capital to make this happen.²⁰⁵ However, there is no consensus among international scholars about whether the Belt and the EEU's diametrically opposite institutional designs (the former is exclusive and regional in design, while the latter is inclusive and extra-regional) will actually supplement one another or work in opposition.²⁰⁶ Yet, the political will to connect the two is present and Russian and Chinese experts, at least, expect this to lead to practical cooperation.²⁰⁷ What specifically shaped this political will in Russia? The Belt serves Russian interests in eight specific ways:

1. Linking up with the Belt gives the EEU legitimacy and international recognition by a great power, namely China—the first to do so.²⁰⁸
2. EEU-Belt cooperation accelerates Russia's 'turn to the East', thereby reducing Russia's economic and institutional dependence on the West.²⁰⁹
3. Since China is economically more powerful than Russia in bilateral terms, negotiations through the Belt and EEU framework give Russia an edge.
4. The Belt undermines the relevance of US aid and integration efforts in Central Asia that bypass Russia, such as the US-proposed 'New Silk Road'.
5. The Belt paves the way for closer cooperation with China, despite strategic distrust: linking it with the EEU sends a strong signal of trust to China, and is an additional institutional platform that may mitigate confrontation perspectives.

²⁰¹ Safranchuk, I., 'Russia in a reconnecting Eurasia: foreign economic and security interests', Centre for Strategic and International Studies (CSIS), Sep. 2016.

²⁰² Calculations based on data derived from the World Bank, <www.data.worldbank.org/indicator/NY.GDP.MKTP.CD>.

²⁰³ See statistics on the official EEU website, <www.eaeunion.org/?lang=en#about>.

²⁰⁴ Russian and Chinese experts, Russia regional workshop, Moscow, Oct. 2016.

²⁰⁵ Consensus by Russian experts, Russia regional workshop, Moscow, Oct. 2016.

²⁰⁶ See e.g. Cooley (note 119).

²⁰⁷ Russian experts, Conversations with authors, Moscow, Oct. 2016.

²⁰⁸ Russian experts, Conversations with authors, Moscow, Oct. 2016.

²⁰⁹ Consensus by Russian experts, Russia regional workshop, Moscow, Oct. 2016.

6. Russia views the Belt as an opportunity to bring in investment capital that will result in domestic and Central Asian job creation, which in turn may help to sustain order and stability in the face of the rising threat of Islamic extremism, the danger of colour revolutions, and instability radiating from Afghanistan. The stability of current Central Asia regimes and borders is of paramount interest to Russia.²¹⁰

7. The anticipated interplay between the Belt and the EEU is anticipated to strike a balance between globalism and regionalism: the Central Asian elite want to attract large capital to increase rent-seeking practices, while their populations favour employment creation and a measure of protectionism.²¹¹ With the open connectivity of the Belt presenting globalization opportunities and the regional market focus of the EEU, the merging of the two may possibly present a balance for Central Asia—it remains to be seen how this will unfold.

8. Russia considers the Belt as a mechanism to increase the EU's dependence on Russian energy as Central Asian energy resources are diverted to China.

Nevertheless, despite these convergences, it would appear as if the two initiatives of the EEU and the Belt are somewhat unnaturally coupled. Practical avenues to actually link the two initiatives are still to be identified: in a way this appears to be putting the cart before the horse.²¹² Furthermore, Russia has been cautious in opening up infrastructure projects to Chinese parties and in specifying the terms of investment.²¹³ Currently, both sides are working on forging an essential regulatory framework for trade and investment.²¹⁴ This may be a slow process and Chinese investment in Russia remains low.

The question also remains as to whether an increased Chinese economic footprint in Central Asia will erode Russia's influence in the region over the long term, as Russia simply does not have the economic and financial means to compete with China. Yet for now, there is a 'division of labour': Russia maintains its strong military and political ties, while China injects financial capital into the region and increases its trade with the region.²¹⁵ How this dynamic will play out in practice remains to be seen, but is clear that China cannot compete with Russia's political, historical and cultural affinity with the region, and its domination of the region's military architecture.²¹⁶

However, this compartmentalization is not as rigid as it may sound. Russia is the main export destination for Central Asian labour resources and will remain in

²¹⁰ Bordachev, T., 'Россия и Китай в Центральной Азии: большая игра с позитивной суммой' [Russia and China in Central Asia: the Great Win-Win Game], *Russia in Global Affairs Journal*, 1 July 2016, <<http://www.globalaffairs.ru/valday/Rossiya-i-Kitai-v-Tcentralnoi-Azii-bolshaya-igra-s-pozitivnoi-summoi-18258>>; and Vorobyev, V., 'Стыковка на стратегической орбите' [Docking on the strategic orbit], *Russia in Global Affairs Journal*, 8 Sep. 2016, <<http://www.globalaffairs.ru/number/Stykovka-na-strategicheskoi-orbite-18347>>.

²¹¹ Russian experts, Russia regional workshop, Moscow, Oct. 2016; and Safranchuk, I., 'Когда ставки не сыграли' [When stakes have failed], *Russia in Global Affairs Journal*, 25 Sep. 2016, <<http://www.globalaffairs.ru/number/Esli-stavki-ne-sygrali-18390>>.

²¹² National Bureau of Asian Research, Policy Q&A, Interview with Carnegie Moscow Centre's Alexander Gabuev, China's One Belt, One Road Initiative and the Sino-Russian Entente, 9 Aug. 2016.

²¹³ Senior Russian analyst, Conversation with authors, Stockholm, Nov. 2016. Although this is not independently verified, apparently China wanted to provide all the materials and labour for the proposed Moscow-Kazan railway—sidelining local business. It should also be noted that existing statistical data underestimates Chinese investment in EEU members since some of the investment comes from offshore jurisdictions.

²¹⁴ Russian Ministry of Foreign Affairs, 'Russian Ambassador to China Andrey Denisov's interview with the Rossiya Segodnya and TASS news agencies', 21 June 2016, <http://www.mid.ru/en/web/guest/nota-bene/-/asset_publisher/dx7DsH1WAM6w/content/id/2327002>.

²¹⁵ Russia's influence on Central Asia should not merely be measured in terms of trade as China imports raw materials that are of limited interest to Russia. See e.g. Lukyanov, F., 'Как Москва Ищет Своё Место в Центральной Азии' [How Moscow is searching for its place in Central Asia], *Russia in Global Affairs Journal*, 30 Aug. 2016, <<http://www.globalaffairs.ru/redcol/Kak-Moskva-ischet-svoe-mesto-v-Tcentralnoi-Azii-18328>>; and Russian experts, Conversations with authors, Moscow, Oct. 2016.

²¹⁶ Chinese and Russian experts, Russia regional workshop and interviews in Moscow, Oct. 2016. According to one senior Russian expert, the local elite in Central Asia generally do not trust China and it will take decades to gain that trust.

that role for the foreseeable future. This creates very strong economic dependence and generates considerable soft power. Kazakhstan, for example, conducted more trade with Russia than with China in 2016.²¹⁷ At the same time, China is gradually increasing its security role in the area through significant arms sales to Kazakhstan, Turkmenistan and Uzbekistan.²¹⁸

Some Russian analysts have expressed concerns that the Belt will, over time, subsume the EEU, as the Belt offers EEU members favourable incentives, specifically capital and better integration with the world economy.²¹⁹ Concurrently, there is concern over Russian economic overdependence on China, as a result of which Russia is attempting to connect the EEU with Mongolian and South Korean regional integration initiatives and is seeking warmer ties with Japan. Indeed, Russia's 'turn to the East' has put it in a politico-economic position of precarious overdependence on China—this is unlikely to be sustainable and is likely to affect Russian security interests negatively over time. The interlinking of the EEU and the Belt is still unfolding, but it has—for now—brought Russia and China closer.

2.4. Conclusions

The Belt has different security implications in Central and South Asia. It is perceived by the landlocked Central Asian regimes as a welcome means of boosting economic growth. In certain states, particularly Kazakhstan and Uzbekistan, it feeds into domestic development agendas as well. At the regional level, it does not itself exacerbate interstate disputes and could potentially serve to benefit greater regional cooperation. Indeed, cooperation in Central Asia has always been stimulated by external powers and Chinese financial incentives could induce states to begin to cooperate on, or to move past, interstate disputes that have hampered the realization of transnational economic projects. Russia has endorsed the Belt, after long consideration, as the result of its tightened geopolitical and geoeconomic parameters and economic motives. At this stage, it sees no structural conflict with its interests in Central Asia or its own regional economic framework of the EEU. Instead, the Belt and the EEU are perceived as complementary—how this unfolds in practice remains to be seen. The Belt permits Russia to diversify its economic latitude over both Chinese-initiated economic integration blocs and possible future Western ones.

In South Asia, where the Belt currently only runs through one state, namely Pakistan, it has raised political temperatures. India has objected to CPEC in the strongest terms, in part due to the fact that it traverses disputed territory. To some degree, this is also an extension of a pre-existing India–Pakistan rivalry, as well as China–Pakistan competition with India over regional influence and security. India is concerned about the long-term geopolitical implications of CPEC, particularly in the face of China gaining more regional influence at the expense of India. It anticipates that investment protection and protection of future transit through Pakistan will also increase China's security role in the region. One of the epicentres of increased regional competition could be Balochistan, the province that is home to Gwadar Port, one of the BRI's key strategic investments.

The Belt interacts with Central and South Asian security dynamics in a mutually constitutive way. While security threats from instability and terrorism could threaten

²¹⁷ Jan.–Oct. 2016, Agency of the Republic of Kazakhstan on Statistics website, <http://stat.gov.kz/faces/wcnav_externalId/homeNumbersCrossTrade;jsessionid=VLJMYvGCvCjPBZHtkng7zhT8By9CkxmbnsnXBLJvp3TT1rwK89xJ!-1055757432!-696278373?lang=ru&_afLoop=12022155618256982#%40%3F_afrLoop%3D12022155618256982%26lang%3Dru%26_adf.ctrl-state%3Dw5jg1rdg4_4>.

²¹⁸ SIPRI Arms Transfers Database, as from end of Feb. 2017.

²¹⁹ The EEU participants concluded bilateral agreements to cooperate in the Belt framework with China without taking into consideration the EEU and Russian integration efforts and norms.

Chinese investments, they also stimulate greater political will by Chinese and local authorities to cooperate to resolve them. Greater economic growth brought by Chinese investment could indeed provide the conditions for stability and development. However, there are concerns that Chinese capital could instead exacerbate some of the structural governance problems in both regions, particularly those pertaining to corruption and lack of accountability. It could also further entrench inept government apparatuses. To the extent that investments are perceived to be favouring one group over another, they could exacerbate local community and inter-ethnic tensions. Lack of transparency surrounding many Chinese deals feeds into these concerns.

Overall, investment alone will not be sufficient to bring about transformative development to Central Asian and South Asian societies. Inclusive and long-term sustainable growth will require institutional reform and the erosion of patrimonial practices and state corruption. It remains to be seen the degree to which China, Central Asian governments and Pakistan will prioritize good governance and long-term growth in addition to short-term economic gains. Much of the asserted positive spillovers of the Belt therefore still depend on the quality of its implementation, the distribution of the spoils and how human security in addition to regime and state-centric security is emphasized and addressed.

3. The Silk Road Economic Belt: an opportunity for European Union–China cooperation?

KEY FINDINGS

The Silk Road Economic Belt:

- touches on a number of European Union (EU) foreign and security priorities, including global governance, state-societal resilience and cooperation among regional orders;
- is largely in line with the EU's interests in Central and South Asia, although the implications for the EU's normative and value-based agenda remain in question;
- has, at this stage, limited prospects as a platform for EU–China hard security cooperation, but it does offer greater cooperation potential in relation to human security, in particular as an accelerant to global achievement of the United Nations Sustainable Development Goals (SDGs).

The EU:

- should strategically utilize opportunities to engage China, and other relevant actors, and calibrate the Belt to contribute towards a 'rules-based global order' in line with its own interests and values;
- should consider forging closer strategic relationships with key stakeholders such as China, India and Russia in the interest of a more stable Eurasia, with the Belt as one possible impetus for this;
- should think and plan more strategically about its own vision for a more secure Eurasia, and develop a more coherent stance on Eurasian integration visions such as the Belt;
- will need to allocate greater institutional and human capital to continuously study and monitor the Belt and its political, economic and security implications.

This section builds on sections 1 and 2 and assesses to what extent the Belt's objectives and drivers are compatible with the EU's own foreign and security interests in Eurasia. It looks at how the EU relates to the BRI as a whole at a number of levels both internally and globally, as well as how China's engagement through the Belt in Central Asia and South Asia will affect the EU's security interests in those regions in particular. The section concludes with a series of policy recommendations to the EU that are based on the findings of the report and focus on EU–China avenues of cooperation from a security perspective.

3.1. Compatibility with European Union security interests

The EU's 2016 Global Strategy states that the EU will 'pursue a coherent approach to China's connectivity drives westwards'.²²⁰ From a trade and investment perspective, the EU and many of its cash-strapped member states have welcomed the influx of Chinese investment. In September 2015, the European Commission signed a MOU on an EU–China Connectivity Platform, to 'enhance synergies' between the BRI and the EU's own Investment Plan for Europe (the 'Juncker Plan'). The platform is designed to pursue joint investment opportunities along the Silk Road. Prospective projects have so far been identified in the territories of the EU and China itself, although joint investment in third countries could eventually take place under this framework. EU member states have also engaged with China bilaterally on BRI-related investment, particularly many Central and Eastern Europe (CEE) countries through the 16+1 dialogue format established in 2012. Although Chinese analysts and officials posit that the 16+1 dialogue platform with CEE countries supports the European integration

²²⁰ European Union, 'Shared vision, common action: a stronger Europe', June 2016.

process, some EU officials see the format as threatening its internal cohesiveness, as well as potentially building an internal pro-China lobby in Brussels.²²¹

Beyond the economic domain, however, a more coherent stance towards the BRI has not emerged. There has been limited internal reflection within the EU on the BRI's longer-term implications for its political and security interests at a global or regional level, and no coherent stance at the level of foreign policy has been developed.²²² This is, evidently, in part due to the loose and still-evolving shape of the initiative itself. Competing economic, political and values-based drivers, at both the supranational and member state level, hamper a more united approach towards China in general.²²³ Finally, there is also a general lack of broad-spectrum strategic analysis capacity within relevant EU institutions—and in-house expertise on China in particular could be expanded.²²⁴ Broader political tensions and divergences may also be part of the EU's lacunae in responding to the BRI, as well as to China's other recent multilateral endeavours such as the AIIB.

Nevertheless, the BRI does have important implications for the EU's strategic interests. One of the primary policy goals of the EU, and an integral part of its global security policy, has been to 'promote a rules-based global order with multilateralism as its key principle and the United Nations at its core', as referred to in its 2003 European Security Strategy and reiterated again in its 2016 Global Strategy.²²⁵ This parallels wording that China has put forth for the BRI, namely that it 'is in line with the purposes and principles of the UN Charter', that the BRI 'will abide by market rules and international norms', and that China will 'enhance the role of multilateral cooperation mechanisms' as a part of it.²²⁶ China's commitment is also expressed in its 2014 Policy Paper on the EU, which states that the EU and China 'share important strategic consensus on building a multi-polar world'.²²⁷ In practice, the EU and China's approaches towards multilateralism often differ, and China in fact often utilizes bilateral formats to achieve its goals, but this shared interest in promoting a rules-based and inclusive global order forms at least a conceptual bedrock for EU–China dialogue and cooperation on BRI-related issues. The BRI also directly touches on a number of the EU's more specific priorities, including: (a) global (economic) governance through an open and rules-based system; (b) regional cooperative orders, to include a connected Asia; and (c) state-societal resilience in the EU's surrounding regions. In official terms, as proposed in the 'Vision and Actions' white paper, China seeks the exact same goals. In theory, the Belt also fits into the EU's subregional strategies and country-specific programmes, particularly those that promote (human) security through socioeconomic development.

The following briefly describes how the Belt might interact with the EU's regional and country-specific interests in greater detail. It should be noted that the degree to which the Belt is compatible with many of the EU's interests in practice (as opposed to theory) will depend on the character and quality of implementation of China's projects, in interaction with the myriad governance risks and geopolitical tensions that exist in these regions. The actual impact of China's investments on the EU's more value-

²²¹ European Council on Foreign Relations, 'China's investment in influence: the future of 16+1 cooperation', Dec. 2016.

²²² Interviews with authors, Brussels, Nov. 2016.

²²³ Huotari, M. et al. (eds), *Mapping Europe–China Relations: A Bottom-up Approach* (MERICS, IFRI, Elcano Royal Institute: Berlin, 2015).

²²⁴ See e.g. Keohane, D. et al., 'A new ambition for Europe: a memo to the EU Foreign Policy Chief', Carnegie Europe, 28 Oct. 2014.

²²⁵ European Union (note 220).

²²⁶ Chinese National Development and Reform Commission (note 4).

²²⁷ Chinese Ministry of Foreign Affairs, 'China's policy paper on the EU: deepen the China–EU comprehensive strategic partnership for mutual benefit and win–win cooperation', Apr. 2014, <http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/wjzcs/t1143406.shtml>.

based interests related to good governance, rule of law, human rights and democracy remains to be seen. These uncertainties, however, may also represent an opportunity for the EU to engage with China and the Belt, to shape the evolving Eurasian security-development landscape in line with the EU's values and visions.

Much of this also depends on the EU internally forming a more coherent vision of its role as a strategic actor in the Eurasian continent. In this regard, there are also geopolitical considerations that the EU needs to take into account: including China's national interest-based and geopolitical drivers for the Belt (see section 1). Belt-induced investment and trade relations between China and countries in Africa, the CEE and the Middle East are liable to result in China's growing political and economic leverage in these countries.²²⁸ Over time, this leverage could be politically instrumentalized—theoretically even against the EU. Therefore, beyond engaging with China, the EU should also engage more proactively with Belt target states and form a more strategic and coherent vision of its own.

EU interests in Central and South Asia

This subsection details how the EU's interests and soft security footprint in Central and South Asia may interact with Chinese presence in these regions over the coming years; outside of an EU Police Mission (EUPOL) in Afghanistan, the EU has not pursued any Common Security and Defence Policy (CSDP) missions in either region in support of its harder defence and security goals. In fact, historically the EU has not been a major geopolitical or strategic actor in Asia—at least not in Central or South Asia, or even in the Asia-Pacific region—although it is involved in the Asia–Europe Meeting (ASEM) and ASEAN dialogue forums. There are stated aims in the 2016 Global Strategy to 'deepen economic diplomacy and scale up [the EU's] security role in Asia', but such ambitions face hard competition for the EU's limited resources and attention, which are currently focused on internal challenges and crises in its closer neighbourhood. As such, it is the softer dimensions of the EU security and foreign policy, rather than the hard security issues of crisis management that will come to the fore regarding the region in question. These include, for instance: developmental aid, technical assistance, state and institution building, regional integration, good governance, and cooperation on non-traditional type threats.

More broadly, the EU seeks to 'deepen cooperation on counterterrorism, anti-trafficking and migration, as well as enhance transport, trade and energy connectivity in Central and South Asia' over the coming years.²²⁹ The Belt parallels the connectivity aims of the EU, with perhaps indirectly positive impacts on issues of terrorism, trafficking and migration. The EU and China together share a very general interest in the security and development of Central Asia; both also emphasize that development is an important precondition for security. International development issues are an area of cooperation highlighted in the EU–China 2020 Strategic Agenda, with an eye towards implementation of the SDGs too—the achievement of which the Belt and CPEC could help to accelerate. At the same time, there remain tensions between the EU and China in relation to norms and values. Underlying the EU's engagement has been an emphasis on civil society and human security—in contrast to China's preference for regime stability and state-centric security concepts.

²²⁸ See Grieger (note 23).

²²⁹ European Union (note 220).

Central Asia

The EU established a Central Asia Strategy in 2007, which was updated in 2015, with the goal of ‘stable, secure, and sustainable development of the region’. Energy security features high on the list of the EU’s interests in relation to Central Asia, as do trade and investment, but these interests primarily centre on Kazakhstan.²³⁰ By contrast, Kyrgyzstan and Tajikistan have been of interest to the EU as major recipients of developmental aid and assistance. Engagement with Uzbekistan is more limited, and the EU does not have a delegation in Turkmenistan. Despite EU proclamations of the region’s importance, it is ‘not a geopolitical priority’ for most members, and EU presence and influence remain limited compared to that of Russia and China.²³¹

Infrastructural connectivity has been on the agenda of the EU since the 1990s, with the launch of the Transport Corridor Europe Caucasus Asia (TRACECA) programme in 1993. Economic development and regional economic integration remain EU priorities. Therefore, China’s Belt, in its official aspirations for Central Asian national economies and the region as a whole, is very much in line with the EU’s goals. While the EU has not taken an official position on the Belt, it has indicated a desire for greater dialogue on associated issues. In the 2015 Council conclusions on the EU Strategy for Central Asia, while China is not named specifically, the document notes that the EU will ‘enhance its efforts to promote dialogue with . . . neighbours of Central Asian countries and other states active in the region, with a view to seeking synergies between our respective policies and initiatives on such issues as security, inter-connectivity, transport, energy and sustainable development, including possibilities arising from “silk road” initiatives’.²³² Central Asia is also mentioned as one among many regional dialogue points in the EU-China 2020 Strategic Agenda for Cooperation.

In theory, the EU’s emphasis on soft infrastructure in Central Asia can work in tandem with, and as complementary to, the Belt’s emphasis on hardware and physical infrastructure.²³³ Although EU’s funds into the region (slightly over 1 billion euros in 2014–20) cannot match Chinese investments and loans in terms of amounts, in countries like Kyrgyzstan and Tajikistan, towards which most of the assistance flows, the developmental impact is not negligible. Central Asians have themselves indicated a preference for the EU approaches of rigorous international and formalized rules-based investment.²³⁴ Greater cooperation between Chinese financiers and EU technical experts could work to the benefit of all parties, for instance on issues of anti-corruption, rule of law, and promotion of a better business environment for economic development.

Counterterrorism, water, and border management have all remained shared interests, although there is no direct cooperation on any of these fronts. The EU’s Border Management in Central Asia (BOMCA) programme on border security focuses on training of personnel, while China has provided more hardware, including new border posts along the Tajik–Afghan border. Counterterrorism, while of interest to the EU, is not a realm in which it has a footprint beyond dialogue. China has stepped up both bilateral and multilateral cooperation efforts with Central Asian states on this topic, but it remains politically sensitive and largely within the purview of Central Asian national governments. Relevant approaches through counter-radicalization,

²³⁰ Directorate-General for External Policies, Policy Department, ‘Implementation and review of the European Union–Central Asia Strategy: recommendations for EU action’, 2016.

²³¹ Directorate-General for External Policies (note 230).

²³² General Secretariat of the European Council, ‘Relations with Central Asia: Council Conclusions on the EU Strategy for Central Asia’, 22 June 2015.

²³³ Directorate-General for External Policies (note 230).

²³⁴ Various Central Asian scholars and officials, Conversation with authors, Central Asia, June 2016.

education and training could be promoted through international cooperation channels, however. This does not necessarily need to be within the Belt framework.

South Asia

Afghanistan has been the focal point for European security interests in the broader South Asia region, with a lesser focus on Pakistan (as well as Central Asia) as a transit region for material. In trade and investment terms, the EU has significant clout as Pakistan's biggest trade partner. In political and strategic terms, however, its footprint is extremely light. The EU and Pakistan initiated a strategic dialogue in 2012, under the security cooperation framework of which falls: counterterrorism, counternarcotics, the fight against organized crime, and disarmament and non-proliferation.²³⁵ Although beyond police training and limited counterterrorism cooperation, concrete engagement is limited. The focus of EU–Pakistan relations has, in fact, primarily been on trade, development and humanitarian issues.²³⁶ EU–India security cooperation is similarly underdeveloped, with even basic dialogue stalling in recent years. EU engagement has focused largely on issues of trade liberalization.²³⁷ The EU–India Agenda for Action 2020 will bring some new impetus for strengthening EU–India cooperation on non-proliferation and disarmament, counterpiracy, counterterrorism, and cyber security—but it remains to be seen to what extent these cooperative ambitions will be pursued.²³⁸ In general, the EU lacks a coherent strategic policy towards constituent states as well as to the broader region.

While the EU has not taken a formal position on the CPEC project, EU officials have indicated that the initiative is a welcome one, as it very much converges with EU interests in job creation, economic growth and infrastructural connectivity in Pakistan.²³⁹ Certain EU member states have even indicated an interest in participation.²⁴⁰ EU developmental assistance to Pakistan for 2014–20 amounts to 653 million euros, and is focused on issues of good governance, human rights, rule of law, education, and rural development. To the extent that an influx of Chinese investment supports the local economic development, poverty alleviation and sustainable growth, CPEC will strongly align with the EU developmental agenda. However, investment is not necessarily apolitical in its impacts, and negative effects on economic governance and democratic norms may emerge.

In Central Asia as well, some complementarity or 'piggy-backing' on Chinese projects in the EU's efforts to empower local communities and civil society, to promote sustainable socioeconomic development, and respect environmental and labour standards could serve to the benefit of 'state-societal resilience' as the 2016 Global Strategy highlights. Again, however, such development cooperation between the EU and China remains largely untested in third countries. One such third country could be Afghanistan, as the EU has a vested interest in the country's stability and the Belt may, over the medium term, contribute to its regional economic integration. This report also indicates that the CPEC component of the Belt could, over time, play its part in thawing relations between Afghanistan and Pakistan (see subsection 2.2).

²³⁵ 'European External Action Service (EEAS), 'EU–Pakistan 5-year Engagement Plan', 2012, <http://eeas.europa.eu/archives/docs/pakistan/docs/2012_feb_eu_pakistan_5_year_engagement_plan_en.pdf>.

²³⁶ Gross, E., 'The EU and Asia: towards proactive engagement?', eds S. Biscop and R. Whitman, *The Routledge Handbook of European Security* (Routledge: 2012).

²³⁷ Mohan, G., 'Regional connectivity in Asia: new avenues for EU–India partnership', GPPI, Carnegie India, 1 Nov. 2016.

²³⁸ European Commission, 'EU–India Agenda for Action 2020', 30 Mar. 2016.

²³⁹ Mehmood, S., 'EU welcomes CPEC, supports peace process in region', *Pakistan Today*, 26 June 2016.

²⁴⁰ 'Boris wants UK firms to be a part of CPEC', *Today in Pakistan*, 26 Nov. 2016, <<http://todayinpakistan.com/boris-wants-uk-firms-part-cpec/>>.

Regionally, the EU emphasizes integration among South Asian states, and it is an observer in the SAARC. The impact of CPEC on political and economic integration among the neighbouring states is debatable in the short term, particularly given the geopolitical tensions that have been raised vis-à-vis India. On issues of counterterrorism, the most recent EU–Pakistan Political Counter-Terrorism Dialogue stressed cooperation on a comprehensive approach to violent extremism, addressing root causes of radicalization.²⁴¹ CPEC implementation may, in theory, help to address some of the economic roots of extremism, but the relationship between economic growth and political violence is not necessarily linear.

3.2. Ways forward for the European Union

Eurasia's geopolitical and geoeconomic landscapes are in rapid transition. While actors such as China and Russia are initiating and stimulating their own regional integration efforts such as the Belt and the EEU, the EU is facing its own internal integration challenges and is also preoccupied with crises in its immediate neighbourhood. However, within a rapidly changing strategic environment, and in an increasingly interconnected world, the EU also needs to think about stability in the long term—not only of its neighbours, but also its neighbours' neighbours. While this is underlined in the 2016 Global Strategy, a vision for Eurasia specifically is not delineated—a direct connection is made between the EU's prosperity and security and Asian security.

It is pivotal that the EU goes beyond the 2016 Global Strategy and more clearly delineates its vision for a more stable and secure Eurasia. This would need to incorporate its own strategic role in Eurasia, its views on Asian security architecture and its vision for governance vis-à-vis other important stakeholders, including not only the USA and China, but also India and Russia, middle powers, and local actors.²⁴² This vision could then act as the guideline for all its endeavours in, and assessment of, other Eurasian security and connectivity ideas, including the Belt.

However, in the absence of such a vision, in many regards, the Belt fits into EU interests as they stand: it seeks to contribute to increased Eurasian economic, political and security cooperation and integration, and addresses a vast infrastructural and developmental deficit for which there are few other viable large-scale financial alternatives. Indeed, it has elicited a substantial amount of enthusiasm among target states, including within EU borders. The EU should coordinate its own aims and ambitions, and develop a common voice and response to the Belt, both internally and externally. Since the Belt itself remains open-ended and relatively flexible, the EU should also use the opportunity to proactively calibrate the initiative in a way that corresponds more with EU foreign and security interests. The following subsection lays out a few possible avenues.

Potential avenues of security cooperation

As the previous sections noted, China's large-scale economic engagement in so many fragile, developing and even developed nations across Eurasia has important implications for global governance. Economic implications of the BRI are perhaps better understood, and the EU has already engaged with China through the EU–China Connectivity Platform on investment cooperation, which also provides the future possibility of joint investment in third countries. The Belt remains too nascent to draw

²⁴¹ EEAS, 'EU and Pakistan hold political counter-terrorism dialogue', 20 Apr. 2016. <https://eeas.europa.eu/topics/nuclear-safety/5152/eu-and-pakistan-hold-political-counter-terrorism-dialogue_en>.

²⁴² Reiterer, M., 'Asia as part of the EU's global security strategy: reflections on a more strategic approach', LSE IDEAS, Dahrendorf Forum Special Report, Apr. 2016.

precise conclusions regarding its impact on global or regional security architectures, but what is clear is that China's economic engagement with fragile states will, over the coming years, push it to step up its political and security role overseas—both through bilateral and multilateral channels. As sections 1 and 2 indicate, the Belt will also have important geostrategic implications. From a foreign policy perspective, therefore, it will be important for the EU to engage with China on the Belt and associated issues in order to help cooperatively shape this future security landscape—in line with the EU's stated priorities in relation to global governance, state-societal resilience and cooperative regional orders.

Here, it is important to note that (a) this report concludes that the Belt itself is not an ideal platform for security cooperation; and (b) 'security' is seen both by China and the EU as a broad and comprehensive concept, one that encompasses important economic, developmental and social issues—and not just through a narrow lens. Thus, while it is ostensibly an economic initiative, the Belt is also framed by China as having important security implications: as Xi Jinping stated in 2014, 'development means the greatest security and the master key to regional security issues'.²⁴³ The Belt is justified by many Chinese analysts as providing greater security and stability in Eurasia's volatile regions, through the stimulation of economic growth and poverty reduction brought about by investment, trade and infrastructure provision.

Paper complementarities aside, there are of course still differences in the political approaches taken by the EU and China, which may hamper greater concrete cooperation between the parties. In particular, the EU emphasizes both a more rigorous international and formalized rules-based approach to investment, human rights and democracy in its political engagements, and good governance in its state-building endeavours. Greater engagement with China on the Belt is nevertheless a means by which the EU can influence China on a range of these issues to take a human security- rather than regime-centric security approach.

Cooperation on the security–development nexus represents a practical and relatively apolitical starting point for dialogue on the BRI, as it is already one of the three pillars of the EU–China 2020 Strategic Agenda for Cooperation. Given the emphasis both sides have on the UN as the lynchpin for a rules-based international system, Agenda 2020 represent an ideal framework for this dialogue. As the UN Department of Economic and Social Affairs (DESA) Development Policy and Analysis Division Director describes, there are myriad synergies and linkages between the BRI and the SDGs. Many of these are direct, including most obviously the SDGs related to poverty reduction, decent work and economic growth, and industry, innovation and infrastructure (SDGs 1, 8 and 9, respectively).²⁴⁴ Depending on a given investment, there may also be sectorial or less direct spillovers in relation to the rest of the SDGs as well. In fact, the BRI has already been endorsed by the UN as a potential 'accelerator and an effective vehicle' to achieve Agenda 2020.²⁴⁵ A MOU was signed between the UNDP and China in September 2015, for

[a] strategic cooperation framework that aims to enhance collaboration between UNDP and the Chinese government for the implementation of the Belt and Road Initiative (BRI) and the 2030 Agenda for Sustainable Development . . . to mobilize and facilitate co-ordination among all stakeholders involved to create an environment which will promote poverty eradication, environmental sustainability and inclusive social development.²⁴⁶

²⁴³ President Xi Jinping's Remarks (note 5).

²⁴⁴ Hong (note 3).

²⁴⁵ United Nations Development Programme (UNDP), 'Belt and Road: new path to regional development', Press release, 10 Nov. 2016.

²⁴⁶ 'First MOU signed between China and an international organization on promoting the Belt and Road', People's Daily Online, 20 Sep. 2016, <<http://en.people.cn/n3/2016/0920/c90000-9117119.html>>.

The Addis Ababa Action Agenda (AAAA), which ‘welcomes the launch of new infrastructure initiatives’ aimed at bridging the infrastructure gap in developing countries, could also serve as an additional framework for engaging China’s BRI.²⁴⁷

As stated in the recent Joint Communication of the EU on ‘Elements for a new EU strategy on China’, the SDGs

[give] the EU and China a common stake in delivering poverty eradication and sustainable development for all through effective institutions, good governance, the rule of law and peaceful societies . . . Relevant EU institutions, as well as EU Member States, should continue to support the development of the Asia Infrastructure Investment Bank, and engage in dialogue with the New Development Bank, so as to strengthen good governance and the multilateral system. In addition, the EU should seek a dialogue with China on best practice in terms of lending to developing countries, including aspects such as debt sustainability, environmental and labour standards, and fighting bribery and corruption.²⁴⁸

Indeed, development cooperation in third countries has been highlighted by the EU Ambassador to China as a way for both parties to achieve common SDG goals.²⁴⁹ China’s State Councillor also made direct references to the BRI as a means of doing so.²⁵⁰ In addition to cooperation with China, the EU can also work more closely with local states, with assistance on capacity building and public administration, to help government apparatuses better focus Chinese funding in ways and through channels that are most in line with their own commitments to achieving the SDGs. Many of these states have deficiencies in institutional and human capital, hindering them from outlining comprehensive national development plans on their own.

At a more regional level in Central and South Asia, both China and the EU see the local security landscape as being linked to socioeconomic development. As this report describes, it is too early to determine many of the specific security–development and governance implications of the Belt at the local level. Putative greater economic self-sufficiency for Eurasian states is tempered by the increased competition local industries may face, as well as state dependence if not indebtedness to Chinese capital. Putative greater socioeconomic development is tempered by risks that public mismanagement and corruption may increase; there is no ipso facto guarantee that in-country benefits will be broadly or equally shared. In regards to these issues, however, the EU and its member states have vested interests in helping to shape these dynamics towards the betterment of state-societal resilience. The EU’s competitive advantages of technical know-how, investment standards and procedures (including Corporate Social Responsibility, CSR), experience in implementing international aid and development projects, relationship-building with civil society, and even emphasis on human versus regime security, could all be used to assist China in this regard. In various forums, Chinese officials and experts have stressed that such cooperation—to include dialogue with local stakeholders and non-governmental organizations (NGOs)—would in fact be a highly welcome contribution by the EU, given the lack of experience and poor track record by China on many of these issues.²⁵¹

In non-traditional security terms, China has committed to a ‘green’ BRI, but there has been no firmer official alignment of China’s foreign energy and infrastructural investments with environmental sustainability goals. Many investments in Central

²⁴⁷ United Nations, ‘Addis Ababa Action Agenda of the Third International Conference on Financing for Development’, 2015.

²⁴⁸ European Commission, Joint Communication to the European Parliament and the Council, ‘Elements for a new EU strategy on China’, 22 June 2016.

²⁴⁹ Schweisgut, H. D., ‘The four pillars of EU–China cooperation’, Friends of Europe, 6 June 2016, <<http://www.friendsofeurope.org/global-europe/the-four-pillars-of-eu-china-cooperation/>>.

²⁵⁰ ‘China’s development and China–Europe cooperation: sources of positive energy for the world’, Speech by Chinese State Councillor Yang Jiechi at the French Institute of International Relations, 14 Apr. 2016, <http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1355580.shtml>.

²⁵¹ Interviews and workshops, China, Kazakhstan and Belgium, 2016.

Asia remain in traditional extractive sectors, for instance. However, a ‘Belt and Road Sustainable Development Cooperation Platform’ was set up at the end of 2016 to ‘facilitate industrial upgrading and governance capacity of the Belt and Road Initiative (BRI) countries through green, smart and sustainable technological innovation’.²⁵² This platform, created in coordination with the UNDP, also enables stakeholders to identify best practices and strategies to move towards greater sustainability and inclusiveness in relation to Belt investment. Such cooperation models or platforms might be enhanced by the participation of the relevant EU bodies, or even replicated in a more EU–China bilateral or multilateral context.

There are also harder security implications of the Belt on political stability and terrorism, as well as issues related to peacekeeping, conflict resolution and peacebuilding—particularly in South Asia. However, the trajectory depends on local political dynamics much more than the Belt itself. At present, within the loose framework of the Belt itself, there may be little room for the EU to engage with China and local states on these issues, particularly in regions where the EU’s own security footprint is very limited. Separate but related to the Belt, however, cooperation on energy security, climate change and green technology, resource efficiency, disaster risk management, public health, humanitarian issues and counterterrorism have all been highlighted by China and the EU as being areas of mutual interest.²⁵³

While there is competition and rivalry for markets, joint investment between the EU or EU member states and Chinese institutions or corporations would be a practical and concrete means of engaging in improving regulatory standards and transparency. Although to date, the EU–China Connectivity Platform has not yet extended itself to cooperation in third countries. Project-level cooperation in third countries on non-economic issues should not be excluded, however, as there are may be synergies and complementarities between EU programmes and Chinese activities. In Central Asia, in the realm of border security, the EU has provided mostly soft technical assistance and training through its BOMCA programme, while the Chinese have provided harder material provision and infrastructure. There may also be ways that the EU or EU member states can integrate their efforts with Chinese large-scale investment projects to help broaden developmental benefits. For example, in Pakistan, the United Kingdom’s Department for International Development (DFID) is working with the Asian Development Bank (ADB) to co-finance an expressway that will connect to CPEC infrastructure to ‘promote regional connectivity, economic growth and stability in Pakistan’.²⁵⁴

Synergetic activities may not require direct cooperation between the EU or EU member state authorities and the Chinese, but greater in-country dialogue even at the level of increased information sharing on the Belt among in-region embassies and missions, and obviously local authorities and stakeholders, could potentially produce a host of cooperative programming opportunities. In many cases, policymakers or analysts in China or the EU may not have previously thought of these on-the-ground efforts. Indeed, the inclusion or simple engagement of China in some of the regional initiatives and development projects that the EU has set up could help to spread know-how to this important stakeholder. It could also potentially enhance the effectiveness of EU activities given China’s increased leverage with the local states.

Increased dialogues between the EU and China within (through possible observer status) and between multilateral institutions, such as the Organization for Security

²⁵² UNDP, ‘The Belt and Road Sustainable Development Cooperation Platform’, 11 Nov. 2016, <<http://www.cn.undp.org/content/china/en/home/presscentre/articles/2016/11/11/the-belt-and-road-sustainable-development-cooperation-platform.html>>.

²⁵³ European Commission (note 248); and Chinese Ministry of Foreign Affairs (note 227).

²⁵⁴ Rana, S., ‘UK to partner in CPEC, provide \$121.6 million grant’, *Express Tribune*, 1 Sep. 2016.

and Co-operation in Europe (OSCE) or the SCO, might be an additional means for the EU to advance its own interests in cooperative regionalism. CICA, which includes Pakistan as well as four of the five Central Asian states, is another possible institutional platform that could be considered. Yet, given geopolitical realities, a certain amount of political thawing in interstate tensions may still be a prerequisite to regional economic cooperation among states—not to mention security.

At present, however, in relation to South Asia, and to a lesser extent Central Asia, the EU lacks a strategic vision of the type of regional order it would like to see or to promote. China's integration efforts and stepped up presence in these regions of Eurasia will probably be a significant shaper of future regional governance in both economic, political and security terms. In the long run, the influence may well be global in impact. In relation to this rapidly changing governance landscape, therefore, it becomes even more pertinent for the EU to act strategically and cooperatively with other Eurasian stakeholders—China as well as others—to promote the type of 'rules-based global order' most in line with its values and interests.

Policy recommendations for the European Union

At this point in time, the Belt may offer limited prospects as a platform for broader EU China cooperation on harder security issues in Eurasia. However, it does represent an opportunity for the EU to work towards closer development–security cooperation on a range of softer security or developmental topics. Pre-empting negative geopolitical and geoeconomic competition with China, the EU can utilize the Belt to gradually hone strategic ties with China, and nurture greater mutual political trust and understanding of security interests. Admittedly, such engagement might take place only gradually, given geopolitical and geoeconomic realities, as well as EU institutional lacunae.²⁵⁵ However, the EU could start with a strategic assessment and the creation of a forward-looking agenda that discusses the Belt's security implications in Central Asia, South Asia and other Eurasian (sub-)regions of EU security interest. Decisions that the EU takes on the Belt should then be based on the analysis of all these dynamics, and ideally also include analysis in other relevant subregions. With this as a starting point, this report recommends that the EU considers the following.

Over the short term

1. Allocating more human capital to the European External Action Service (EEAS) and other relevant agencies to map and monitor Belt security implications. Building on this, reach out to relevant Chinese authorities to discuss and map the Belt's short-, medium- and long-term security implications, and how these affect EU foreign and security interests. This can serve as a framework through which unfolding implications can be monitored and assessed.

2. Establishing more robust and frequent in-country dialogues with China at the level of embassies and missions, as well as with other third-party actors such as international NGOs and organized business, with the minimal goal of greater Belt security information and risk evaluation sharing. This could also be utilized to explore synergies in developmental and soft-security programming between the EU and China. Local states and third party-actors could share information, and case studies for best practices in engaging China could be developed.

3. Engaging with China, the UN and other Belt stakeholders through the Global Development Framework and UN Agenda 2030, to maximize benefits to human security, state-societal resilience, and the social returns of Belt investment in

²⁵⁵ Similar observations have been reached by e.g. Duchâtel et al. (note 199).

infrastructure and associated sectors. Outside of UN channels, this could take place through the annual bilateral development dialogues at senior official levels, as established in the EU–China 2020 Agenda for Cooperation.

Over the short to medium term

4. Delineating an EU vision for a more stable and secure Eurasia. This would need to incorporate the EU's own strategic role in Eurasia, its views on Asian security architecture and its vision for governance vis-à-vis other important stakeholders, including not only the USA and China, but also India and Russia, middle powers, and local actors. This vision would need to include policy suggestions for a more unified and strategic EU approach to security interests in Central Asia and South Asia. This vision could then act as the guideline for all EU endeavours in, and assessment of, other Eurasian security and connectivity proposals, including the Belt.

5. Providing more technical and development-security policy assistance for Belt-participating states to better utilize and align Belt funding for purposes of sustainable national economic development, human security provision, and local states' own commitment to the SDGs. This could be done in greater coordination with Chinese actors. Many Belt-participating states lack the institutional and human capital to pursue such agendas effectively, and the EU's competitive advantages could translate into much needed expertise.

6. Taking the lead with key continental Eurasian actors, China, India and Russia, and other relevant actors to set up a joint consultative Belt coordination mechanism. As the Belt's footprint grows, so will security implications to all these and smaller actors. All interested Belt stakeholders should engage in closer joint analysis, planning and monitoring. This assessment could include the Belt's development and integration vision, including routes and trade flows. These are better coordinated in advance so that possible future post-implementation friction is avoided and EU economic security interests are not threatened. Seeking a role in and/or dialogue mechanism with the SCO and the reinvigorated CICA may also contribute to meeting this objective (see below).

7. Tailoring EU developmental programming in relevant states in response to changing economic or business landscapes as shaped by the Belt, for instance, through (a) educational and vocational training programmes in associated technical industries to maximize local job creation and poverty reduction; (b) the use of existing environmental protection programmes to monitor and minimize the ecological footprint of Chinese large-scale investments; or (c) complementary projects in social infrastructure. This could be done in greater coordination with Chinese stakeholders, as well as in conjunction with local civil society, to ex ante minimize any socioeconomically disruptive aspects of Belt projects.

Over the medium term

8. Seeking a role in and/or dialogue mechanism with the SCO and the CICA: it is likely that these bodies will play an increasingly important role with regard to discussions on the Belt's security dynamics and, in the case of the SCO, of actual security policies and related activities. In addition, the EU could seek greater security dialogue with China through the OSCE.

9. Engaging with China, Afghanistan and other relevant stakeholders on assessing how the Belt, specifically the CPEC component, may be best utilized to contribute to Afghanistan's fragile security situation. This could be spearheaded through Track 1.5 dialogues. The EU has invested substantially in Afghanistan since 2001 (by any measure): it is therefore only logical that it has a say in regional integration efforts.

Chinese and Pakistani interest in developing, connecting and safeguarding CPEC cannot be underestimated and could be utilized strategically to improve Afghanistan's stability

10. Exploring longer-term joint investment projects in third countries, and deepening cooperation between relevant Chinese funding institutions, including the AIIB, and those such as the European Investment Bank (EIB) or European Bank for Reconstruction and Development (EBRD), as well as other relevant banks and developmental agencies, as a means of raising procurement, regulatory, environmental, labour and other investment standards. This could help (a) mitigate risks that Belt investment could exacerbate poor economic governance in relevant states; and (b) minimize any socio-politically disruptive investments.

Annex I. United Nations Sustainable Development Goals (SDGs)

- Goal 1** End poverty in all its forms everywhere.
- Goal 2** End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
- Goal 3** Ensure healthy lives and promote well-being for all at all ages.
- Goal 4** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- Goal 5** Achieve gender equality and empower all women and girls.
- Goal 6** Ensure availability and sustainable management of water and sanitation for all.
- Goal 7** Ensure access to affordable, reliable, sustainable and modern energy for all.
- Goal 8** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- Goal 9** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- Goal 10** Reduce inequality within and among countries.
- Goal 11** Make cities and human settlements inclusive, safe, resilient and sustainable.
- Goal 12** Ensure sustainable consumption and production patterns.
- Goal 13** Take urgent action to combat climate change and its impacts.
- Goal 14** Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
- Goal 15** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
- Goal 16** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
- Goal 17** Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Annex II. Abbreviations

AAAA	Addis Ababa Action Agenda
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
ASEM	Asia–Europe Meeting
BCIM EC	Bangladesh–China–India–Myanmar Economic Corridor
Belt, the	Silk Road Economic Belt
BOMCA	Border Management in Central Asia
BRI	Belt and Road Initiative
CEE	Central and Eastern Europe
CDB	China Development Bank
CICA	Conference on Interaction and Confidence-Building Measures in Asia
CNPC	China National Petroleum Corporation
CPEC	China–Pakistan Economic Corridor
CPC	Communist Party of China
CSDP	Common Security and Defence Policy
DESA	United Nations Department of Economic and Social Affairs
DFID	Department for International Development
EEAS	European External Action Service
EBRD	European Bank for Reconstruction and Development
EEC	Eurasian Economic Commission
EEU	Eurasian Economic Union
EIB	European Investment Bank
EU	European Union
EUPOL	EU Police Mission
EXIM	Export-Import Bank of China
GDP	Gross domestic product
IMU	Islamic Movement of Uzbekistan
NGOs	Non-governmental organizations
IS	Islamic State
MFA	Ministry of Foreign Affairs
MOC	Ministry of Commerce
MOU	Memorandum of understanding
NASC	New Asian Security Concept
NDB	New Development Bank
NDRC	National Development and Reform Commission
NSC	National Security Commission
NSRF	New Silk Road Fund
OFDI	Overseas foreign direct investment
OSCE	Organization for Security and Co-operation in Europe
PLA	People’s Liberation Army
PLAN	People’s Liberation Army Navy
RATS	Regional Anti-Terrorism Structure
RMB	Renminbi
Road, the	21st Century Maritime Silk Road
ROI	Return-on-investment
SAARC	South Asian Association for Regional Cooperation
SAR	Special Autonomous Region
SCO	Shanghai Cooperation Organization
SDGs	Sustainable Development Goals

SOE	State-owned enterprise
SWF	Sovereign wealth fund
TRACECA	Transport Corridor Europe Caucasus Asia
TIP	Turkistan Islamic Party
TPIP	Transatlantic Trade and Investment Partnership
TPP	Trans-Pacific Partnership
UNDP	United Nations Development Programme



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