China‘s New Foreign Policy Under Xi Jinping.

Implications of the Belt and Road Initiative for Europe

Meeting with the Chairman Honorable U Zaw Thein and Members of the International Relations Committee, Pyithu Hluttaw,

Nay Pyi Taw, Myanmar

Outline

1. The argument
2. The Third Revolution: China‘s new foreign policy under President Xi Jinping
3. The Belt and Road Initiative: Structure and Process
4. The Belt and Road Initiative: Europe‘s Reaction
    1. Central and Middle Eastern European countries
    2. Germany‘s response
5. Conclusion

The argument

1. President Xi Jinping has raised enormous expectations since 2012, amounting to a „third revolution“ (Elizabeth Economy) by centralizing power, increasing societal control while striving to enlarge China‘s influence in and imprint on world politics.
2. But China‘s advances have been met by considerable obstacles, both domestically, its economy is adjusting to a „new normal“, and externally, its actions are increasingly questioned in Asia and Europe.
3. Domestically, there is growing debate about the scope, sustainability and prioritization within BRI: „Let us first develop China, before we develop the world“.
4. Externally, various Asian societies and governments have raised concerns as to the motives and effects of the BRI, resulting in massive downscaling of projects and policy changes (Malaysia/Sri Lanka) or a lesser favorable investment climate (Europe, Africa).

The Third Revolution: China‘s new foreign policy under President Xi Jinping

Step 1

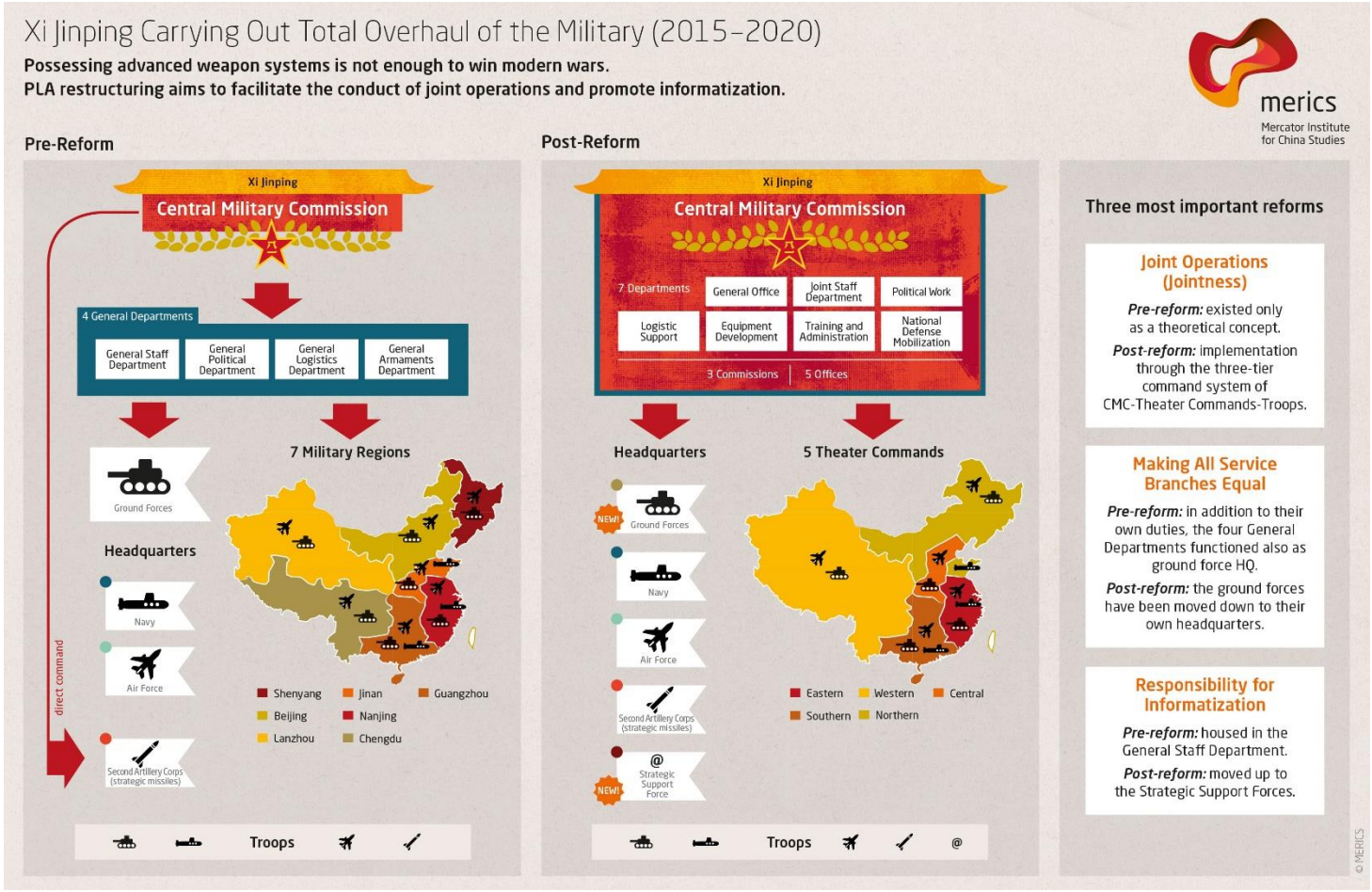
President Xi Jinping‘s ambition for China

- **Scope:** The historical rejuvenation of the Chinese nation is equated with the “Chinese Dream”, (*Zhongguo men*g,中国梦):
  1. China should double its per-capita GDP from 2010 to 2020;
  2. It should have a military “capable of fighting and winning wars”;
  3. It should meet the social welfare needs of the people.
- **Direction:** “The selection of path is a life-or-death issue for the future of the CPC. We should unswervingly uphold socialism with Chinese characteristics . . . the superiority of our system will be fully demonstrated through a brighter future.
- **Ideology:** Chinese is a dream of the whole nation, as well as of every individual,” and that “only when the country does well, and the nation does well, can every person do well.
- **Institutionalization:** “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era” has been enshrined into the PRC constitution.

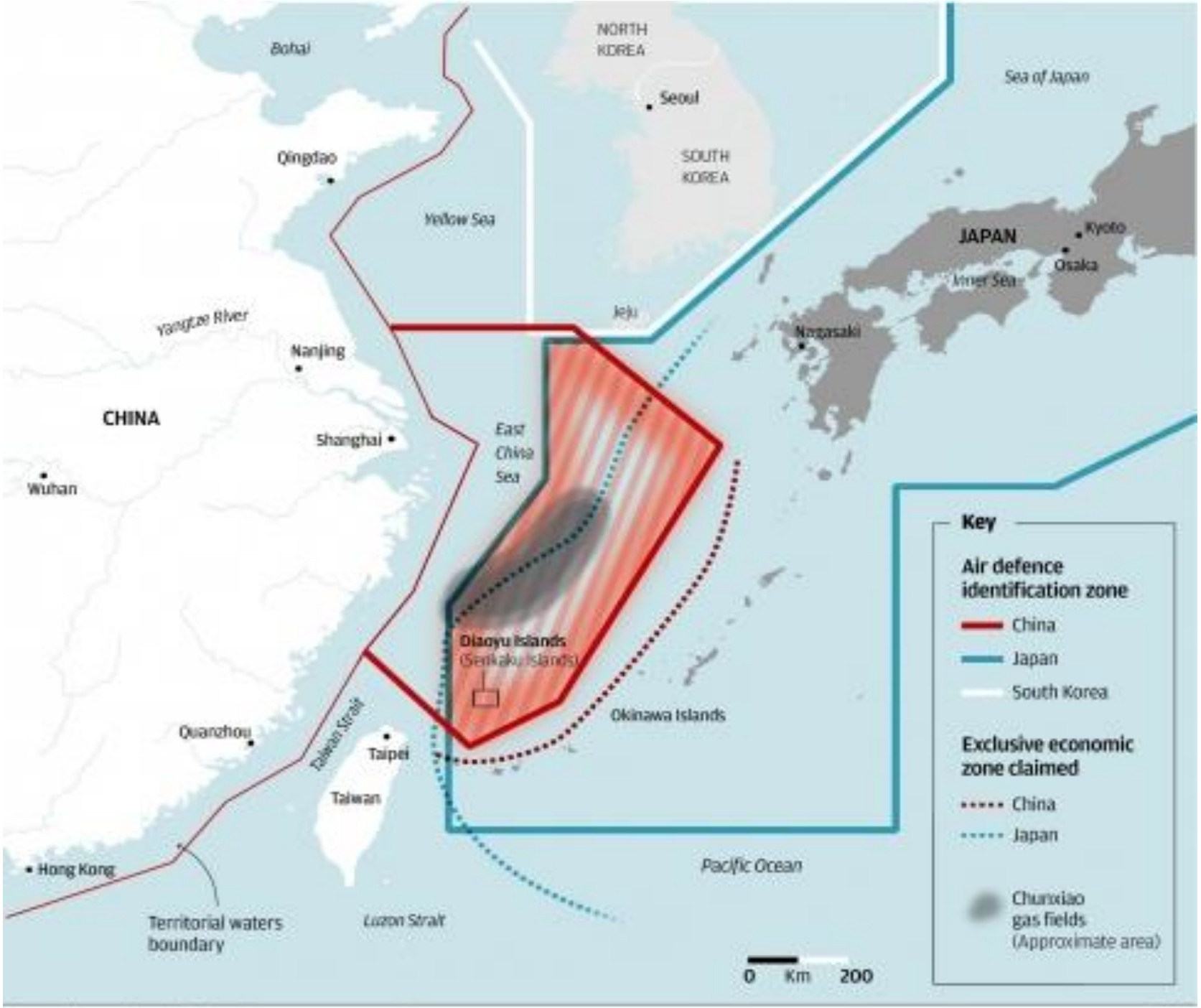
Indicators of China‘s new foreign policy assertiveness under President Xi

1. PRC has expanded its „core interests“ to include South China Sea Nine-Dash-Line claim and established a ADIZ in Sea of Japan.
2. PRC has increasingly used military infrastructure and missions to bolster territorial claims in the East and South China Sea and Bhutan/India as well as establishing a new mil. base (Djibouti) and mil. cooperation.
3. PRC has launched substantial military reform and (nuclear) arms modernization programs to develop global projection capacity.
4. PRC established new regional Development Banks (AIIB+ BRICS New Development Bank), and called for reform of Bretton Woods Institutions (WTO, IMF).
5. PRC has also used existing institutions (SCO) to push for a state-based global „information security“ order that rivals the US-prefered „cyber security“ concept, centered around a multi-stake holder approach.
6. PRC has established and then expanded the BRI into a global infrastructure + investment network, now also including the Arctic.

Military Reform under Xi Jinping, 2015-2020



Source: https://www.merics.org/sites/default/files/2017-08/merics_IG_01_Militaerreform_E_RZ_0.jpg



Sources: Wire agencies, BBC, Yonhap News

SCMP

Pres. Xi Jinpings Speech at 4th Conference on Interaction and Confidence Building Measures in Asia (CICA) Summit, Shanghai, May 21, 2014

- We need to keep pace with the changing circumstances and evolving times. One cannot live in the 21st century with the outdated thinking from the age of Cold War and zero-sum game. We believe that it is necessary to advocate common, comprehensive, cooperative and sustainable security in Asia.
- We should have zero tolerance for terrorism, separatism and extremism, strengthen international and regional cooperation, and step up the fight against the three forces, in order to bring a life of happiness and tranquility to the people of this region.
- In the final analysis, it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia. The people of Asia have the capability and wisdom to achieve peace and stability in the region through enhanced cooperation.
- CICA is the largest and most representative regional security forum with the largest number of participants. … China proposes that we make CICA a security dialogue and cooperation platform that covers the whole of Asia and, on that basis, explore the establishment of a regional security cooperation architecture.

Factor‘s explaining China‘s new assertiveness

1. 2008 **Global Financial Crisis** called into question US-based model of capitalism.
2. PRC raises **global posture by successfully conducting Olympic Games** (2008) and World Exhibition (2010).
3. PRC GFC-related public investment in 2009 **exacerbated overcapacity** in various key industries
4. Beijing **tried to counter US Silk Road initiative in Central Asia and US Pivot to Asia** (2011).

One Belt One Road 2013-2015

Projection of Hard + Soft Power

Belt and Road Initiative 2015-

Reform of int. Institutional Order

The Belt and Road Initiative: Structure and Process

Step 2

NRDC/MFA/MC Paper 2015: *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*

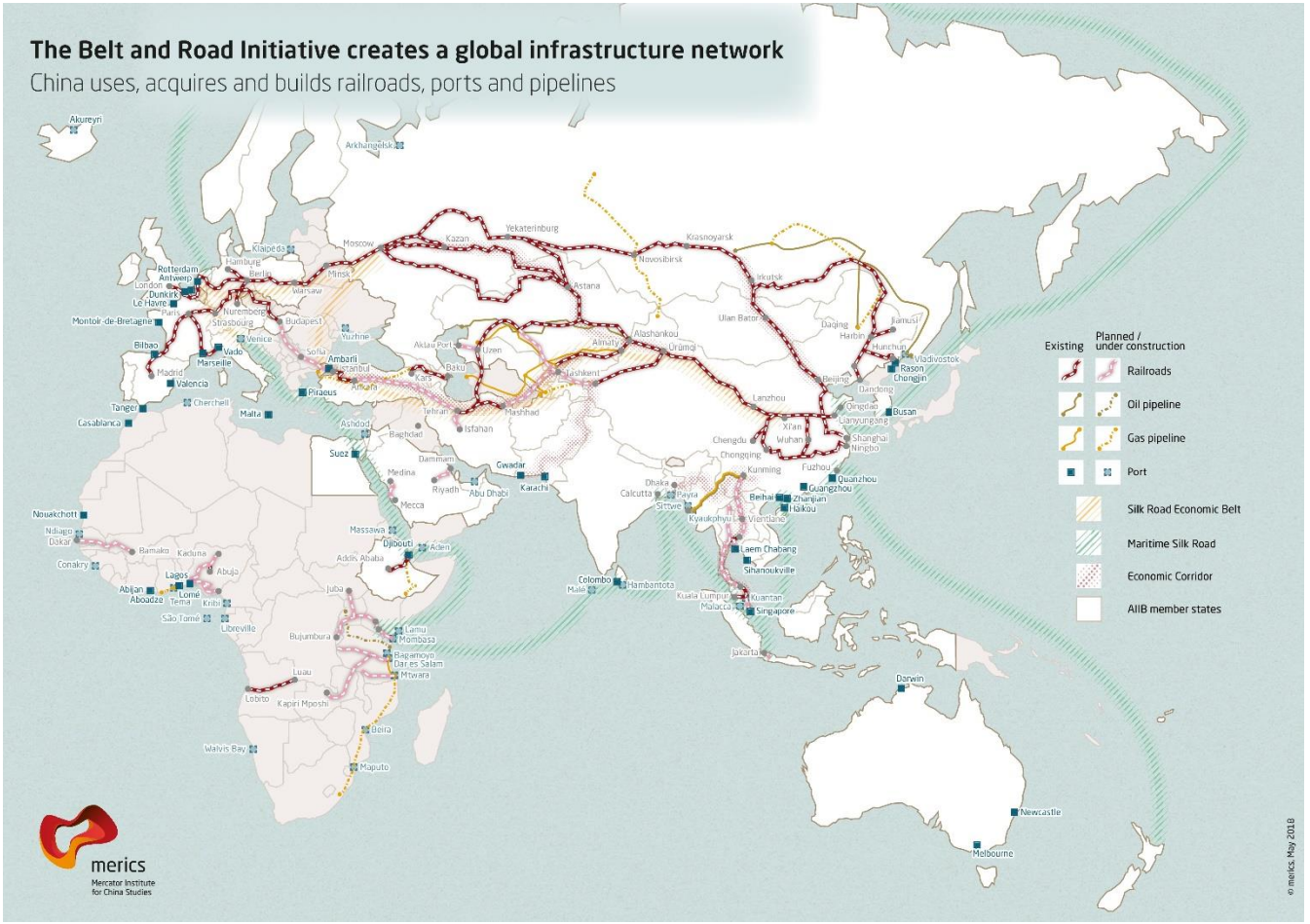
BRI: Key characteristics

- BRI includes more than 60 countries in Asia, the Middle East, Africa, and Europe.
- It encompasses up to 70 percent of the global population and 55 percent of the world's GDP
- BRI design expands infrastructure to include connectivity through telecommunications and culture, the development of financial and free trade accords, and the opportunity for China to increase the use of its currency in global trade and investment.
- Approx. 900 projects (old+new) are counted under the BRI roof.
- PRC has pledged 40 Bio. US$ in BRI fund and addit. 100 Bio through its Devel. Banks
- BRI complements Internet Plus and China 2025 initiative 13th 5-Yr. Plan (2016-2020)

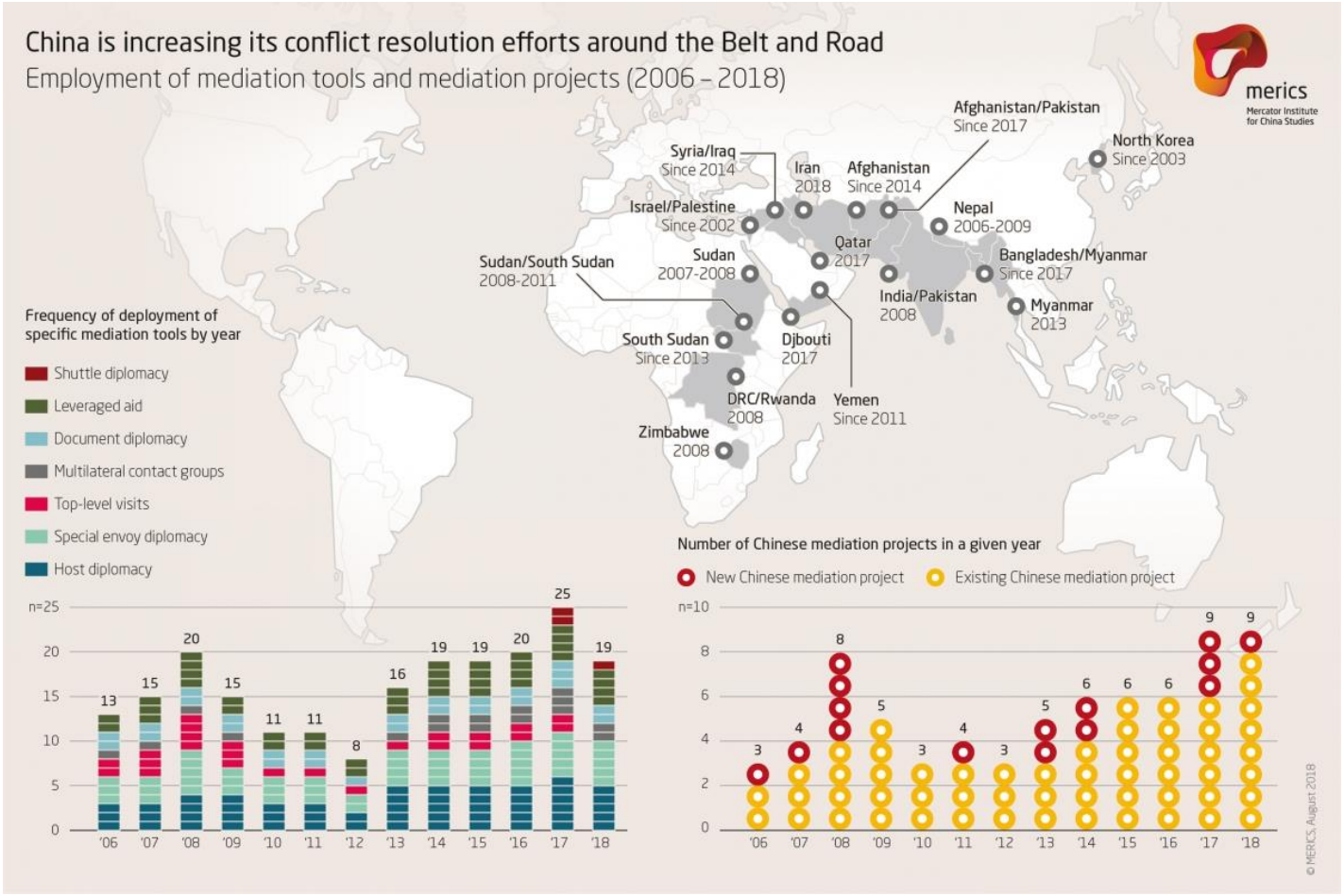
BRI: the Chinese debate

- Xue Li, Head Dept. of Int. Strategy, Inst. World Economics/Politics, CASS: "If you put it everywhere, it becomes nothing."
- Prof. Shi Yinhong, Renmin University: "The state of affairs can be described as 'China: unilateral fervour; others: little, if any, enthusiasm.'"
- Prof. Zhang Junhua, Shanghai Jiaotong Univ.: "China's neomercantilism lacks sensitivity when addressing some issues in host countries, particularly regarding culture, environment and ethnicity. Beijing's authoritarian approach may also impede effective cooperation with democratic countries"

BRI: an expanding global infrastructure network, 2013-2018



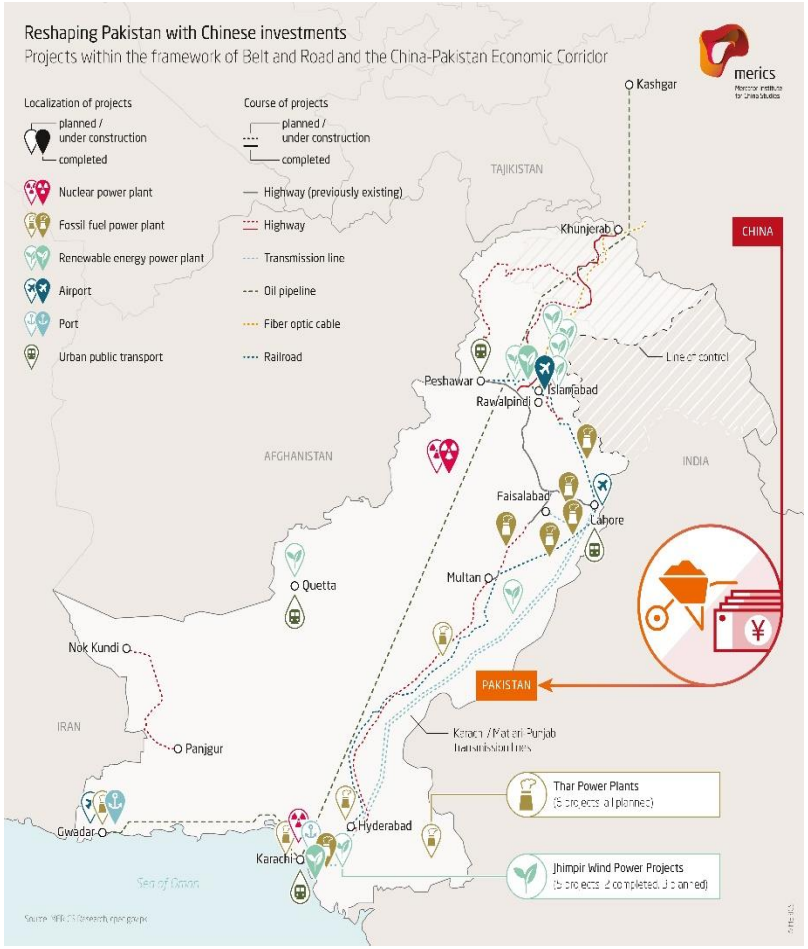
BRI needs stable coutries: China‘s international meditation



Source: https://www.merics.org/en/china-mapping/china-conflict-mediator

The China-Pakistan Economic Corridor (CPEC): a flagship project of the BRI (in trouble)

- The CPEC, has evolved from a short-term transportation corridor in 2013 (10-20 Bio US$) into a major development initiative in 2017, focusing on energy (62 Bio. US$, or 90% of total investment).
- Chinese motivations include:
  1. aiding economic development to reduce support for separatist and Islamist militancy,
  2. stabilizing China's military ally as a strategic counterweight to India in South Asia,
  3. using Pakistan's non-transparent procurement process and lack of alternative investors to maximize benefits for Chinese companies.



BRI 5th anniversary working seminar, August 27, 2018: President Xi Jinping‘s statement

- Pres. Xi said at the seminar: “The Belt and Road Initiative is an economic cooperation initiative, not a geopolitical or military alliance.
- “It is an open and inclusive process, and not about creating exclusive circles or a China club.”
- “We need to pay attention to providing fuel in snowy weather, prioritizing the needs of the other party and implementing projects that will benefit the local people.”
- Ning Jizhe, vice-chairman of the NDRC:
- “With some countries still doubtful about the belt and road and Chinese companies facing difficulties investing and operating overseas, we need to objectively and rationally view our achievements and challenges

- Scholars foregrounded international reactions, such PM Mahatirs recent visit to China as reasons for re-shaping of BRI:
- Pang Zhongying, a foreign affairs specialist at the Ocean University of China: “China is facing enormous challenges with these reactions from the international community…. “Xi’s speech shows that [the leadership] has reflected on these developments and has made adjustments … and is trying to tone down its rhetoric.”
- Moon Heung-ho, Hanyang University in Seoul: ““Beijing has failed in its peripheral diplomacy, as its neighboring countries are still worried about the implications of China’s rise… There has been some assertiveness in the belt and road projects and a lack of value-sharing and harmonization among neighboring countries.”

Source: https://www.scmp.com/news/china/diplomacy-defence/article/2161580/xi-jinping-says-belt-and-road-plan-isnt-about-creating

Conclusion

1. President Xi has been caught by his own campaign to raise expectations about China‘s role in the world (Rhetorical self-entrapment).
2. Pres. Xi is most likely to scale down various BRI projects, including the 16+1 process, to counter growing domestic critique as well as to prevent the backlash in various regions to harden and to damage China‘s global image.
3. The ensuing Pakistani debt crisis and a possible IMF bail-out programm will probably shape the future of the BRI in non-obvious ways: multilateralization through institutions such as the AIIB.

The Belt and Road Initiative: Europe‘s Reaction

Step 4

BRI: The Response of the European Union

- EU-Response evolves in two phases:
  - 2013-2017: Cautious optimism, broad and diverse national responses, ranging from 16+1 format to participation in Asian Infrasturcture Investment Bank (AIIB) to moderate critique
  - 2018-??: open scepticism and autonomous inffrastructure initiative:
    - August 2017: German Foreign Minister Gabriel calls for „One Europe Policy“ of PR China
    - July 2018: 27 EU MS Ambassadors to China criticize BRI
    - Sept. 19, 2018: Connecting Asia and Europe (EU-HR Mogherini)
- EU institutions and supermajority of EU member states (exception Hungary) insist that BRI must respect, global investment rules on environment, working conditions (World Bank, OECD) and EU rules on public procurement.
- Outlook: ASEM-Summit Meeting October 18-19, 2018 EU will outline its own Initiative: focussing on sustainability, investment need to respect labour rights, not create political or financial dependencies, and guarantee a level playing field for businesses.

CEEC Country expectations towards the BRI

- **Hungarian Prime Minister Victor Orban** pursues an Eastern Opening policy: “We are sailing under a Western flag, though an Eastern wind is blowing in the world economy.”
- **Czech Prime Minister Bohuslav Sobotka** supports the idea of the Czech Republic becoming a transport node between Europe and China (2016).
- **Poland’s Prime Minister Beata Szydlo: “**the Belt and Road Initiative is of key importance to not only Poland's, but also the world's balanced and sustainable development.”
- **Serbian Prime Minister Vucic**: "From the very beginning, we considered BRI as an initiative for promoting peace," "We saw great benefits in cooperation with China, and we hope that China can see its own interests in the cooperation with Serbia,"

CEEC countries differ in their attitude towards BRI

- Most of the high CEEC economic and political expectations towards BRI have not been met.
- CE EU Member states have moved closer to EU during the starting debate on the EU‘s budget for the period 2020-2027.

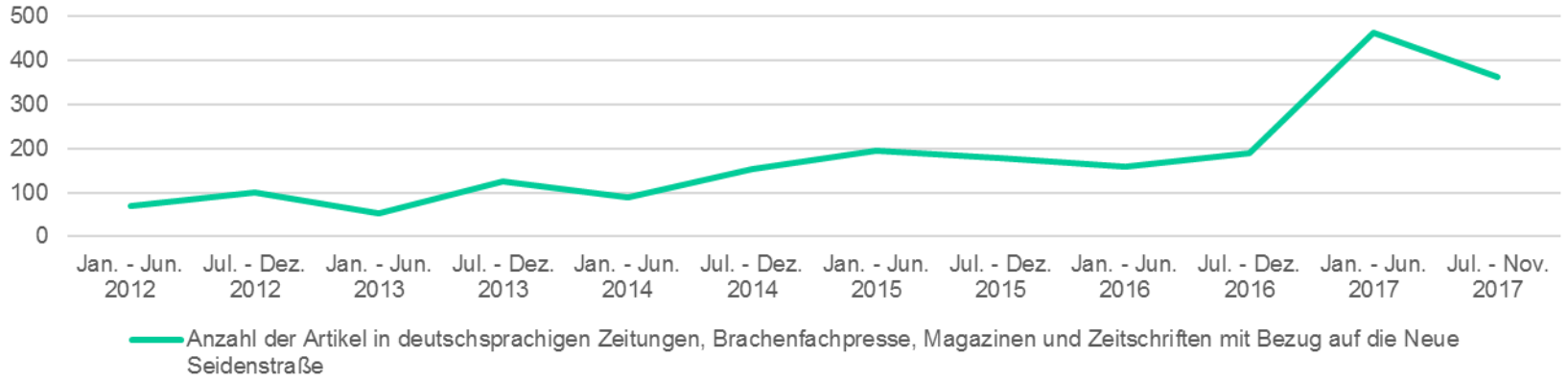
The evolving German position towards the BRI, 2013-2018

- **Chancellor A. Merkel 2016:** „Germany has taken positive note of the so called Silk Road projects, which primarily should improve the interconectivity… We believe that we would like to partipate on those projects and hope for a transparent bidding process. Then Germany can play its part in implementing these projects.“

- **German Ambassador to China, Claus (2017):** “I suggest two ways to deal with China’s Silk Road ambitions. One, partner with China to close development gaps, while reinforcing the open, transparent and non-hierarchical world order, as seems to be working with the AIIB. Two, Europe could offer its own concept to act as another friendly pole with the power to attract. Local content – that is, maximum participation by local labor, local companies and local products – could be the signature of connectivity, European-style. Open tenders where the best offer wins, hopefully through a bid from the country where the project is built, would be another. Labour safety, environmental standards and fair and sustainable financing would be a third.“

Chinese Investment in Europe/Germany, 2006-2016
Public attention towards BRI in Germany, 2012-2017

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Germany	13	7	35	45	33	45	46	68	105	74	118
Other Europe	45	44	52	66	82	95	82	85	129	164	179
Europe in total	58	51	87	111	115	140	128	153	234	238	297
German share	22 %	14 %	40 %	41 %	29 %	32 %	36 %	44 %	45 %	31 %	40 %



German response to the BRI: findings

- German government welcomes the economic and development related aspects of BRI and has thus participated as the largest non-Asian member in the Asian Infrastructure Investment Bank (AIIB).
- The German response has hardened considerably over time: a) extent and sensitivity of Chinese high-tech investment (KUKA, Leifeld); b) 16+1 and China‘s political influence campaign; c) the questionable sustainability of projects in various Asian states (Sri Lanka, Pakistan, Malaysia, Myanmar) and the prospect of debt default.
- The German government has pushed hard for a common European approach, resulting in common Ambassadorial positioning and Initiative by EU HR Mogherini (Sept. 19, 2018)

The Belt and Road Initiative: Germany‘s Reaction

Step 4

Conclusion

1. Europe‘s response to the BRI, but particularly the EU‘s reaction, has evolved considerably from cautious optimism to open scepticism towards some of the instruments and goals of the BRI.
2. The EU‘s response evolved from various and disparate national reactions towards an increasingly joint approach, including most of the EU Member states of the 16+1 process(excepation Hungary).
3. Germany has been instrumental in shaping a „constructive but sceptical response“, calling for an integration of the BRI into a rule-based international order.
4. The upcoming ASEM meeting October 18/19th, 2018 in Brussels will shed more light on the „EU‘s way“ towards a new infrastructure initiative for Asia-Europe connectivity.

China and CEE Countries: the 16+1 process

- **16+1 process emerged before BRI**: 2012 Warsaw Summit (Leader's Meeting) + Warsaw Initiative (12 Measures for enhancing cooperation between China and CEEC)
- It is organized around annual summit meetings: 2013 Bucarest, 2014 Belgrade, 2015 Suzhou, 2016 Riga, 2017 Sofia, 2018 Budapest and nat. coordinators meet twice a year.
- It has generated quite a few, if moderate, institutional structures:
  1. China-CEEC Association of Tourism Promotion Institutions and Travel Agencies (Hungary)
  2. Secretariat of China-CEEC Contact Mechanism for Investment Promotion Agencies (Poland and China)
  3. China-CEEC Joint Chamber of Commerce (Poland and China)
  4. China-CEEC Federation of Agricultural Cooperation (Bulgaria)
  5. China-CEEC Federation of Heads of Local Governments (Czech Republic)
  6. China-CEEC Federation of Logistics Cooperation (Latvia)
  7. China-CEEC Federation of Transport and Infrastructure Cooperation (Serbia)

China‘s OFDI outflows to CEE Countries, 2008-2016

Country /year	Czech Rep.	Hungary	Poland	Bulgaria	Romania	Slovakia	Slovenia	Estonia	Latvia	Lithuania	Croatia	Year Sum
2008	12.79	2.15	10.7	0	11.98	0	0	0	0	0	0	37.62
2009	15.6	8.21	10.37	-2.43	5.29	0.26	0	0	-0.03	0	0.26	37.53
2010	2.11	370.1	16.74	16.29	10.84	0.46	0	0	0	0	0.03	416.57
2011	8.84	11.61	48.66	53.9	0.3	5.94	0	0	0	0	0.05	129.30
2012	18.02	41.4	7.5	54.17	25.41	2.19	0	0	0	1	0.05	149.74
2013	17.84	25.67	18.34	20.69	2.17	0.33	0	0	0	5.51	0	90.55
2014	2.46	34.02	44.17	20.42	43.25	45.66	0	0	0	0	3.55	193.53
2015	-17.41	23.2	25.1	59.16	63.32	0	0	0	0.45	0	0	153.82
2016	1.85	57.46	-24.11	-15.03	15.88	0	21.86	0	0	2.25	0.22	60.38
Country Sum	62.10	573.82	157.47	207.17	178.44	54.84	21.86	0.00	0.42	8.76	4.16	1269.04

Source: the authors, with reference to Ministry of Commerce, National Bureau of Statistics, State Administration of Foreign Exchange PRC. 2016. Statistical Bulletin of China's Outward Foreign Direct Investment, Beijing: China's Statistics Press.

In Mio. US$

China‘s OFDI outflows to CEE Countries, 2008-2016

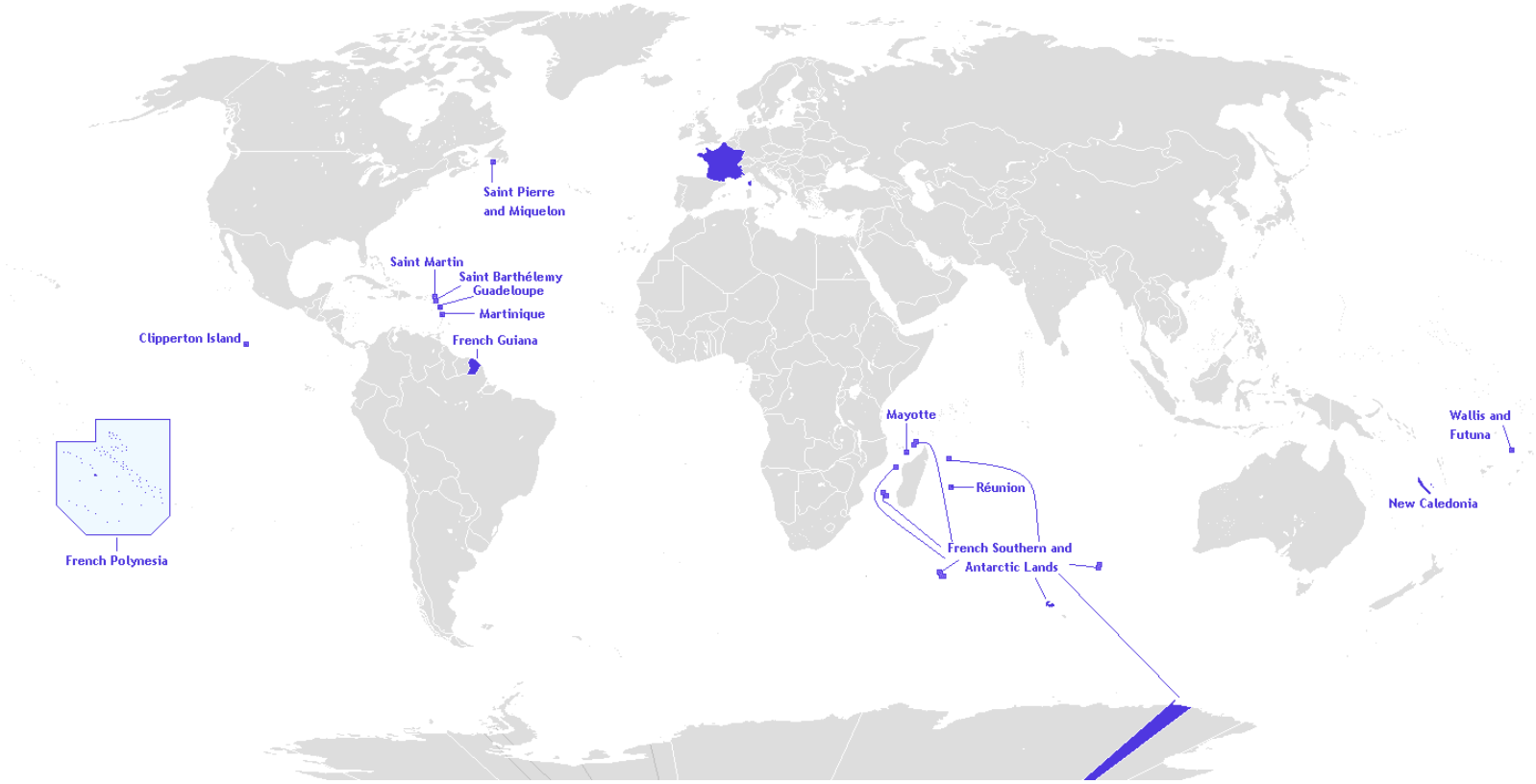
Country/ Year	Albania	Bosnia & Herc.	Macedonia	Montenegro	Serbia	Year Sum
2008	0	0	0	0	0	0
2009	0	1.51	0	0	0	1.51
2010	0.08	0.06	0	0	2.1	2.24
2011	0	0.04	0	0	0.21	0.25
2012	0	0.06	5.15	0	2.1	7.31
2013	0.56	0	14.94	0	11.5	27
2014	0	0	3.87	0	11.69	15.56
2015	0	1.62	10.72	0	7.63	19.97
2016	0.01	0.85	11.37	0	30.79	43.02
Country sum	0.57	2.57	46.05	0	63.92	113.11

Source: the authors, with reference to Ministry of Commerce, National Bureau of Statistics, State Administration of Foreign Exchange PRC. 2016. Statistical Bulletin of China's Outward Foreign Direct Investment, Beijing: China's Statistics Press.

In Mio. US$

Myanmar: center of the Indo-Pacific Ocean region

French Interests in the Indo-Pacfic Ocean



The ancient Silk Road, 13-14th century

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Why is China‘s (Foreign) Policy new under Xi Jinping?

1. There is a dramatic centralization of authority under his personal leadership: 1) Chairman of all important small leading groups; 2) declared ‘core leader’; establishment “National Security Commission”.
2. There is an intensified penetration of society by the state: controlling NGOs (laws) and citizens through the new Social Credit System.
3. There is the creation of a virtual wall of regulations and restrictions that more tightly controls the flow of ideas, culture, and capital into and out of the country: Restrictions on scientific exchange vs. establ. of Great Firewall/Confucian Institute
4. There is a significant and accelerated projection of Chinese power in the world.

- Result: China leaves the path of Deng‘s foreign policy „tao guang yang hui (韬光养晦)“ or “hide one’s capacities and bide one’s time” to Xi’s strategy presented at 2013 party conference on foreign policy: strategy of fenfayouwei (striving for achievement).

President Xi‘s Speech at the 19th Party Congress of the CPC, Oct. 18, 2017

- President Xi claimed in a three-and-a–half hour speech that China was after five years of achievements at a “new historic juncture.”
- He stressed that “China’s international standing has risen as never before. Our Party, our country, our people, our forces, and our nation have changed in ways without precedent. The Chinese nation, with an entirely new posture, now stands tall and firm in the East.
- Pres. Xi asserted, with reference to both Chairman Mao and core leader Deng Xiaoping that China had “stood up, grown rich, and is becoming strong.”
- Notably, he asserted that China could serve as a model of development for other countries by utilizing “Chinese wisdom” and a “Chinese approach to solving problems”.
- In particular he foregrounded that by “taking a driving seat in international cooperation to respond to climate change, China has become an important participant, contributor, and torchbearer in the global endeavor for ecological civilization.

China under Pres. Xi defines itself as a major power

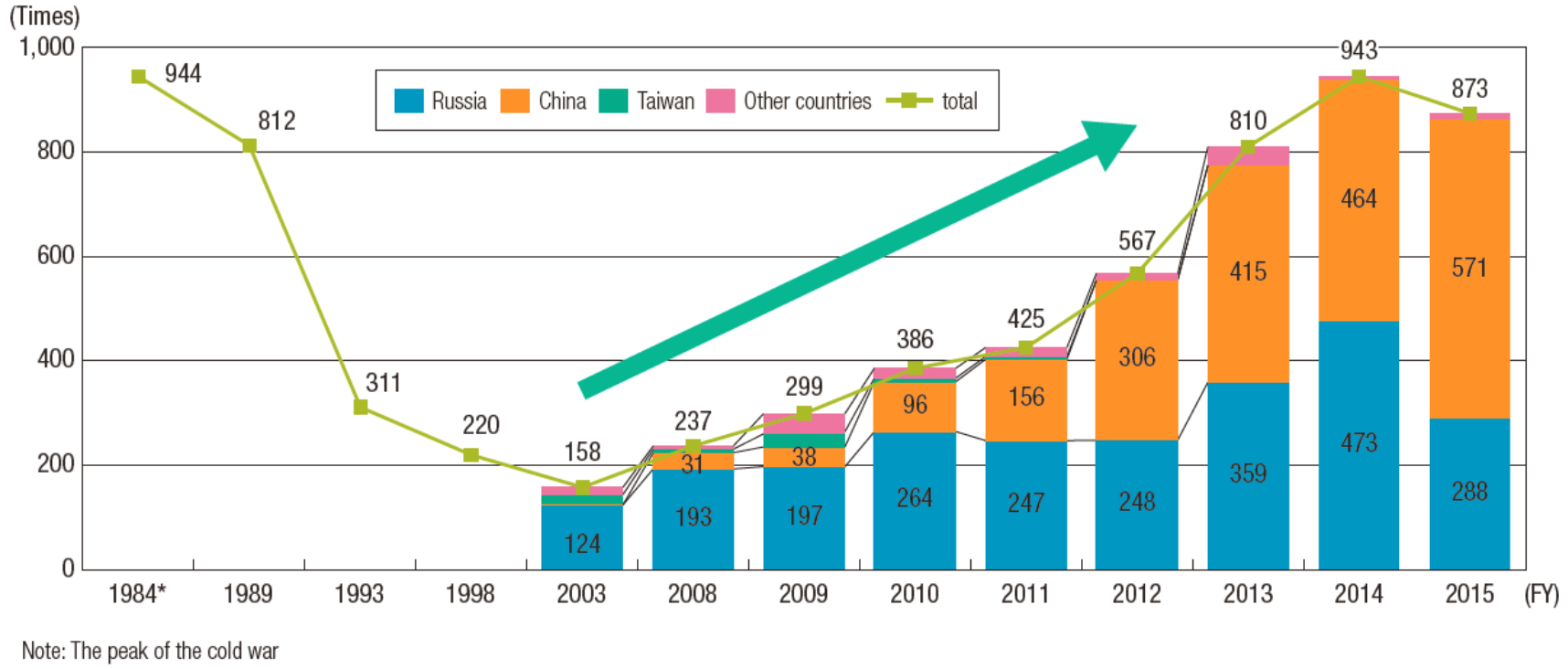
The two superpowers are the biggest international exploiters and oppressors of today. They are the source of a new world war. They both possess large numbers of nuclear weapons. They carry on a keenly contested arms race, station massive forces abroad and set up military bases everywhere, threatening the independence and security of all nations. They both keep subjecting other countries to their control, subversion, interference or aggression. They both exploit other countries economically, plundering their wealth and grabbing their resources.

[Deng Xiaoping, 1974]

- In contrast, President Xi Jinping in 2012 called on a trip to Washington DC, for a “new type of relationship among major countries” (*xinxing daguo guanxi,* 新型大国关系). In 2014, then, he claimed at a CPC Work Conference on Foreign Affairs, China should “make China’s voice heard, and inject more Chinese elements into international rules.”

Number and origin of Aircraft scrambles by JSDF

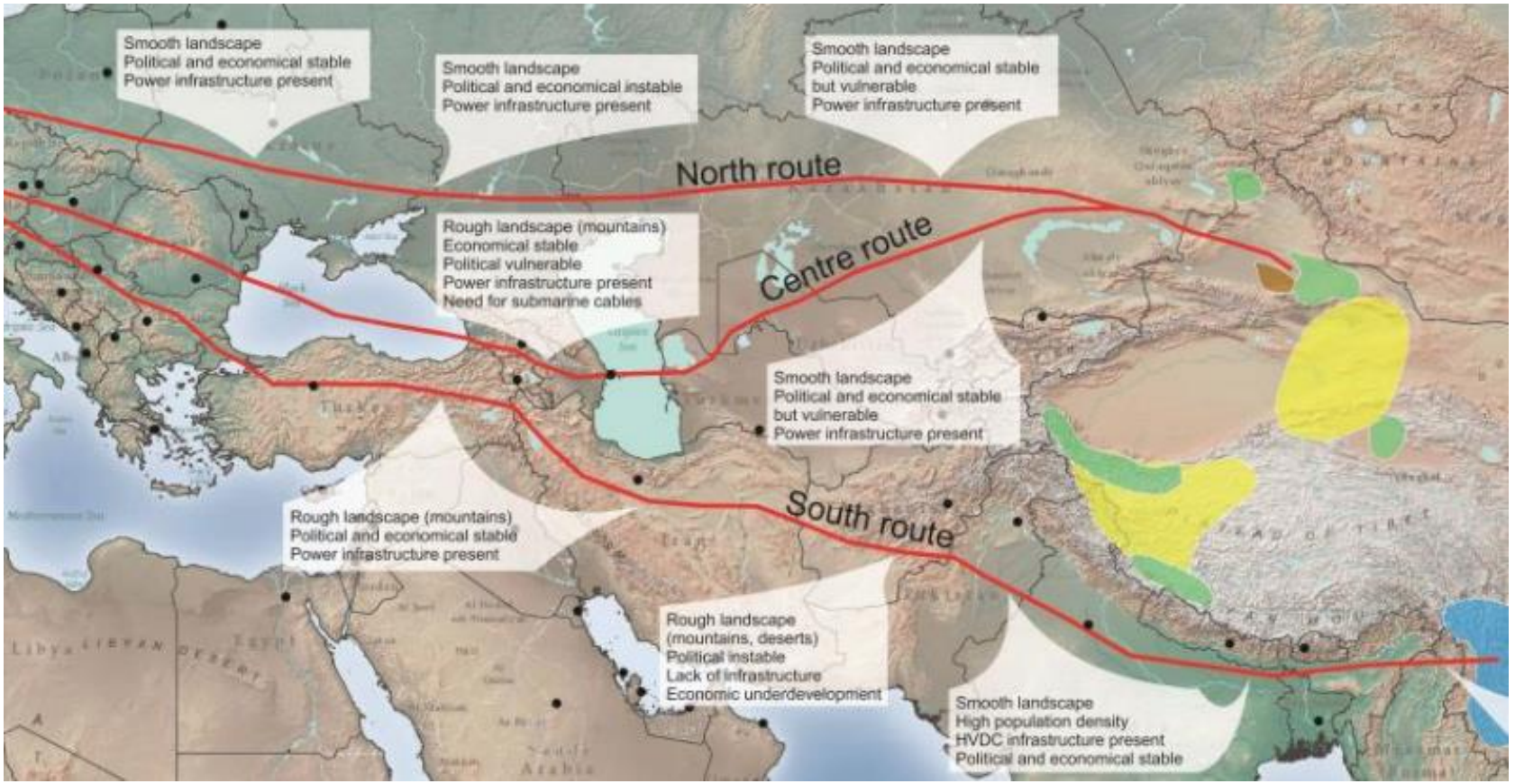
Fig. III-1-2-3 Number and Breakdown of Scrambles since the Cold War



Note: The peak of the cold war

MOD Japan 2016

EU Joint Research Institute weighs EU-China power grid link



Source: https://www.euractiv.com/section/eu-china/news/eu-looks-into-benefits-of-energy-silk-road-to-china/