

# **REVIVING THE ANCIENT SILK ROAD: CHINA'S NEW ECONOMIC DIPLOMACY**

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## **Geo-Economics Asymmetrical with Geo-Politics**

China's Xi Jinping has promised to transform China through a national rejuvenation in order to realize his "Chinese dream". Thus, domestically China is stepping up reforms to sustain further economic growth so as eventually to achieve a *xiaokang* (moderately affluent) society by 2020. Externally, China strives to create a favourable international environment conducive to the country's continuing development. For this, China is intent on cultivating a "good-neighbourly foreign policy" with countries on its periphery, and closer political and economic relations with countries afar, based on cooperation and mutual benefits.

Xi's domestic economic and social development targets look sufficiently realistic and actually achievable, as China's economy today is still full of growth potential. According to recent IMF estimates, China's total GDP in PPP (purchasing power parity) terms will reach the US level by the end of 2014. China's main challenges, however, come from its external front.

For many years now, China has been actively propagating its key foreign policy message of "peaceful rise", which, however, has not been whole-heartedly embraced by all its neighbours, partly due to the lack of trust between them and partly due to China's outstanding bilateral tensions with certain Asian states. Objectively speaking, China's rapid rise on account of its vast scale being compounded also by high speed is so formidable that it is inevitably considered too disruptive to the existing regional order.

This is in spite of the fact that China's sustained economic growth has already carried significant beneficial spillover effects to the region. Today, China's economic growth operates

as an engine of growth for most Asian economies, as China is already their leading trade partner and increasingly also their important source of foreign direct investment. Still, China's growing geo-economic dominance has failed to translate into concomitant geo-political influence. Any move by China to define its place in the world, not to say restoring its historically "rightful place", would immediately alarm its neighbours. Even an attempt to seek greater geo-political space to be commensurate with its rising economic power, is interpreted as being "too assertive".

### **Behind Xi's New Silk Road Diplomacy**

Both President Xi Jinping and Premier Li Keqiang are acutely aware of China's fundamental foreign policy dilemma. Soon after they took power, they mounted many new diplomatic initiatives, including the much publicized revival of the ancient Silk Road.

Xi, in his speech at Kazakhstan's Nazarbayev University in September 2013, called for the reviving of the ancient "Silk Road" (SR) by establishing the "Silk Road Economic Belt". Then he also called for the building of the new "Maritime Silk Road of the 21th century" when he was addressing the Indonesian Parliament on 4 October 2013. Subsequently, Li further outlined his ideas of the new "Maritime Silk Road" at the 16<sup>th</sup> ASEAN-China Summit in Brunei on 10 October 2013.

All this, as they hope, would eventually bring about a new political and economic landscape from Asia to Europe that would enable China to more effectively project its image of "peaceful rise" as well as its growing geo-political influence.

Geographically, historically and economically speaking, China was without doubt a pivot to the Silk Road. The ancient SR actually comprised two parts: the Overland SR and the Maritime SR, with the former being more established and better known. Both originated in China, which clearly occupied a central strategic location.

The Overland SR stretched out over 10,000 KM long from China's Xi-an (the old capital Chang-an) to Europe reaching Rome while the Maritime SR started from China's southeast coastal regions, traversing a vast expanse of oceans and seas through the South China sea to India and West Asia . So much for China's geographical pivot.

Historically, the Overland SR can be traced back to the Han Dynasty around 200 BC, when China's most famous pioneer envoy Zhang Qian made two diplomatic missions on behalf of Emperor Han Wudi to China's Far West or Xiyi. Zhang started from Chang-an and crossed the Hexi Corridor, Tarim Basin, and various states and tribes in Central Asia until he reached Da Yuezhi and some outposts of the Roman Empire. Zhang 's epic journeys thus opened up this historic SR. Commercial activities and cultural exchange soon thrived along the route in his wake.

In a way, the Overland SR was truly a remarkable trans-continental link for commercial activities, and cultural and religious interaction before the advent of modern communications and transportation. It was historically the most impressive feat in terms of developing connectivity through Euro-Asia. Indeed, it was through the SR that China's three great ancient inventions, namely, compass, printing and gun powder, were transmitted to Europe.

The Maritime SR also originated in China. It started as the Chinese people ventured out to Southeast Asia, traditionally called *Nanyang* (or South Seas) by the Chinese. By the Song Dynasty (960-1280) Imperial China had established tributary relations with many states in Nanyang. It may be stressed that the tribute-bearing missions were, as observed by Harvard's eminent historian John K Fairbank, actually a convenient "cloak for trade". In fact, China had already operated a lot of maritime activities along the China coast and in Nanyang well before Admiral Zheng He's expeditions (1405-1433). Subsequently, China's burgeoning relations with Nanyang were further boosted by successive waves of Chinese migration, particularly in the 19<sup>th</sup> century.

Economically, China was also pivot to the ancient SR, because the Chinese economy was historically not only larger but also relatively more developed than all those tiny states along the trade routes. According to the historical GDP data compiled by the noted economist, Angus

Maddison, China, though being a pre-industrial society, was for centuries the world's largest economy and it remained so until the early 19<sup>th</sup> century. China had the technology to produce high quality silk and fine porcelain that were in high demand in the less developed countries around China. In short, the Chinese Empire provided a viable economic base to sustain the old SR for centuries.

Looking back, what is even more remarkable concerning the ancient SR is not just about how it had lasted for centuries in the absence of a well-established institutional framework and a strong international order, but that it had been by and large a peaceful means of inter-state commercial activities and peaceful inter-ethnic cultural exchange. The ancient SR did not lead to wars and strife, much less colonialism and imperialism.

This is in part because the Chinese Empire was historically a benign power. Through the centuries, it did not seek territorial expansion or domination beyond its Great Wall. It was only in the 19<sup>th</sup> century that China annexed Xinjiang and Tibet, initially as defence buffers. This is in sharp contrast to the conduct of subsequent Western powers, which actively sought to control and colonize the countries or territories along their trade routes. Such is the underlying message as Xi put forward his new SR diplomacy.

### **The Silk Road Economic Belt**

China is clearly using its strong economic muscles to promote its new SR diplomacy. Beijing is in the process of drawing up ambitious plans for developing the Silk Road Economic Belt - the idea of "one economic belt for one road". Eventually the economic belts could add up as a potentially powerful economic grouping of 3 billion populations. In future, it could also serve as a new platform for regional and inter-regional cooperation.

China has no doubt got the necessary economic cards for this scheme. It is already a leading trade partner of many Central Asian states that are potentially involved. China is also eyeing the natural resources such as minerals, oil and gas of these countries. There is sufficient economic complementarity between China and the other states in the proposed economic belt.

## **Leveraging Economics for Politics**

In a sense, China's new SR diplomacy is well-intentioned, as it is being promoted in the spirit of peace, cooperation and equality. But Beijing's underlying motives in this endeavour are also quite clear. China is essentially leveraging its geo-economic power for larger geo-political objectives.

However, the emerging geo-political landscape of the proposed new SR is far from clear. It may also not be so smooth going for China. For the Overland SR, China's endeavor could run the risk of creating suspicion and conflict with Russia, as many Central Asia states fall into Russia's traditional sphere of interest. For the Maritime SR, China's immediate diplomatic challenge is obviously how to untangle its deep-rooted territorial disputes with its neighbours and build trust.

In all, for the new SR to take off, China certainly needs to devote a lot of its diplomatic resources. Even more crucial, China needs a lot of soft power, which is not in plentiful supply in China today on account of its different ideology and different political system.