Back on the Silk Road: China’s Version of a Rebalance to Asia

By Xie Tao

China’s new leaders have begun to evoke the ancient Silk Roads to describe the country’s strategic engagement with Central Asia, through which a historic land route passed, and with Southeast Asia, through which China’s maritime trade and seafaring explorations traveled until the Ming dynasty ended them.

Xie Tao explores the multiple motivations behind this evocation of China’s historical links to the outside world.

LIKE THE GREAT WALL and the Forbidden City, the Silk Road has become one of the enduring symbols of China. It was an overland trade route that transported silk, ceramics and tea among other things from China, via the vast deserts and the Pamir Mountains in Central Asia, to Persia, India, Arabia, Europe and Africa. This transcontinental trade route witnessed its heyday from the time of the Han dynasty (206 BC-220 AD) to the Tang (618-907 AD) dynasty, a period widely viewed as the apogee of the Middle Kingdom. Li Bai, one of the greatest poets of ancient China, lived in the Tang dynasty and was reportedly born in a Central Asian town along the Silk Road.

Constant warfare between China and Central Asian tribes and among the nomadic tribes themselves, along with competition from the maritime Silk Road, led to the decline of Chinese influence in Central Asia, and trade along the overland Silk Road decreased sharply beginning with the Ming dynasty (1368-1644). Long before Czarist Russia annexed most of Central Asia in the late 19th century, the overland Silk Road had faded into the distant memories of Chinese history, only invoked from time to time as evidence of the Middle Kingdom’s past glory of unrivalled commercial and military power, ethnic and religious diversity, and cultural and technological dominance.

At about the same time that the overland route was launched, sailors and merchants in southern China discovered the maritime Silk Road: from coastal China to the South China Sea and through the Strait of Malacca to the Indian Ocean. The maritime Silk Road experienced its boom in the Song (960-1279) and Yuan (1271-1368) dynasties. By the early Ming dynasty (1368-1644), the maritime Silk Road had reached its pinnacle, as exemplified by the seven expeditions led by Admiral Zheng He between 1405 and 1433. Shortly after his legendary voyages, however, the Ming court mysteriously banned maritime trade, a decision that ushered in China’s four centuries of self-imposed isolation, only ended by British warships in 1840.

Now, more than 2,000 years after the two Silk Roads were first discovered, they are re-entering official Chinese discourse in an unusually big way. During his September 2013 visits to four Central Asian republics, newly anointed Chinese President Xi Jinping proposed to establish a Silk Road Economic Belt. Barely a month later, Xi proposed to build a China-ASEAN “community of common destiny” and “a new maritime Silk Road of the 21st century” in an address to the Indonesian parliament on October 3. Then, on November 29 at the 12th Prime Ministers’ Meeting of the Shanghai Cooperation Organization (SCO), Chinese Premier Li Keqiang delivered a six-point proposal for SCO member states to strengthen economic integration along the Silk Road Economic Belt.

Last but certainly not least, in an official statement released after the two-day Central Economic Work Conference that concluded on Dec. 13, 2013, the construction of the Silk Road Economic Belt and the 21st Century maritime Silk Road is listed as one of the six major tasks for the Chinese leadership in 2014. Never before has the Silk Road entered the lexicon of the Central Economic Work Conference, a fact that highlights the top priority that China is giving the concept in its economic development.

Taken together, the statements by Chinese leaders on these four important occasions can be viewed as the official unveiling of China’s Silk Road strategy. What goals does China intend to pursue with this strategy? Does it represent new strategic thinking?

CHINA AND THE SILK ROAD ECONOMIC BELT

Since the breakup of the former Soviet Union, bilateral trade between China and the five newly independent Central Asian republics—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan—has witnessed extraordinary growth. In 1992, bilateral trade stood at a meager US$467 million; by 2012, it had reached US$45.9 billion, an increase of almost 100 times.

In Kazakhstan, for example, China has invested more than US$20 billion and loaned the country more than US$30 billion. Today, China is connected with Central Asia through cross-continental highways and railways; regular flights carry a growing number of businessmen and students. More than 2,000 years after the original Silk Road was established, China seems to have finally reclaimed its past glory as the commercial—and potentially political and cultural—driver of the new Silk Road.

But there is a crucial difference between the original Silk Road and the 21st Century Silk Road: while the former transported primarily silk products from China to Central Asia, the latter carries mainly oil, natural gas and other raw materials from Central Asia to China. In other words, since the early 1990s, China-Central Asia trade has been driven chiefly by China’s growing demand for energy and raw materials.

Again, China-Kazakhstan trade illuminates the role of Central Asia as China’s “gas station in the backyard.” Kazakhstan is estimated to have 12–17 billion tons of oil reserves, accounting for 5.5 percent of the world’s total, according to one study. The 3,000km-plus China-Kazakhstan oil pipeline, completed in 2009, can carry at its full capacity between 30 million and 40 million tons of crude oil per year to China. Within three years of starting operation, according to Chinese official statistics, the pipeline had already transported 20.3 million tons of crude oil to China, accounting for 12 percent of China’s total oil imports during that period.

These impressive sets of statistics notwithstanding, it would be naïve to view the Silk Road Economic Belt as just another example of China’s resources-driven foreign policy. Russia and China’s Xinjiang province appear to be two other crucial factors that lie behind China’s “westward expansion.”
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WARY OF RUSSIA

Russia has loomed large in China-Central Asia relations since the mid-19th century. During the heyday of the Silk Road, extensive economic and cultural ties effectively made Central Asia an integral part of the Chinese sphere of influence. Once annexed by expansionist Czarist Russia, however, Central Asia became a security challenge to China, because it now had to face a formidable power on its northwest borders. In the 19th century alone, China was forced to cede a massive amount of territory in the northwest to Russia through a series of unfair treaties. As a result, border disputes frequently erupted between China (both before and after 1949) and the former Soviet Union, and these disputes sometimes escalated into large-scale armed conflicts (the 1969 Sino-Soviet border clashes, for example). It was not until 2005, 14 years after the demise of the Soviet Union, that China finally demarcated its borders with Russia.

Today, China and Russia appear to be forging a new strategic partnership, presumably against the United States. The fact that China and Russia vetoed two United Nations Security Council resolutions on Syria that were supported by the US and its allies is often viewed as the smoking gun of an emerging China-Russia alliance. But given the long list of China's historical grievances against Russia, including territorial disputes, border clashes, ideological confrontation and geopolitical rivalry, it would be extremely difficult if not impossible for them to establish a reliable long-term alliance. In fact, the Silk Road Economic Belt can be viewed as a Chinese attempt to wean Central Asia from Russia and to set up a buffer zone between China and Russia.

In the meantime, Russia also seems increasingly concerned about China's expanding influence in Central Asia and the rest of the world. Thus it should come as no surprise that Russia, the major source of China's advanced weapons technology for nearly two decades has reportedly decided to reduce such transfers to China. Furthermore, bilateral negotiations over the pricing of Russian natural gas sales to China have been stalled for many years, perhaps another sign of Russian uneasiness with an economic giant on its eastern border.

THE XINJIANG FACTOR

Another factor that seems to have heavily influenced China-Central Asia relations is Xinjiang, the vast Chinese territory that is contiguous with Central Asia. Many ethnic groups in Xinjiang have much stronger religious and linguistic affinities with their brethren in Central Asia than with the Han Chinese, despite the fact that Xinjiang has been a Chinese province since 1884. This cultural-political dissonance...
has resulted in strident separatist movements in certain parts of Xinjiang, and Central Asia arguably has been the most fertile recruiting ground and the best hiding place for separatist groups. Consequently, after the breakup of the Soviet Union, China quickly established diplomatic ties with the five new Central Asian republics and signed border agreements with Kazakhstan, Kyrgyzstan and Tajikistan. More importantly, in 2001 China initiated the Shanghai Co-operation Organization (SCO), which has six member states: China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan, plus five observer states and three dialogue partners. Admittedly, the SCO aims to promote co-operation and dialogue on a wide range of issues among member states and nearby countries, but as far as China is concerned, its primary function is to solicit regional co-operation in fighting against separatism, terrorism and extremism in Xinjiang, which appears to have become widespread and increasingly violent. The Oct. 28, 2013, attack in Tiananmen Square in which five people died in a suicide car crash was allegedly committed by separatists from Xinjiang. A knife-slaying rampage on March 2 this year killed 29 people at a train station in Kunming and was also blamed on terrorists from Xinjiang. Taken together, the two incidents amply illustrate the mounting challenges that China is facing in governing multi-ethnic Xinjiang.

Because of potent separatist movements in Xinjiang, China faces a profound dilemma in its relations with post-1991 Central Asia. That is, promoting the cross-border flow of goods and people could further destabilize Xinjiang by providing more opportunities for separatist groups to recruit followers, raise funds, receive training and play games of cat-and-mouse with authorities. But given China’s insatiable appetite for energy and raw materials, as well as its ambivalence toward an assertive Russia under President Vladimir Putin, China does not seem to have better a choice than to embrace Central Asia.

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China’s third-largest trading partner. During his visit to Indonesia in December 2013, President Xi said that China would endeavor to increase bilateral trade to US$1 trillion by 2020. Meanwhile, Chinese foreign direct investment (FDI) in ASEAN similarly registered strong growth. In 2012 alone, non-financial Chinese FDI totaled US$4.4 billion, and the stock of Chinese FDI by the end of 2012 had reached US$23.6 billion.

On the political-diplomatic front, China-ASEAN relations also underwent significant improvement. During the 1997-1998 Asian financial crisis, China decided not to devalue its currency, a decision that helped build up an immense reservoir of goodwill in the region. In fact, 1997 is widely viewed as the beginning of China’s so-called charm offensive in Southeast Asia. Furthermore, despite ongoing disputes over the South China Sea with several ASEAN countries, China signed in 2002 the Declaration on the Conduct of Parties in the South China Sea. A year after, China along with India became the first non-ASEAN country to sign the Treaty of Amity and Co-operation in Southeast Asia. China has also been actively participating in ASEAN-centered regional organizations, such as ASEAN+3, the ASEAN Regional Forum and the East Asia Summit.

Despite all these achievements, China-ASEAN relations experienced a sharp downturn beginning in 2009, due to the sudden escalation of disputes over the South China Sea involving the Philippines (the Scarborough Shoal) and Vietnam (the Spratly Islands). As the pre-eminent Pacific power, the US has also been dragged into these disputes, due to its alliance with the Philippines in particular and its vital interests in the region in general. Meanwhile, out of geopolitical as well as economic considerations, India and Japan have also become increasingly active in regional affairs. Thus, Southeast Asia the maritime backyard of China seems to have become a battleground for major power rivalry.

STRATEGIC CONCERNS
China’s strategic interests in ASEAN go beyond its territorial claims in the South China Sea. The Strait of Malacca, through which the bulk of Chinese oil imports from Africa and the Middle East must pass, is a lifeline for the Chinese economy. In times of crisis, American and Singaporean navy vessels could quickly and effectively blockade the Strait, cutting off China’s vital supply line. Unsurprisingly, the Chinese government has gone to great lengths to cultivate good relations with Myanmar, where China has completed two pipelines that carry natural gas and oil from the west coast of Myanmar to China’s Yunnan province, thus bypassing the Strait of Malacca.
In the wake of the historic visits by then US Secretary of State Hillary Clinton and President Barack Obama to Myanmar, however, China-Myanmar relations have shown unmistakable signs of strain, thus putting the future of the two pipelines into jeopardy.

Apart from economic interests, access to energy and territorial disputes, China has another vital interest in Southeast Asia, namely, protection of the Chinese diaspora. Southeast Asia has traditionally been the top destination of Chinese immigrants. Due to geographic proximity, as the Chinese economy grows, so do the number of Chinese immigrants seeking business opportunities abroad. According to one study, of the approximately 50 million overseas Chinese (Chinese nationals and ethnic Chinese), about 32.7 million live in Southeast Asia.\(^2\) More importantly, in most ASEAN countries, ethnic Chinese, together with an increasing number of Chinese nationals, control the lion’s share of markets, capital and wealth. Such economic dominance has brought about strong resentment among many local residents and occasionally led to anti-Chinese riots, such as the 1998 riots in Indonesia. As China becomes economically and militarily more powerful, the Chinese diaspora will certainly expect better protection from Beijing if similar crises occur in the future.

Given the enormous stake China has in Southeast Asia, it is small wonder that Chinese leaders have promised ASEAN countries to build up a maritime Silk Road of the 21st century. Like the Silk Road Economic Belt, the maritime Silk Road also aims to secure China’s continued access to vital energy resources. But unlike its cozy relations with Central Asian countries, China’s relations with many ASEAN countries have deteriorated sharply since 2009 due to the maritime disputes. Thus, another key goal of China’s maritime Silk Road strategy is to repair damaged relations. After all, a stable and preferably friendly backyard would allow China to devote more diplomatic, economic and military resources to other parts of the world.

Moreover, stabilizing China’s southern backyard has added urgency in the face of US rebalancing toward Asia. From the American perspective, a rising and increasingly assertive China, plus the enormous potential of East Asia for sustained economic growth in the foreseeable future, justifies the US rebalancing to Asia, a strategic move that includes beefing up its military presence in and strengthening economic ties with the region (such as through the Trans-Pacific Partnership trade scheme). From the Chinese point of view, however, it is precisely the US rebalancing that has emboldened some claimants in the South China Sea to be much more confrontational toward China. Regardless, if successfully implemented, the maritime Silk Road strategy could significantly ease the threat perceptions of Southeast Asian nations towards China by promoting further economic integration and more cooperation between the two sides, a strategy that could make US rebalancing both unnecessary (because of regional stability) and undesirable (because of China-US competition).

In conclusion, the Silk Road Economic Belt and the 21st century maritime Silk Road represent efforts by China’s new leaders to cultivate good relations with its western and southern neighbors. Securing access to energy, growing threats of separatism in Xinjiang, lingering suspicion of Russia, protecting the Chinese diaspora and countering the US rebalancing to Asia all make such a strategy highly desirable and imperative. The new leaders seem to have finally recognized the truth in an old Chinese saying: a close neighbor is better than a distant relative. Courting the European Union or the US at the cost of neglecting its Central Asian or Southeast Asian neighbors has not brought about a better security environment for China. After all the twists and turns, China seems to be implementing a Chinese version of rebalancing toward Asia.

Xie Tao is a Professor at the School of English and International Studies at Beijing Foreign Studies University.

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