Readings for U.S., Russia, China: Sphere of Influence?

In the field of international relations, a sphere of influence (SOI) is a spatial region or concept division over which a state or organization has a level of cultural, economic, military, or political exclusivity, accommodating to the interests of powers outside the borders of the state that controls it.

While there may be a formal alliance or other treaty obligations between the influence and influencer, such formal arrangements are not necessary and the influence can often be more of an example of soft power. Similarly, a formal alliance does not necessarily mean that one country lies within another's sphere of influence. High levels of exclusivity have historically been associated with higher levels of conflict.

In more extreme cases, a country within the "sphere of influence" of another may become a subsidiary of that state and serve in effect as a satellite state or de facto colony. The system of spheres of influence by which powerful nations intervene in the affairs of others continues to the present.

Berlin Conference of 1884 and the Scramble for Africa

Areas of Africa controlled by European colonial powers in 1913, shown along with current national boundaries.

- **Belgian** Yellow
- **British** ink
- **French** Dark blue
- **German** Light blue
- **Italian** Green
- **Portuguese** Purple
- **Spanish** Reddish purple
- Independent White
The British Empire in the 1920s.

United States Spheres of Influence

Our War of 1812 with Great Britain was fought in part to annex Canada.

The 1823 Monroe Doctrine placed all of North and South America off limits for new European colonization. It asserted that the United States might resort to war against any European nation that interfered with the independence of newly formed states in Central and South America that had emerged from rebellions against Spanish or Portuguese colonization:

“But with the Governments who have declared their independence and maintain it, and whose independence we have, on great consideration and on just principles, acknowledged, we could not view any interposition for the purpose of oppressing them, or controlling in any other manner their destiny, by any European power in any other light than as the manifestation of an unfriendly disposition toward the United States.”

In 1846, President James K. Polk justified the Mexican-American War to expand our borders by falsely asserting that an American soldier had been killed on American soil by the Mexican military. General Ulysses S. Grant condemned the war as “wicked” in his War Memoirs.
In 1893, the United States collaborated in the overthrow of Hawaii’s monarchy. Annexation followed five years later.

The 1898 Spanish-American War was fought to expand our sphere of influence in the Caribbean and the Pacific. We acquired the Philippines, Guam, and Puerto Rico. We occupied Cuba militarily until it enshrined the conditions of the Platt Amendment in the Cuban Constitution. Among other things, they required granting the United States a permanent naval base at Guantanamo Bay, and authorizing us to intervene in Cuban affairs for “the preservation of Cuban independence, [and] the maintenance of a government adequate for the protection of life, liberty, and individual freedom...” Acting under the Platt Amendment, the United States intervened militarily in Cuban affairs in 1906-1909, 1912, and 1917-1922.

The United States intervened militarily in Panama from 1903-1914 to secure its independence from Colombia, and to negotiate a treaty to construct and exercise sovereignty over the Panama Canal.

From 1914-1917, the United States intervened militarily in Mexico, including the capture of Vera Cruz and General John Pershing’s northern expedition, in response to Pancho Villa’s raids.

The United States occupied Haiti militarily from 1915-1934 in response to chronic political instability there.

We occupied the Dominican Republic militarily from 1916-1924 in response to threatened insurrections that threatened our interests.

The United States occupied Nicaragua militarily from 1926-1933, including fighting the rebel forces of Cesar Sandino against a Nicaraguan government we supported.

Yalta Agreement in 1945

In February 1946, the U.S. State Department asked George F. Kennan, then at the U.S. Embassy in Moscow, prepared a wide-ranging analysis of Russian policy now called the Long Telegram:

"Soviet power, unlike that of Hitlerite Germany, is neither schematic nor adventuristic. It does not work by fixed plans. It does not take unnecessary risks. Impervious to logic of reason, and it is highly sensitive to logic of force. For this reason it can easily withdraw—and usually does when strong resistance is encountered at any point."

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Kennan's cable was hailed in the State Department and the idea of “restraining and confining” Soviet influence, appealed to Truman The result was containment.

Containment 1944-1947

The Truman Doctrine. President Truman, made a dramatic speech that is often used to mark the beginning of the Cold War. In March 1947, he requested that Congress appropriate $400 million in aid to the Greek and Turkish governments, then fighting Communist subversion.[131] Truman pledged to, "support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures. Portraying the issue as a mighty clash between "totalitarian regimes” and "free peoples," the speech marks the adoption of containment as official U.S. policy. Congress appropriated the money.

NATO’s essential purpose is to safeguard the freedom and security of its members through political and military means.

POLITICAL - NATO promotes democratic values and encourages consultation and cooperation on defence and security issues to build trust and, in the long run, prevent conflict.

MILITARY - NATO is committed to the peaceful resolution of disputes. If diplomatic efforts fail, it has the military capacity needed to undertake crisis-management operations. These are carried out under Article 5 of the Washington Treaty - NATO’s founding treaty - or under a UN mandate, alone or in cooperation with other countries and international organizations.

Created in 1949, the organization constitutes a system of collective defence whereby its member states agree to mutual defence in response to an attack by any external party.

Originally 10 Western European countries plus Canada and the US. Now up to 28.

Conceived to “Keep the US in, the Russians out, and the Germans down”

In 1994 to encourage expansion, the Partnership for Peace was created.

The Supreme Allied Commander has always been an American. This is the only Europe-wide organization where the U.S. has a seat at the table.
Posed as a potential VP candidate for Clinton, ADM Stavridis, commented on the European scene that NATO was the most important.

LATER SEE HOW NATO IS CENTRAL TO THE INTERSECTION OF US AND RUSSIAN SPHERES

CENTO (The Central Treaty Organization, originally known as the Baghdad Pact or the Middle East Treaty Organization (METO))

Modeled after the North Atlantic Treaty Organization (NATO), CENTO committed the nations to mutual cooperation and protection, as well as non-intervention in each other's affairs. Its goal was to contain the Soviet Union (USSR) by having a line of strong states along the USSR's southwestern frontier. Similarly, it was known as the 'Northern Tier' to prevent Soviet expansion into the Middle East.[5] Unlike NATO, CENTO did not have a unified military command structure, nor were many U.S. or UK military bases established in member countries, although the U.S. had communications and electronic intelligence facilities in Iran, and operated U-2 intelligence flights over the USSR from bases in Pakistan. The United Kingdom had access to facilities in Pakistan and Iraq at various times while the treaty was in effect.

On July 14, 1958, the Iraqi monarchy was overthrown in a military coup. The new government was led by General Abdul Karim Qasim who withdrew Iraq from the Baghdad Pact, opened diplomatic relations with Soviet Union and adopted a non-aligned stance. The organization dropped the name 'Baghdad Pact' in favor of 'CENTO' at that time.

The Middle East and South Asia became extremely volatile areas during the 1960s with the ongoing Arab–Israeli Conflict and the Indo-Pakistani Wars. CENTO was unwilling to get deeply involved in either dispute. In 1965 and 1971, Pakistan tried unsuccessfully to get assistance in its wars with India through CENTO, but this was rejected under the idea that CENTO was aimed at

CENTO did little to prevent the expansion of Soviet influence to non-member states in the area. Whatever containment value the pact might have had was lost when the Soviets 'leap-frogged' the member states, establishing close military and political relationships with governments in Egypt, Syria, Iraq, the People's Democratic Republic of Yemen, Somalia, and Libya. By 1970, the USSR had deployed over 20,000 troops to Egypt, and had established naval bases in Syria, Somalia, and P.D.R. Yemen.

The Iranian revolution spelled the end of the organization in 1979, but in reality, it essentially had been finished since 1974, when Turkey invaded Cyprus. This led the United Kingdom to withdraw forces that had been earmarked to the alliance and the United States Congress halted Turkish military aid despite two Presidential vetoes.[6] With the fall of the Iranian monarchy, whatever remaining rationale for the organization was lost. Future U.S. and British defense agreements with regional countries—such as Pakistan, Egypt, and the Persian Gulf states—were conducted bilaterally.
With the withdrawal of Iran, the secretary-general of CENTO, announced on March 16, 1979, that he would call a meeting of the pact's council in order to formally dissolve the organization. \[6\]

**Southeast Asia Treaty Organization**

- the Southeast Asia Collective Defense Treaty, or Manila Pact, was signed on 8 September 1954 in Manila, \[3\] as part of the American Truman Doctrine of creating anti-communist bilateral and collective defense treaties. \[4\] These treaties and agreements were intended to create alliances that would contain communist powers (Communist China, in SEATO's case). \[5\] Then-Vice President Richard Nixon advocated an Asian equivalent of NATO upon returning from his late-1953 Asia trip.
- SEATO was intended to be a Southeast Asian version of the North Atlantic Treaty Organization (NATO), \[7\] in which the military forces of each member would be coordinated to provide for the collective defense of the members’ country. Unlike the NATO alliance, SEATO had no joint commands with standing forces. \[13\] In addition, SEATO's response protocol in the event of communism presenting a "common danger" to the member nations was vague and ineffective, though membership in the SEATO alliance did provide a rationale for a large-scale U.S. military intervention in the region during the Vietnam War (1955–1975). \[14\]
- Despite its name, SEATO mostly included countries located outside of the region but with an interest either in the region or the organization itself. They were Australia, France, New Zealand, Pakistan (including East Pakistan, now Bangladesh), the Philippines, Thailand, the United Kingdom and the United States. \[13\]
- The Philippines and Thailand were the only Southeast Asian countries that actually participated in the organization. The rest of Southeast Asian countries: Vietnam, Cambodia and Laos were prevented from taking part in any international military alliance as a result of the Geneva Agreements signed 20 July of the same year concluding the end of the First Indochina War. \[15\] However, with the lingering threat coming from communist North Vietnam and the possibility of the domino theory with Indochina turning into a communist frontier, SEATO got these countries under its protection - an act that would be considered to be one of the main justifications for the U.S. involvement in the Vietnam War. \[19\] Cambodia, however rejected the protection in 1956. \[20\]

The U.S., upon perceiving Southeast Asia to be a pivotal frontier for Cold War geopolitics, saw the establishment of SEATO as essential to its Cold War containment policy. \[15\]

Consequently, questions of dissolving the organization arose. Pakistan withdrew in 1972 after East Pakistan seceded and became Bangladesh in 26th March 1971. \[9\] France withdrew financial support in 1975, \[13\] and the SEATO council agreed to the phasing out of the organization. After a final exercise on 20 February 1976, the organization was formally dissolved on 30 June 1977.

In 1954, the United States overthrew the Socialist government of Guatemalan President Jacobo Arbenz in favor of a genocidal military dictatorship.
In 1961, the United States launched the ill-starred Bay of Pigs invasion of Cuba to overthrow the government of Fidel Castro.

In 1962, the United States quarantined the shipment of Soviet offensive missiles to Cuba to force the dismantling of Soviet missiles already there when the United States had Jupiter nuclear-tipped ballistic missiles aimed at the USSR along its border with Turkey.

In 1965, the United States dispatched troops to the Dominican Republic to prevent the restoration to power of a political leader we opposed, Juan Bosch.

In 1973, we collaborated in the overthrow and killing of Chilean President Salvador Allende because we opposed his Marxist-Socialist politics.

From 1981-1986, we supported the Contras militarily to fight the Sandinista government of Nicaragua because of its political hostility to the United States.

In 1983, we invaded Grenada to oppose a Marxist government.

From 1994-1996, the United States dispatched troops to Haiti in the name of restoring democracy. “Haitian democracy,” however, has been an oxymoron for two centuries.

**Russian Sphere of Influence**

Soviet Union was huge and therefore had a large section of world under it roof. In the name of communism, it also had another large chunk of earth bong towards Moscow. After the fall of the wall and the dissolution of the USSR, the landscape is somewhat similar but the rules have changed.

"Near abroad" became more widely used in English, usually to assert Russia's right to have major influence in the region, but also for marketing purposes by various companies. Russian President Vladimir Putin has declared the region Russia's "sphere of influence", and strategically vital for Russia. The concept has been compared to the Monroe Doctrine.

**Countries in the "near abroad"**

Baltic states: Estonia, Latvia, Lithuania

Central Asia: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan

East Slavic states: Belarus, Ukraine

Transcaucasia: Armenia, Azerbaijan, Georgia

Others: Moldova
The deeper the red, the closer the relationship is.

The Commonwealth of Independent States (CIS) is a regional organization formed during the breakup of the Soviet Union. Nine out of the 15 former Soviet Republics are member states, and two are associate members (Ukraine and Turkmenistan). Georgia withdrew its membership in 2008, while the Baltic states (Estonia, Lithuania and Latvia) refused to participate.

The CIS has few supranational powers, but aims to be more than a purely symbolic organization, nominally possessing coordinating powers in the realm of trade, finance, lawmaking, and security. It has also promoted cooperation on cross-border crime prevention. Furthermore, eight of the nine CIS member states participate in the CIS Free Trade Area. Three organizations are under the CIS overview, namely the Collective Security Treaty Organization, the Eurasian Economic Union (alongside subdivisions, the Eurasian Customs Union and the Eurasian Economic Space, which comprises the land of over 180 million people), and the Union State. While the first and the second are military and economic alliances, the latter aims to reach a confederation between Russia and Belarus, with a common government, flag, currency, etc.

- Russia: 12 December 1991 – 20 July 1993, Founding state
The **Commonwealth of Independent States** Free Trade Zone Agreement, proposed since the breakup of the **Soviet Union** in 1991, was signed on 18 October 2011 by Russia, Ukraine, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Moldova and Armenia. The agreement replaced existing bilateral and multilateral free trade agreements between the countries. Although ex-Soviet states, **Azerbaijan** and **Turkmenistan** have not signed the agreement. Initially, the treaty was only ratified by Ukraine, Russia, Belarus, Moldova, Armenia and Kazakhstan, however in December 2013 Uzbekistan signed and then ratified the treaty. Kyrgyzstan has ratified the treaty with effect from 12 January 2014, while Tajikistan was reported in 2014 to be close to completing the ratification process. Russia signed a decree in mid-December 2015 suspending its CIS Free Trade Agreement with respect to Ukraine from 1 January 2016.

The **Eurasian Economic Union (EAEU)**[^1] is an **economic union** of states located primarily in northern **Eurasia**. A treaty aiming for the establishment of the EAEU was signed on 29 May 2014 by the leaders of **Belarus**, **Kazakhstan** and **Russia**, and came into force on 1 January 2015.[^2] Treaties aiming for Armenia's and Kyrgyzstan's accession to the Eurasian Economic Union were signed on 9 October and 23 December 2014, respectively. Armenia's accession treaty came into force on 2 January 2015.[^8] Kyrgyzstan's accession treaty came into effect on 6 August 2015.[^9][^10] It participated in the EAEU from the day of its establishment as an acceding state.[^11][^12]

In 1994, the **President of Kazakhstan**, Nursultan Nazarbayev, first suggested the idea of creating a "Eurasian Union"[^13][^14] during a speech at Moscow State University. Numerous treaties were subsequently signed to establish the trading bloc gradually. Many politicians, philosophers and political scientists have since called for further integration towards a monetary, political, military and cultural union.[^15][^16] However the member states decided to seek a purely economic union, having concerns about keeping its independence and sovereignty intact.[^17][^18][^19]

The Eurasian Economic Union has an integrated **single market** of 183 million people and a **gross domestic product** of over 4 trillion U.S. dollars (PPP).[^20]
Putin Seeks To Include China, India, Iran In Fledgling Eurasian Union

Russian president Vladimir Putin wants to include economic powerhouse China in its fledgling Eurasian Economic Union, and is even considering inviting India, Iran and Pakistan to the mix. Putin made the partnership proposal during his keynote address Friday at the annual St. Petersburg International Economic Forum.
Negotiation with China are scheduled to kick off later this month. China has become a relatively new discovery to the Russians. Once European sanctions hit Russian banks in 2014, Russia quickly moved to China to fill the gaps. Most of the deals have involved oil and gas pipelines. But other economic tie-ups include a joint venture in agribusiness along the Russian-Chinese border, and 2015 memorandum of understanding to connect the Moscow Stock Exchange to Shanghai in order to facilitate currency swaps and other forex hedging instruments that would allow the two countries — in theory — to conduct trade in their own currencies instead of the dollar.

Russian and Chinese officials will meet again in September to discuss China’s role, if any, in the Eurasian Economic Union. China already has a large investment plan set in place, known as One Belt One Road, which includes Pakistan on its to-do list of foreign infrastructure investment.

The roughly $4 trillion Eurasian Economic Union was the brainchild of Kazakhstan leader Nursultan Nazarbayev. It was first proposed after the fall of the Soviet Union, of which Kazakhstan was one of the larger members. But while Nazarbayev may see it more as a means to bring foreign investment into a country that’s more known for the film Borat than for its cities and landscapes, Russia’s view of the EEU is more of an “iron curtain” of sorts against European Union influence within Russia’s political orbit.

To date, Russia, Kazakhstan, Belarus, Armenia and Kyrgyzstan are the only members. Putin’s offer is not for full integration of China and others into the EEU. He called it a Eurasian Partnership agreement, which on the surface looks a bit like the U.S. Trans-Pacific Partnership deal with the Pacific Rim countries ex-China.

2016

From the United States Trade Representative

Strategic Importance of Trans-Pacific Pact (TPP):Global Leadership

The rules of the road are up for grabs in Asia, home to some of the fastest growing markets in the world. If we don't pass this agreement and write those rules, our competitors will set weak rules of the road, threatening American jobs and workers and undermining U.S. leadership in Asia.

TPP strengthens the U.S. economy, which is the foundation of U.S. national security and a critical source of our influence abroad.

TPP helps ensure that the global economy reflects our interests and values by requiring other countries to play by fair wage, safe workplace, and strong environmental rules that we help set.

And TPP reinforces our commitment to this vital region, helping us strengthen our relationships with our partners and allies.
Since World War II, U.S. leadership of the global trading system not only ushered in an era of peace and prosperity unparalleled in history – for the American people and the world – but also has been a key pillar of our global leadership overall.

But this rules-based system – and America’s economic competitiveness - is now being eroded by other, less open models. To meet this challenge, the United States must play a leadership role in writing rules of the road that strengthen our economy and promote a fair global economic system. TPP is how we do that.

When the rules are fair, Americans can out-compete anyone in the world. But the status quo puts our workers and businesses at a disadvantage, with higher costs for American goods, more barriers to trade, and lower standards for workers and the environment abroad than we have at home.

U.S. Force Projection in the Pacific

In turn this would test President Barack Obama’s “Asia Pivot” or Rebalance doctrine, based on the accumulation of forces in the Pacific, in alliance, mainly with Japan, South Korea and Australia, with Malacca Straits as its focal point. An article in the state-run tabloid Global Times acknowledged that the US and Japan — the core pillars of the Asia Pivot — would have “calculated that the Strait of Malacca is within the radius of Chinese aircraft above the reefs”.

"Clearly the Navy and DoD is demonstrating its full commitment to presence and freedom of navigation in the region,” said Jerry Hendrix, a retired Navy captain and analyst with the Center for a New American Security in Washington, D.C. “With the full carrier strike group and the command ship, the Navy is showing the scope of its interests and ability to project presence and sending the USS Stennis (an aircraft carrier) and its air wing to the South China Sea is a clear signal to China and the region.
China is reviving the historic Silk Road trade route that runs between its own borders and Europe. Announced in 2013 by President Xi Jinping, the idea is that two new trade corridors – one overland, the other by sea – will connect the country with its neighbours in the west: Central Asia, the Middle East and Europe.

The project has proved expensive and controversial. So why is China doing it?

There are strong commercial and geopolitical forces at play here, first among which is China’s vast industrial overcapacity – mainly in steel manufacturing and heavy equipment – for which the new trade route would serve as an outlet. As China’s domestic market slows down, opening new trade markets could go a long way towards keeping the national economy buoyant.

Hoping to lift the value of cross-border trade to $2.5 trillion within a decade, President Xi Jinping has channelled nearly $1 trillion of government money into the project. He’s also encouraging state-owned enterprises and financial institutions to invest in infrastructure and construction abroad.

“It is not an economic project, it is a geopolitical project — and it is very strategic,” Nadège Rolland, an analyst at the National Bureau for Asian Research, told foreignpolicy.com. He's not alone in suspecting China of a tactical repositioning in the global economy; it's clear that relationships with the ASEAN region, Central Asia and European countries stand to improve significantly if China directs more of its capital into developing infrastructure overseas.
Moreover, by striking up economic and cultural partnerships with other countries, China cements its status as a dominant player in world affairs.

"We will support the One Belt, One Road project," said President of the Asian Infrastructure Investment Bank, Jin Liquin. "But before we spend shareholders’ money, which is really the taxpayers' money, we have three requirements." The new trade route should be promote growth, be socially acceptable and be environmentally friendly.

How will a modern Silk Road affect China's foreign policy?

Financial Times
Thursday 15 October 2015

“The granaries in all the towns are brimming with reserves, and the coffers are full with treasures and gold, worth trillions,” wrote Sima Qian, a Chinese historian living in the 1st century BC. “There is so much money that the ropes used to string coins together rot and break, an innumerable amount. The granaries in the capital overflow and the grain goes bad and cannot be eaten.”
He was describing the legendary surpluses of the Han dynasty, an age characterised by the first Chinese expansion to the west and south, and the establishment of trade routes later known as the Silk Road, which stretched from the old capital Xi’an as far as ancient Rome.

Fast forward a millennia or two, and the same talk of expansion comes as China’s surpluses grow again. There are no ropes to hold its $4tn in foreign currency reserves — the world’s largest — and in addition to overflowing granaries China has massive surpluses of real estate, cement and steel.

After two decades of rapid growth, Beijing is again looking beyond its borders for investment opportunities and trade, and to do that it is reaching back to its former imperial greatness for the familiar “Silk Road” metaphor. Creating a modern version of the ancient trade route has emerged as China’s signature foreign policy initiative under President Xi Jinping.

“It is one of the few terms that people remember from history classes that does not involve hard power . . . and it’s precisely those positive associations that the Chinese want to emphasise,” says Valerie Hansen, professor of Chinese history at Yale University.

**Xi’s big idea**

If the sum total of China’s commitments are taken at face value, the new Silk Road is set to become the largest programme of economic diplomacy since the US-led Marshall Plan for postwar reconstruction in Europe, covering dozens of countries with a total population of over 3bn people. The scale demonstrates huge ambition. But against the backdrop of a faltering economy and the rising strength of its military, the project has taken on huge significance as a way of defining China’s place in the world and its relations — sometimes tense — with its neighbours.

Economically, diplomatically and militarily Beijing will use the project to assert regional leadership in Asia, say experts. For some, it spells out a desire to establish a new sphere of influence, a modern-day version of the 19th century Great Game, where Britain and Russia battled for control in central Asia.

“The Silk Road has been part of Chinese history, dating back to the Han and Tang dynasties, two of the greatest Chinese empires,” says Friedrich Wu, a professor at the S Rajaratnam School of International Studies in Singapore. “The initiative is a timely reminder that China under the Communist party is building a new empire.”

According to former officials, the grand vision for a new Silk Road began life modestly in the bowels of China’s commerce ministry. Seeking a way to deal with serious overcapacity in the steel and manufacturing sectors, commerce officials began to hatch a plan to export more. In 2013, the programme received its first top-level endorsement when Mr Xi announced the “New Silk Road” during a visit to Kazakhstan.

Since the president devoted a second major speech to the plan in March — as concerns over the economic slowdown mounted — it has snowballed into a significant policy and acquired a
clunkier name: “One Belt, One Road”. The belt refers to the land trade route linking central Asia, Russia and Europe. The road, oddly, is a reference to a maritime route via the western Pacific and Indian Ocean.

In some countries Beijing is pushing at an open door. Trade between China and the five central Asian states — Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan — has grown dramatically since 2000, hitting $50bn in 2013, according to the International Monetary Fund. China now wants to build the roads and pipelines needed to smooth access to the resources it needs to continue its development.

Mr Xi started to offer more details about the scheme earlier this year with an announcement of $46bn in investments and credit lines in a planned China-Pakistan economic corridor, ending at the Arabian Sea port of Gwadar. In April, Beijing announced plans to inject $62bn of its foreign exchange reserves into the three state-owned policy banks that will finance the expansion of the new Silk Road. Some projects, already on the drawing board, seem to have been co-opted into the new scheme by bureaucrats and businesspeople scrambling to peg their plans to Mr Xi’s policy.

“They are just putting a new slogan on stuff they’ve wanted to do for a long time,” says one western diplomat.

“It’s like a Christmas tree,” says Scott Kennedy, deputy director at the Center for Strategic and International Studies in Washington. “You can hang a lot of policy goals on it, but no one has done a proper economic analysis. The government money they are putting in is not enough; they hope to bring in private capital, but would private capital want to invest? Will it make money?”

As well as offering a glimpse of China’s ambition, the new Silk Road presents a window into how macroeconomic policy is made in Beijing — often on the hoof, with bureaucrats scurrying to flesh out vague and sometimes contradictory statements from on high. “Part of this is top down, part of this is bottom up, but there is nothing in the middle so far,” says a former Chinese official.

“The rest of the bureaucracy is trying to catch up to where Xi has planted the flag,” says Paul Haenle, director of the Carnegie-Tsinghua Center in Beijing. “This is something that Xi announces and then the bureaucracy has to make something of it. They have to put meat on the bones.” Some clues emerged in March when the powerful National Development and Reform Commission, China’s central planning body, published a clunky document, “Visions and Actions on Jointly Building Silk Road Economic Belt and 21st-century Maritime Silk Road”. It provides a great deal of detail in some places — such as which book fairs will be held — but is patchy in others, like which countries are included. Peru, Sri Lanka and even the UK are included in some versions of semi-official maps but left out of others.

A complete list appears to exist, however. On April 28 the commerce ministry announced that Silk Road countries account for 26 per cent of China’s foreign trade, a remarkably precise statistic. However, a request from the Financial Times for more specific details on the list of nations went unanswered.
There is also no indication yet of how it will be run — through its own bureaucracy, or as separate departments in different ministries and policy banks. With foreign governments and multinational banks eagerly following the Delphic utterances from Beijing to understand what it means, the vagueness and confusion has not gone unnoticed.

“If we want to talk to the Silk Road,” says a diplomat from a neighbouring state, “we don’t know who to call.”

As the country’s economic interests expand abroad, its massive security apparatus and military will probably be pulled into a greater regional role. China has no foreign military bases and steadfastly insists that it does not interfere in the domestic politics of any country. But a draft antiterrorism law for the first time legalises the posting of Chinese soldiers on foreign soil, with the consent of the host nation.

China’s military is also eager to get its share of the political and fiscal largesse that accompanies the new Silk Road push. One former US official says he was told by senior generals in the People’s Liberation Army that the One Belt, One Road strategy would have a “security component”.

Projects in unstable areas will inevitably test China’s policy of avoiding security entanglements abroad. Pakistan has assigned 10,000 troops to protect Chinese investment projects, while in Afghanistan, US troops have so far protected a Chinese-invested copper mine.

Port construction in countries like Sri Lanka, Bangladesh and Pakistan has led some analysts to question whether China’s ultimate aim is dual-use naval logistics facilities that could be put into service controlling sea lanes, a strategy dubbed the “String of Pearls”.

Achieving the trust of wary neighbours including Vietnam, Russia and India is not a given, and is consistently being undermined by sustained muscle flexing by China elsewhere. In the South China Sea, for example, naval confrontations have increased in the face of aggressive maritime claims by Beijing.

Exporting overcapacity

Lenin’s theory that imperialism is driven by capitalist surpluses seems to hold true, oddly, in one of the last (ostensibly) Leninist countries in the world. It is no coincidence that the Silk Road strategy coincides with the aftermath of an investment boom that has left vast overcapacity and a need to find new markets abroad.

“Construction growth is slowing and China doesn’t need to build many new expressways, railways and ports, so they have to find other countries that do,” says Tom Miller of Beijing consultancy Gavekal Dragonomics. “One of the clear objectives is to get more contracts for Chinese construction companies overseas.”

Like the Marshall Plan, the new Silk Road initiative looks designed to use economic treats as a way to address other vulnerabilities. China’s western frontiers and its central Asian neighbours
are home to vast reserves of oil and gas. The Xinjiang region, sitting on some of China’s largest energy reserves and crucial to the Silk Road project, is also home to a restive Muslim Uighur population that is culturally Turkish, far poorer than the citizens of coastal China and seeking a break with Beijing. The region has been the scene of serious outbreaks of violence in recent years.

A push into central Asia will partly fill the vacuum left by the retreat of Moscow after the cold war, followed by Washington’s military pullback from Afghanistan next year. With Beijing saying it is facing a rising terrorist threat, stabilising the wider region is a priority.

But, in doing so, China will inherit the same chicken and egg problem that has plagued the US in its “nation building” attempts — having to ask whether security and stability is a pre-requisite for economic development, or whether, as Beijing appears to believe, it can pacify local conflicts with a sea of investment and infrastructure spending.

**Combating radical Islam**

If this approach does not work, China will be faced with some grim alternatives — either turn tail and leave, or risk getting bogged down in security commitments and local politics. It has made clear that it does not want to replace the US in Afghanistan nor does it see itself as a regional policeman. “China will not fall into the same mistakes,” says Jia Jinjing, a specialist on south Asia at Beijing’s Renmin University.

Economic development, strategists in Beijing argue, will remove the appeal of radical Islam in China and Pakistan, Afghanistan and central Asia. But critics note that culturally insensitive policies, an enormous security presence and economic strategies that benefit Chinese communities at the expense of locals have so far only escalated tensions in Xinjiang, the desert region that has 22 per cent of China’s domestic oil reserves and 40 per cent of its coal deposits.

Roads and pipelines across Pakistan and Myanmar will ultimately allow China to avoid another strategic vulnerability — the chokepoint of the Strait of Malacca, through which about 75 per cent of its oil imports pass. Already, half of China’s natural gas arrives overland from central Asia, thanks to an expensive strategy by Mr Xi’s predecessors to cut dependence on seaborne imports.

While some neighbours will welcome the investment, it is less clear they will want China’s overcapacity. Many have unemployment and underperforming steel mills of their own, or ambitions to develop their own industry rather than import someone else’s.

Large-scale investment could also trigger concerns about opening the floodgates to Chinese economic dominance — as it has done in Myanmar and Sri Lanka — and, by extension, political influence. But China is hoping the lure of massive spending will prove too great an incentive for its neighbours to resist.
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Why Europe can’t afford to ignore China’s New Silk Road

André Loesekrug-Pietri Founder, A CAPITAL
Monday 16 November 2015

Officially first announced in 2013 by President Xi Jinping, China’s ambitious “one belt, one road” initiative aims to improve connectivity between China, Asia and Europe. This year marks a milestone for relations between China and the European Union, as they celebrate 40 years of diplomatic relations.

The initiative merges both the land-based Silk Road (from China via Central Asia to Turkey and the EU) with the Maritime Route (via the Indian Ocean and Africa to Europe). Both routes were created with the intention of developing transportation infrastructure, facilitating economic development and increasing trade. This 21st-century initiative is not merely for China to romanticize its historical legacies: it carries major strategic economic and geopolitical calculations.

China seems to pursue three key objectives

1. A new impetus for its economy. China’s GDP grew around 7.4% last year, the lowest since the 1990s, and a further slowdown seems inevitable. Given the massive overcapacity in the manufacturing sector, the vast and largely inefficient state-owned enterprises with falling return on equity, as well as the real estate bubble and increasing environmental pressures, China urgently needs to find new economic engines. One Belt, One Road focuses on infrastructure development and matches the appetite of Chinese state-owned enterprises with overcapacity.

2. The Silk Road will help to alleviate China’s thirst for energy, with new gas pipelines in Central Asia and new deepwater harbours in South Asia to be constructed. These massive infrastructure projects will also accelerate the renminbi’s internationalization and its emergence as an alternative reserve currency, a strategic economic objective.

3. Most importantly, the core of this initiative lies in its strategic and geopolitical importance. China seeks to build a cordon sanitaire of regional stability. Its leadership firmly believes economic prosperity is the only way to maintain peace in its fragile neighbourhood, from volatile Central Asia via a fragmented Pakistan and wartorn Afghanistan to the terror belt in the Middle East and North Africa. The Chinese government has resisted the idea of labelling the “belt and road” project as its own Marshall Plan, but the commonality of China’s economic interests with the corridor nations and a sound infrastructure bond will be the best way to prevent regional conflicts. It’s also a viable way to export China’s model of development: the right to develop irrespective of political systems.

Strategically, the belt and road concept – as well as the establishment of the Asian Infrastructure Investment Bank (AIIB), the Silk Road Fund and other related initiatives – send out a clear signal: China is ready to take more of a role in regional and global governance. Over the past
decades, China was an agenda-follower rather than agenda-setter. A key principle of its foreign policy has been a “peaceful rise with a low profile”. Accordingly, China initially accepted and integrated into the existing system of global governance.

This phase is coming to an end. China’s economic power and political weight are strong arguments for Beijing that its development must not continue to be subject to rules mainly decided by industrialized nations. Beijing intends to be more proactive in protecting national interests.

**A new type of power relations**

Based on a mixture of Marxist and Confucian traditions, the Chinese leadership has started to articulate more explicit policies towards regional and global governance, through concepts such as the Harmonious Society by former President Hu Jintao, and President Xi Jinping’s “new type of major power relations”. These concepts, mostly ignored by Western governments, are not just slogans. They have led to a number of visible changes in its foreign engagement: the Shanghai Cooperation Organization, the BRICS, G13 and economic forums such as the Boao Forum.

This strategic shift is potentially a game-changer for global governance. Its explicit focus on the wide definition of inclusiveness, the right to development, and based on a relatively fuzzy management style, will inevitably challenge the current Western principles of global governance.

The surprisingly highly successful launch of AIIB may just be a teaser from China on the existing institutions. But it should be taken as a wake-up call. The ball is now in the hands of the EU to decide if and how to engage in these emerging processes. Although Europe continues to struggle with its own crisis, It should make the Silk Road its own and its strategic priority.

For the EU, there are major interests at stake: regional stability, economic development and diversification of energy supply.

This region – with India, Pakistan, Iran and Kazakhstan in the middle – could offer major new markets to European firms, leveraging old European influence to both engage profitably with Chinese and local companies. Europe could also use it as a door-opener in the increasingly difficult but critical Chinese market itself, as China will need allies when engaging overseas.

This would likewise be an intelligent move to bind Russia into a regional cooperation through these two initiatives, irrespective of the present conflict. Discussions between EU, EAEU and China on a Free Trade Agreement could be a medium-term objective.

**Can the EU set the agenda?**

As China’s largest trading partner (and a partner without geopolitical conflicts), Europe should not wait for the One Belt One Road concept to be further elaborated at this stage; it is a “moving concept”. For Chinese decision-makers, concepts are subject to trial and error. Like pilot projects, they are being developed as they mature. The EU has a unique opportunity to formulate its own respective interests and intentions, and offer concrete proposals to China for
collaboration in the context of the Silk Road, making it a true Europe-China initiative, at both ends of the road.

**How will a modern Silk Road affect China’s foreign policy?**

Written by Financial Times
Published Thursday 15 October 2015
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“The granaries in all the towns are brimming with reserves, and the coffers are full with treasures and gold, worth trillions,” wrote Sima Qian, a Chinese historian living in the 1st century BC. “There is so much money that the ropes used to string coins together rot and break, an innumerable amount. The granaries in the capital overflow and the grain goes bad and cannot be eaten.”

He was describing the legendary surpluses of the Han dynasty, an age characterised by the first Chinese expansion to the west and south, and the establishment of trade routes later known as the Silk Road, which stretched from the old capital Xi’an as far as ancient Rome.

Fast forward a millennia or two, and the same talk of expansion comes as China’s surpluses grow again. There are no ropes to hold its $4tn in foreign currency reserves — the world’s largest — and in addition to overflowing granaries China has massive surpluses of real estate, cement and steel.

After two decades of rapid growth, Beijing is again looking beyond its borders for investment opportunities and trade, and to do that it is reaching back to its former imperial greatness for the familiar “Silk Road” metaphor. Creating a modern version of the ancient trade route has emerged as China’s signature foreign policy initiative under President Xi Jinping.

“It is one of the few terms that people remember from history classes that does not involve hard power . . . and it’s precisely those positive associations that the Chinese want to emphasise,” says Valerie Hansen, professor of Chinese history at Yale University.

**Xi’s big idea**

If the sum total of China’s commitments are taken at face value, the new Silk Road is set to become the largest programme of economic diplomacy since the US-led Marshall Plan for
postwar reconstruction in Europe, covering dozens of countries with a total population of over 3bn people. The scale demonstrates huge ambition. But against the backdrop of a faltering economy and the rising strength of its military, the project has taken on huge significance as a way of defining China’s place in the world and its relations — sometimes tense — with its neighbours.

Economically, diplomatically and militarily Beijing will use the project to assert regional leadership in Asia, say experts. For some, it spells out a desire to establish a new sphere of influence, a modern-day version of the 19th century Great Game, where Britain and Russia battled for control in central Asia.

“The Silk Road has been part of Chinese history, dating back to the Han and Tang dynasties, two of the greatest Chinese empires,” says Friedrich Wu, a professor at the S Rajaratnam School of International Studies in Singapore. “The initiative is a timely reminder that China under the Communist party is building a new empire.”

According to former officials, the grand vision for a new Silk Road began life modestly in the bowels of China’s commerce ministry. Seeking a way to deal with serious overcapacity in the steel and manufacturing sectors, commerce officials began to hatch a plan to export more. In 2013, the programme received its first top-level endorsement when Mr Xi announced the “New Silk Road” during a visit to Kazakhstan.

Since the president devoted a second major speech to the plan in March — as concerns over the economic slowdown mounted — it has snowballed into a significant policy and acquired a clunkier name: “One Belt, One Road”. The belt refers to the land trade route linking central Asia, Russia and Europe. The road, oddly, is a reference to a maritime route via the western Pacific and Indian Ocean.

In some countries Beijing is pushing at an open door. Trade between China and the five central Asian states — Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan — has grown dramatically since 2000, hitting $50bn in 2013, according to the International Monetary Fund. China now wants to build the roads and pipelines needed to smooth access to the resources it needs to continue its development.

Mr Xi started to offer more details about the scheme earlier this year with an announcement of $46bn in investments and credit lines in a planned China-Pakistan economic corridor, ending at the Arabian Sea port of Gwadar. In April, Beijing announced plans to inject $62bn of its foreign exchange reserves into the three state-owned policy banks that will finance the expansion of the new Silk Road. Some projects, already on the drawing board, seem to have been co-opted into the new scheme by bureaucrats and businesspeople scrambling to peg their plans to Mr Xi’s policy.

“They are just putting a new slogan on stuff they’ve wanted to do for a long time,” says one western diplomat.
“It’s like a Christmas tree,” says Scott Kennedy, deputy director at the Center for Strategic and International Studies in Washington. “You can hang a lot of policy goals on it, but no one has done a proper economic analysis. The government money they are putting in is not enough; they hope to bring in private capital, but would private capital want to invest? Will it make money?”

As well as offering a glimpse of China’s ambition, the new Silk Road presents a window into how macroeconomic policy is made in Beijing — often on the hoof, with bureaucrats scurrying to flesh out vague and sometimes contradictory statements from on high. “Part of this is top down, part of this is bottom up, but there is nothing in the middle so far,” says a former Chinese official.

“The rest of the bureaucracy is trying to catch up to where Xi has planted the flag,” says Paul Haenle, director of the Carnegie-Tsinghua Center in Beijing. “This is something that Xi announces and then the bureaucracy has to make something of it. They have to put meat on the bones.”

Some clues emerged in March when the powerful National Development and Reform Commission, China’s central planning body, published a clunky document, “Visions and Actions on Jointly Building Silk Road Economic Belt and 21st-century Maritime Silk Road”. It provides a great deal of detail in some places — such as which book fairs will be held — but is patchy in...
others, like which countries are included. Peru, Sri Lanka and even the UK are included in some versions of semi-official maps but left out of others.

A complete list appears to exist, however. On April 28 the commerce ministry announced that Silk Road countries account for 26 per cent of China’s foreign trade, a remarkably precise statistic. However, a request from the Financial Times for more specific details on the list of nations went unanswered.

There is also no indication yet of how it will be run — through its own bureaucracy, or as separate departments in different ministries and policy banks. With foreign governments and multinational banks eagerly following the Delphic utterances from Beijing to understand what it means, the vagueness and confusion has not gone unnoticed.

“If we want to talk to the Silk Road,” says a diplomat from a neighbouring state, “we don’t know who to call.”

As the country’s economic interests expand abroad, its massive security apparatus and military will probably be pulled into a greater regional role. China has no foreign military bases and steadfastly insists that it does not interfere in the domestic politics of any country. But a draft antiterrorism law for the first time legalises the posting of Chinese soldiers on foreign soil, with the consent of the host nation.

China’s military is also eager to get its share of the political and fiscal largesse that accompanies the new Silk Road push. One former US official says he was told by senior generals in the People’s Liberation Army that the One Belt, One Road strategy would have a “security component”.

Projects in unstable areas will inevitably test China’s policy of avoiding security entanglements abroad. Pakistan has assigned 10,000 troops to protect Chinese investment projects, while in Afghanistan, US troops have so far protected a Chinese-invested copper mine.

Port construction in countries like Sri Lanka, Bangladesh and Pakistan has led some analysts to question whether China’s ultimate aim is dual-use naval logistics facilities that could be put into service controlling sea lanes, a strategy dubbed the “String of Pearls”.

Achieving the trust of wary neighbours including Vietnam, Russia and India is not a given, and is consistently being undermined by sustained muscle flexing by China elsewhere. In the South China Sea, for example, naval confrontations have increased in the face of aggressive maritime claims by Beijing.

Exporting overcapacity

Lenin’s theory that imperialism is driven by capitalist surpluses seems to hold true, oddly, in one of the last (ostensibly) Leninist countries in the world. It is no coincidence that the Silk Road strategy coincides with the aftermath of an investment boom that has left vast overcapacity and a need to find new markets abroad.
“Construction growth is slowing and China doesn’t need to build many new expressways, railways and ports, so they have to find other countries that do,” says Tom Miller of Beijing consultancy Gavekal Dragonomics. “One of the clear objectives is to get more contracts for Chinese construction companies overseas.”

Like the Marshall Plan, the new Silk Road initiative looks designed to use economic treats as a way to address other vulnerabilities. China’s western frontiers and its central Asian neighbours are home to vast reserves of oil and gas. The Xinjiang region, sitting on some of China’s largest energy reserves and crucial to the Silk Road project, is also home to a restive Muslim Uighur population that is culturally Turkish, far poorer than the citizens of coastal China and seeking a break with Beijing. The region has been the scene of serious outbreaks of violence in recent years.

A push into central Asia will partly fill the vacuum left by the retreat of Moscow after the cold war, followed by Washington’s military pullback from Afghanistan next year. With Beijing saying it is facing a rising terrorist threat, stabilising the wider region is a priority.

But, in doing so, China will inherit the same chicken and egg problem that has plagued the US in its “nation building” attempts — having to ask whether security and stability is a pre-requisite for economic development, or whether, as Beijing appears to believe, it can pacify local conflicts with a sea of investment and infrastructure spending.

**Combatting radical Islam**

If this approach does not work, China will be faced with some grim alternatives — either turn tail and leave, or risk getting bogged down in security commitments and local politics. It has made clear that it does not want to replace the US in Afghanistan nor does it see itself as a regional policeman. “China will not fall into the same mistakes,” says Jia Jinjing, a specialist on south Asia at Beijing’s Renmin University.

Economic development, strategists in Beijing argue, will remove the appeal of radical Islam in China and Pakistan, Afghanistan and central Asia. But critics note that culturally insensitive policies, an enormous security presence and economic strategies that benefit Chinese communities at the expense of locals have so far only escalated tensions in Xinjiang, the desert region that has 22 per cent of China’s domestic oil reserves and 40 per cent of its coal deposits.

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**China Creates a World Bank of Its Own, and the U.S. Balks**

By **JANE PERLEZ**

**BEIJING** — As top leaders met at a lush Bali resort in October 2013, President Xi Jinping of China described his vision for a new multinational, multibillion-dollar bank to finance roads, rails and power grids across Asia. Under Chinese stewardship, the bank would tackle the slow development in poor countries that was holding the region back from becoming the wealth center of the world.

The United States worries that China will use the bank to set the global economic agenda on its own terms, forgoing the environmental protections, human rights, anticorruption measures and other governance standards long promoted by its Western counterparts. American officials point to China’s existing record of loans to unstable governments, construction deals for unnecessary infrastructure, and villagers abruptly uprooted with little compensation.

But the administration suffered a humiliating diplomatic defeat last spring when most of its closest allies signed up for the bank, including Britain, Germany, Australia and South Korea. Altogether 57 countries have joined, leaving the United States and Japan on the outside.