The Silk Road was for millennia a trade bridge between East and West. Now China, as it pushes to be a global power again, is investing in a network of road and sea routes between the Pacific Ocean and the heart of Europe as a Silk Road fit for the 21st century. The obstacles, the costs and the potential benefits are all immense — while the politics are complex and fraught.

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At the heart of Beijing’s pivot is the ‘21st Century Maritime Silk Road’, which links China to Africa and Europe, stimulating trade, creating new maritime routes and building a network of international partnerships.
Confront or Accommodate? The Maritime Silk Road Will Test US-China Rivalries

By Alain Guidetti

Since the economic reforms of the late 1970s that unleashed China’s rise, US policy toward Beijing has been characterized by engagement and hedging, with Washington hoping that China’s emergence as a global power could be managed. But with the New Silk Road initiative and increasingly testy maritime disputes between China and its Asian neighbors, Beijing and Washington look set to engage in a struggle for pre-eminence in Asia, writes former Swiss diplomat Alain Guidetti.

RUMORS in the US media and within policy circles in Washington hint at a coming shift in US policy towards China. Accordingly, the carefully managed balance between cooperation and constraint, which was designed to accompany and guide the rise of China, might give way to a more confrontational US posture. The cause for a reorientation in US policy is ascribed to the assertiveness of Beijing in the territorial disputes and land reclamations in the seas off its coast. But the growing US nervousness about China, as illustrated by some blunt warnings to Beijing by Defense Secretary Ashton Carter, goes beyond the Chinese buildup of artificial islands in the South China Sea that is fueling the current dispute. Washington recently opposed Chinese efforts to set up the Asian Infrastructure Investment Bank (AIIB), a central pillar of the “New Silk Road” project that will advance the centrality of China in Eurasia and beyond. As competition intensifies between the two powers, sources of tension multiply, increasing the risks of conflict.

MOVING TOWARD THE PIVOT

Over the past 25 years, US policy toward China has been a combination of two somewhat conflicting approaches — “engaging” and “hedging.” It is an uneven and fluid balance meant to manage China’s rise. The purpose of engaging was to make China a “responsible stakeholder,” as then-Deputy Secretary of State Robert Zoellick said in 2005, eager to play by the rules of an essentially Western-centered order forged in the aftermath of the Second World War. In parallel, the US developed a hedging policy aimed at consolidating the US posture in the Western Pacific, notably through its network of alliances and partnerships, with the expectation that the self-proclaimed peaceful rise of China would be accompanied by an increasing challenge to US dominance in Eastern Asia.

Shifts in US policy toward China are not a new phenomenon. This began as Chinese economic and political clout extended beyond the boundaries of the Middle Kingdom and its near abroad. In the aftermath of the Cold War, close attention to the web of US military alliances in the Northern Pacific was a first indication that US attention, notwithstanding the Korean Peninsula, might return to East Asia and, after the 1989 Tiananmen episode, focus on China instead of the former Soviet Union. The 2006 US-India nuclear deal that set up a new partnership between the two nations was widely seen as part of a readjustment of the US posture in the broader region. Then, in the aftermath of the 2008 financial crisis and after China became the world’s second largest economy in 2010, the Barack Obama administration proclaimed the “pivot” or “rebalancing” to Asia in 2011.

Although the pivot was meant to address the new Asia-Pacific centrality and underlined the importance of engaging China, its main feature was to set up a series of measures aimed at influencing China’s economic and political clout and constraining its military leverage. One of the two pillars of the US rebalancing is the Trans-Pacific Partnership (TPP), an ambitious project setting high standards for Asia-Pacific trade that currently excludes China, which, if finalized, would create a new trade bloc in the region. The other pillar is the repositioning of the US as the core military actor and center of a network of revitalized and extended military alliances and partnerships in the region. The merits and the limits of this strategy have already been abundantly discussed, but the point is that it revealed the increasing US concern about the rise of China and Washington’s willingness to counter it.

A ZERO-SUM CONTEST FOR PREDOMINANCE

Since then, various developments have heightened the perception in the US that China’s rise might not be as peaceful and unchallenging as China proclaims. The ongoing disputes in the China Seas are only the most recent indicator, as old maritime differences have emerged into open territorial disputes between China and Japan (in the East China Sea over the Senkaku/Diaoyu islets), Vietnam, the Philippines and others (in the South China Sea). These disputes illustrate the increasing flux in regional tensions over maritime sovereignty claims. At stake is not only the issue of ownership over small unoccupied islands, pieces of rocks and artificial sandy islets (and what lies beneath these features) primarily built by China but also by Vietnam and the Philippines, along with civil and military installations. Beyond the principle of freedom of navigation is the larger issue of dominance over China’s “near seas,” maritime East Asia and potentially the Western Pacific.

In this zero-sum contest for regional preeminence, the US wants to preserve the status quo that brought peace and development, along with its own supremacy over the region. But an increasingly militarily capable and ambitious China is putting US expectations to the test. Beijing has advanced and massed naval non-military means to support its large territorial claims in the China Seas. Moreover, it has developed powerful “access-denial” capabilities, in particular anti-ship missiles, that make potential US interventions (Taiwan inter alia) increasingly perilous and costly. In the view of US military analysts, this gradually makes “Pax Americana”
less sustainable in East Asia. The Chinese military budget (officially US$146 billion in 2015) is still just one-fourth of the mammoth US military budget, but it is already bigger than the combined military expenditures of Japan, India and South Korea.¹

Moreover, a 2015 China Defense White Paper for the first time officially acknowledged Chinese ambitions towards the open oceans. According to a senior Chinese military official, it mirrors the fact that “China has made it a strategic goal to become a maritime power, therefore, we need to build a strong navy … Offshore-waters defense alone can no longer provide effective defense of the country’s maritime interests.”² The White Paper also highlights intentions to develop an “active defense” to achieve the “Chinese dream of rejuvenation of the nation,” a metaphor for the re-emergence of China as a wealthy nation and global power.

For many in Washington who consider growing Chinese military might with the utmost suspicion, “active defense” means increased assertiveness as witnessed in the China Seas tensions. The way China resolutely pursues its efforts to consolidate its territorial claims while demonstratively ignoring US demands to stop its construction activities, sounds like a candid signal that US supremacy is perhaps no longer what it once was. Yet, US Secretary of Defense Ashton Carter spared no efforts during his recent trip to East Asia in warning Beijing and reassuring allies and partners that the US will not give up preeminence: “There should be no mistake: the United States will fly, sail and operate wherever international law allows, as we do all around the world … The US will remain the principal security power in the Asia-Pacific for decades to come.”³

These developments substantiate an increasing perception in the US that the ultimate aim of rising Chinese power may be to push the US military away from maritime East Asia, in the view that Washington has no role in the region aside from trade and investment. Incidentally, a recent publication from retired People’s Liberation Army Col. Liu Mingfu called The China Dream, which may have inspired Chinese President Xi Jinping’s own well-known vision of the China dream, gives credit to this interpretation. Known for his provocative statements, Liu claims that “it has been China’s dream for a century to become the world's leading nation.”⁴

**The Chinese initiative ironically demonstrates that if the current order cannot adapt to new economic realities, it faces the risk of being bypassed. The consequences are still not clear, but China will definitely increase its footprint over global governance, challenging US and Western leadership from ‘outside.’**

**RIVAL TRADE BLOCS**

From the beginning of China’s economic takeoff, “engaging” has been at the center of US policy toward Beijing, alongside “hedging.” This provided the US with the rationale for co-operating economically with China while integrating China into the institutional and policy mechanisms of the international order, in particular financial and trade institutions. Yet, even in this realm, the interaction between the two powers seems to be increasingly shifting from competition towards more confrontation. Asia-Pacific trade and development initiatives are revealing in the way they are entangled by conflicting geopolitical interests.

The US and China pursue two separate and exclusive trade models for Asia: the Trans-Pacific Partnership (TPP), on the one hand, and the Regional Comprehensive Economic Partnership (RCEP), on the other (a third initiative, the Free-Trade Area of the Asia-Pacific, might ultimately aim to gather countries from both groupings, including the US and China). Initially an open project designed to deepen integration in the Asia-Pacific by upgrading free trade in goods and services and setting higher standards on investment, intellectual property, the environment and labor, the TPP, which has yet to be launched, was quickly included in the US rebalancing strategy.

When Obama claimed in his 2015 State of the Union address that “the US must set the rules” of the Asian and global economy, this selective trade bloc of 12 nations worth almost 40 percent of the world economy, which excludes China, was considered a masterpiece. The less ambitious RCEP, led by China, replicates the TPP’s exclusivity by creating a rival bloc born out of a network of ASEAN Free Trade Agreements (FTAs), also worth 40 percent of the world economy. Interestingly, many Asian countries look beyond the competition in trade models. Japan, Malaysia and Singapore are negotiating with both the TPP and RCEP. South Korea, which is in the RCEP negotiating club and just signed an FTA with China, has asked to join the TPP. But Seoul has been told by Washington to wait until the pact is finalized rather than complicate matters with further negotiations at this late stage.

**THE SILK ROADS: A THREAT TO GLOBAL GOVERNANCE?**

Announced in 2013, the New Silk Road initiative, or “One Belt, One Road” (OBOR), is a massive Chinese development project with implications for the global order. It plans to link 4.4 billion people and more than 60 countries stretching from Beijing to Europe, through Central Asia, the Middle East and Africa, in a modern version of the two onshore and offshore Silk Roads. It is also expected to be linked to the parallel South Korean Eurasia initiative, which aims to connect the Korean Peninsula with Central Asia and Europe. Some describe the New Silk Road as China’s Marshall Plan, both for the scope of its ambition and its strategic vision to put China at the center of a global network of interconnections. The blueprint calls for new rail and road links, energy pipelines, communication networks and other infrastructural projects throughout Eurasia, as well as a ring of port facilities from the China Seas to the Persian Gulf, the Horn of Africa and the Mediterranean. Few actors are left out, but significantly, the US, Japan and India are excluded.

China intends to invest no less than US$900 billion and to establish new, or strengthen existing, financial institutions that will form the financial pillars of the initiative: the new AIIB, the ad hoc New Silk Road Fund, the New Development Bank of BRICS countries and various Chinese development banks endowed with tens of billions of dollars. The Chinese economy, which is suffering large industrial overcapacity, will be the largest beneficiary.

Washington mainly sees the New Silk Road initiative, in particular its financial institutions, as a potential threat to the international order, based on three major arguments. First, it will duplicate the existing network of financial institutions, in particular the World Bank and the Asian Development Bank, and weaken them by lowering inter-

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national standards of governance. Second, it will contribute to weakening the dollar-based international system by strengthening the Chinese currency, the renminbi, as a global trade asset. Third, it creates a rival financial system that may sidestep the international order of global governance.

But for other Western actors, in particular Europe, as well as South Korea and Australia, which support the new multilateral financial institutions, the US reluctance may be more a question of leadership than substance. They are more inclined to recognize that the global economy is increasingly influenced by China and that Beijing has not been fairly rewarded in the governance of US-led financial institutions, which may have encouraged Beijing to consider alternative options. Moreover, current financial institutions are not tailored to finance and manage as huge an initiative as the New Silk Road. Yet, the yearly needs in infrastructure development in Asia have been estimated by the Asian Development Bank at some US$800 billion.

The most serious argument concerns the risks of lowering international standards of governance for financial institutions. The Europeans argue that the such standards would be better secured with Western and East Asian institutionalized countries inside the new institutions than by trying to influence them from outside. Furthermore, the Europeans say that Beijing should be taken at its word when it claims it wants transparent and rules-based financial institutions. The designation of a former ADB vice-chairman, Jin Liqun, as the AIIB’s chairman is considered a first positive signal, as well as the apparent decision by China not to secure veto power in the institution.

ENLARGED CHINESE FOOTPRINT

But despite the assurances and expectations, the New Silk Road and the institutions that will underpin it may indeed profoundly impact the current global order. By its very existence, the Chinese project challenges the core principle that the international financial order should develop and adjust to new circumstances from within and not from outside, which means under Western and, in particular, US control. The Chinese initiative ironically demonstrates that if the current order cannot adapt to new economic realities, it faces the risk of being bypassed. The consequences are still not clear, but China will definitely increase its footprint over global governance, challenging US and Western leadership from “outside.”

Furthermore, many economic and political aspects of the New Silk Road remain unanswered and the project is unevenly advanced. Essentially, it is a hybrid plan, comprising projects designed for multilateral support with others emerging from bilateral arrangements. The bilateral projects seem more advanced, as they are meant to serve direct Chinese economic and strategic interests, as the China-Pakistan corridor shows.

Signed by Chinese President Xi in Islamabad in April 2015, and worth US$48 billion (the largest project ever envisaged in Pakistan), the China-Pakistan corridor is at the junction of the Silk Road and the Silk Belt. It is centered around the newly-built Gwadar deep-water port on the Arabian Sea and a transportation and energy connection to the Chinese border. It will boost growth in Pakistan, while providing China with direct access to the Indian Ocean and markets in the Middle East, Africa and Europe by cutting three quarters of the distance it takes for cargos from Africa, the Gulf and Europe to reach China by crossing the potentially hostile Indian Ocean, the Strait of Malacca and the South China Sea. As a consequence, China could quickly replace the US as Islamabad’s most significant partner at a time when the US is completing its withdrawal from Afghanistan and consolidating its ties with India. It is hardly a surprise that the US is uncomfortable with the New Silk Road, but the most directly exposed power in this new equation is Russia, which is trying to develop a rival regional project, the Eurasian Economic Union, encompassing Central Asia. The new height of relations between Moscow and Beijing in the context of Russia’s own “pivot to Asia” may conceal deep conflicting interests in Central Asia between the two capitals, but for how long?

US AND CHINESE DILEMMAS

The increasing tensions in the China Seas and the growing Chinese economic clout exemplified by the New Silk Road initiative are the most recent features of what is seen by many in Washington and beyond as China’s growing challenge to US leadership in East Asia. This has prompted renewed calls by some in Washington for a change in US policy toward China.2 Basing their assumptions, inter alia, on recent statements by Defense Secretary Carter for an increased naval and air presence and surveillance in the South China Sea, some argue that the US administration is set to adopt a more confrontational stance that might profoundly alter relations with Beijing.3 Whether this reflects more than wishful thinking within Washington political circles is unclear. A more active presence on the sea does not imply a radical shift in US policy toward full-fledged containment, and no serious alternative has been voiced so far, beyond tougher rhetoric, extended surveillance and increases in military budgets.

The point is that the US is confronted with the awkward constraint of trying to preserve a waning status quo in East Asia, while avoiding a military confrontation with China on maritime disputes, which the American public would not support and that would seriously damage bilateral relations. Moreover, having seen its relations with Russia dramatically deteriorate over the crisis in Ukraine, Washington can hardly afford to let its relations with Beijing slide into a “cool war” that would bring its two biggest competitors closer together. Furthermore, in the field of economic development, the US has shown the limits of its capacity to convince allies and others on the merits of constraining China, while most nations are eager to partner with Asia’s major economy. China faces its own dilemmas. The Chinese leadership needs to balance the temptation to satisfy nationalistic demands at home for further land reclamations and shows of power, while trying to reassure neighbors, and the US, that its desire for regional stability remains steadfast. Moreover, uncertainties pertaining to the success of the economic reform process may expose vulnerabilities that might impact China’s external relations and the implementation of its ambitious projects.

Assuming the US won’t simply retreat from East Asia, the rise of China poses a fundamental dilemma for the US — either try to maintain the status quo or adjust to China’s influence. Some say that the former would inevitably drive the two powers onto a collision course. Others argue that the latter might be a first step towards accommodating China’s dominance in East Asia. Neither may be right, and US-China relations might well take a middle course between confrontation and accommodation. This, however, would not make the risks of conflict between the leading power and the rising one any less real. It is increasingly a matter of concern for Asian countries and the world community.

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3 “The Great American Rethink on China,” The Wall Street Journal, May 28, 2015: “China’s behavior has led to a decisive hardening of opinion among US officials, policy experts, business leaders and voters. This rethink could shape global security for decades to come.”

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