1. Introduction

Never in the history of humankind has such a huge infrastructure project been attempted as the Belt and Road Initiative (BRI). Launched in 2013, China has been promoting this initiative, building numerous mega structures connecting China with Europe and other parts of the world to boost trade and various exchanges.

Between 2013 and 2018, Chinese companies had invested $90 billion in countries joined to the BRI, with Chinese state banks providing loans worth $300 billion. Six years into the implementation of the initiative, a number of projects have been completed, some are ongoing, while others are being planned. A few projects have failed, becoming ‘white elephants’ of sorts, while many others have been completed and are working effectively.

In general, most developing countries, especially those in Africa, have welcomed China’s initiative. They have worked with China in mounting projects in their countries to build roads, railways, ports, oil and gas pipelines, power grids, telecommunication systems and so on. Countries in the developed world are less receptive: some of them welcome the opportunity to work with China, others are hesitant to do so, while still others are suspicious of China’s motives. The US, for example, has rejected the BRI outright and has taken measures to counter its developments.

People around the world are increasingly aware of the presence of the BRI. According to China Daily, the Chinese Academy of Contemporary China and World Studies and Kantar, a global consulting firm, had jointly conducted a public-opinion poll to ascertain the popularity of the BRI covering the period from May to July 2018. The poll asked 11,000 people aged between 18 and 65 from twenty-two countries to evaluate the BRI’s significance to individuals, countries, regions and the world. Results indicate that about 20 per cent of people surveyed know the BRI; 55 per cent held positive views about the BRI’s contribution to the regional and global economy. The Indians top the poll with 50 per cent of respondents knowing the BRI, followed by Japan with 43 per cent, Italy 40 per cent and Russia 30 per cent.

In 2018 China celebrated the fortieth anniversary of its reform and opening up, a policy adopted by its paramount leader Deng Xiaoping. The policy has contributed to the country’s phenomenal rise to become the world’s second largest economy today. The current top leader President Xi Jinping has vowed to continue the process of opening up. The BRI, unveiled by him in 2013,
China’s maritime Silk Road has come to be seen as a second wave of China’s opening up. The difference between this current wave and the one before is that the current wave is much greater in scope, wider in scale and faster in speed. While the previous wave was in the main directed at stimulating domestic growth, the current wave has an additional dimension, that is, globalisation.

So far, China has organised two international forums to publicise the Belt and Road, held in Beijing in May 2017 and April 2019. The first was organised principally to inform and familiarise world leaders with the BRI. A policy paper was published in time for the forum, entitled ‘Vision for maritime cooperation under the Belt and Road Initiative’. The document spells out in some detail China’s ideas about the land component as well as the maritime component of the modern Silk Road. The second forum, built on the success of the first one, has been referred to by some observers, including former International Monetary Fund (IMF) Managing Director Christine Lagarde, as the start of BRI 2.0 as China has started to address some of the problems raised by critics from the outside, concerning transparency, financial sustainability and environmental standards. More than 5,000 delegates from across the world and thirty-seven state leaders, including eight from the EU and all ten leaders of the Association of Southeast Asian Nations (ASEAN) countries, attended this second forum. In his keynote address, President Xi made clear that his government would pursue a high-quality infrastructure programme under the BRI. Professor Ito Asei of the University of Tokyo pointed out that the keyword ‘high quality’ (gaozhiliang, 高质量) appeared six times in Xi’s speech. Based on his content analysis of the People’s Daily on a quarterly basis from 2014 to 2019, Professor Ito found that the number of articles including the terms ‘high quality’ and ‘Belt and Road’ (yidaiyilu, 一带一路) had started to increase in 2018 and reached a new height in 2019.

In an effort to tackle the issue of corruption in BRI projects, China has started to extend its domestic anti-graft campaign overseas by posting inspectors in countries participating in the BRI in order to monitor the activities of Chinese companies. The Central Commission for Discipline Inspection, the country’s top anti-graft agency, launched a pilot scheme in Laos in 2017 to oversee a railway project built by a Chinese state-owned company. These inspectors worked alongside employees of the Chinese company as well as local contractors. Other countries in the nearby region and beyond have shown interest in the scheme, including the Philippines, Pakistan, Egypt and Cuba.

As of April 2019, China had signed cooperative agreements on the BRI with 126 countries and twenty-nine international organisations. A very long list of ‘deliverables’ was published by the Chinese Ministry of Foreign Affairs as a result of the deliberations in the second BRI forum. These deliverables – seen as agreements, proposals or visions – consist of initiatives proposed or launched by China, bilateral and multilateral agreements signed during or
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immediately before the forum, multilateral cooperation mechanisms and lists of projects. To some observers, these deliverables set the tone for a potential framework for building China’s preferable style of global development and governance. Also, at the second forum, the Chinese Ministry of Finance released a debt sustainability framework for the BRI. This framework is largely borrowed from a framework used by the World Bank and the IMF. The idea of this new Chinese framework is to test the financial stress and risks faced by the borrower and the suitability of the lender to extend loans. How these and other measures are going to work out in practice will be tested in the coming years. (See Appendix for a chronology of the developments of the BRI from its inception in 2013 to 2019.)

According to China’s State Council, in 2017 some 9,112 units of state-owned enterprises (SOEs) were based overseas, spread around 185 countries and regions. Since the launch of the BRI in 2013, forty-seven SOEs at the national level have participated in or financed 1,676 projects, working with enterprises in the Belt and Road countries. To help to finance and facilitate various BRI projects mounted by Chinese SOEs, some major mechanisms and institutions have been set up. Table 1.1 shows a selective list of the major ones.

The membership of the Asian Infrastructure Investment Bank (AIIB) has continued to grow. It recorded 100 members as of July 2019, compared with 189 in the World Bank and sixty-eight in the Asian Development Bank (ADB). By end-2018, the AIIB, with a stated capital of $100 billion, had granted $7.5 billion worth of loans to finance thirty-five projects in thirteen countries, mostly in Asia. Sixty per cent of its loans were extended in partnership with other established multilateral financial institutions like the World Bank and the European Investment Bank. The AIIB has now acquired a permanent observer status with the United Nations.

The World Bank sees the value of the infrastructure programme undertaken under the BRI. In a report analysing the Belt and Road economics, the World Bank says that the ill-served existing infrastructure in countries that lie along the Belt and Road corridors means that ‘they undertrade by 30 percent and fall short of their potential FDI [Foreign Direct Investment] by 70 percent’. The Bank estimates that, if transport facilities along the corridors were adequate, then travel times would decline by up to 12 per cent in BRI countries and by an average of 3 per cent in the rest of the world. So, non-BRI countries and regions can benefit as well.

Against the context of these recent developments of the BRI, this book focuses on the maritime Silk Road. It asks: What is the current state of China’s maritime diplomacy? How important is maritime trade? The rest of this chapter addresses these questions, weighs up the importance of the sea component of the BRI relative to its land component and lays out the structure of the book.
Table 1.1  Some newly established governing mechanisms of the BRI

<table>
<thead>
<tr>
<th>Sector</th>
<th>Name</th>
<th>Time established</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Asian Infrastructure Development Bank (AIIB)</td>
<td>2015 December</td>
</tr>
<tr>
<td></td>
<td>Silk Road Fund</td>
<td>2014 December</td>
</tr>
<tr>
<td>Trade</td>
<td>Belt and Road free trade network</td>
<td>2017 May</td>
</tr>
<tr>
<td></td>
<td>Lancang–Mekong River Cooperation Dialogue</td>
<td>2016 March</td>
</tr>
<tr>
<td></td>
<td>China International Import Expo</td>
<td>2018 November</td>
</tr>
<tr>
<td>Investment</td>
<td>Belt and Road dispute resolution mechanism</td>
<td>2018 June</td>
</tr>
<tr>
<td></td>
<td>Guiding principles on financing the development of the Belt and Road</td>
<td>2017 May</td>
</tr>
<tr>
<td>Environmental</td>
<td>‘Green Silk Road’ proposal</td>
<td>2015 March</td>
</tr>
<tr>
<td>protection</td>
<td>BRI International Green Development Coalition</td>
<td>2017 May</td>
</tr>
<tr>
<td></td>
<td>SCO environmental cooperation blueprint*</td>
<td>2018 June</td>
</tr>
<tr>
<td></td>
<td>‘Belt and Road Ecological and Environmental Cooperation Plan’**</td>
<td>2017 May</td>
</tr>
<tr>
<td>Society and culture</td>
<td>Silk Road NGO Cooperation Network Forum</td>
<td>2017 May</td>
</tr>
<tr>
<td></td>
<td>Belt and Road alliances in news, music, education</td>
<td>2017 May</td>
</tr>
<tr>
<td></td>
<td>Silk Road Think Tank Network</td>
<td>2015 October</td>
</tr>
</tbody>
</table>


**HOW IMPORTANT IS MARITIME TRADE?**

The earth’s surface measures about 510 million square kilometres, of which 155 million square kilometres is land, the rest is covered by water. At one time, China was a leading sea power. Six hundred years ago, Chinese navigator and diplomat Zheng He conducted seven sea voyages during the fifteenth-century Ming Dynasty (1368–1644). His armada sailed to the South China Sea and further to the oceans to the west up to the east coast of Africa. This episode was short-lived, as the Ming emperor subsequently turned inwards and banned any more sea voyages. Chinese ‘advanced’ shipbuilding and naval technology came to an abrupt end. The long stretch of maritime history from then to now saw the rise of the West as a result of the Industrial Revolution and subsequently two major phases of Western dominance of the seas. One is the maritime exploration to boost global trade supported by gunboat diplomacy during the colonial era. The other is the rise of the US as
### Table 1.2 Comparing air, rail and sea freight between EU and China, 2017*

<table>
<thead>
<tr>
<th>Transport mode</th>
<th>Transit time (days)</th>
<th>Transportation costs (Euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air</td>
<td>3–7</td>
<td>45,000–50,000</td>
</tr>
<tr>
<td>Rail</td>
<td>18–19</td>
<td>7,000–7,500</td>
</tr>
<tr>
<td>Sea</td>
<td>25–35</td>
<td>1,500–2,500</td>
</tr>
</tbody>
</table>

*Based on a 15 ton/60 cubic metres shipment between Shanghai of China and Duisburg of Germany.

Source: The German Aerospace Center, cited in *Baltic Transport Journal*, Gdynai, Poland, Nos. 3–4 (June/September 2017), p. 76.

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...a naval power controlling the seas and dominating the maritime order from around the Second World War to the present. Contemporary China saw Mao Zedong imposing a near total self-isolation from the outside world for the first thirty years of the People’s Republic of China (PRC) since its establishment in 1949. Deng Xiaoping reversed the path and opened up China some forty years ago. China now is only starting to catch up with the West in protecting and promoting its maritime interest. Developing trade routes and port facilities around the world have become huge projects for the BRI. For six centuries or so since the late Ming Dynasty, China has been a continental power; now and into the foreseeable future, it is going to develop into both a land and maritime power.

Against this background, the importance of maritime trade can hardly be underestimated, as 90 per cent of the world’s trade goes by sea. According to the United Nations Conference on Trade and Development (UNCTAD), around 80 per cent of global trade by volume and over 70 per cent of global trade by value are carried by sea and are handled by ports worldwide. In just four years from 2014 to 2018, the average annual volume of goods handled by the world’s top ten ports went from 19.90 to 22.03 million twenty-foot equivalent units (TEU), a measure of cargo capacity of a container box. Table 1.2 shows the much lower cost of transporting bulk cargoes by sea than by air or rail. In 2016, 64 per cent of EU–China trade in goods (in volume) was transported by sea, 2.06 per cent by rail, 6.35 per cent by road and 27.59 per cent by air.

Great powers in modern times have been mostly sea powers, like the US, Great Britain, the Netherlands, Spain, Portugal and Japan. Even traditional land powers have formidable maritime forces, like Germany and the Russian Federation (including the former Soviet Union). Prior to the advent of steam ships, hyper land powers only included the Mongolian Empire and the Holy Roman Empire.
Table 1.3  The world’s top ten box port operators, 2018

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  COSCO Shipping Ports</td>
<td>China</td>
</tr>
<tr>
<td>2  Hutchison Port Holdings</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>3  PSA International</td>
<td>Singapore</td>
</tr>
<tr>
<td>4  DP World</td>
<td>Dubai</td>
</tr>
<tr>
<td>5  China Merchant Port Holdings</td>
<td>China</td>
</tr>
<tr>
<td>6  APM Terminals</td>
<td>Denmark</td>
</tr>
<tr>
<td>7  Yilport Holdings</td>
<td>Turkey</td>
</tr>
<tr>
<td>8  Shanghai International Port Group</td>
<td>China</td>
</tr>
<tr>
<td>9  International Container Terminal Services</td>
<td>Philippines</td>
</tr>
<tr>
<td>10 Terminal Investment Limited</td>
<td>Switzerland</td>
</tr>
</tbody>
</table>


According to the latest Liner Shipping Connectivity Index of UNCTAD[^1], China was the best-connected trading nation to others by sea in 2018. China’s index number has increased by 88 per cent since UNCTAD first compiled the index in 2004[^2]. In 2018 the best-connected territories for seaborne trade were all in Asia, with Singapore ranking second after China, then South Korea (3), Hong Kong (4) and Malaysia (5).[^3] This is then followed by the Netherlands (6), Germany (7), US (8), UK (9) and Belgium (10). China’s maritime Silk Road development has certainly helped to boost China’s trading position. In fact, China has become the world’s largest container transport country (see Table 1.3).

THE LAND ROUTE VERSUS THE MARITIME ROUTE[^5]

Chinese history has shown that China is by and large a continental power rather than a maritime power, except for a short period under the Ming Dynasty in the fifteenth century when it was both a land and sea power. Contemporary China depends much on the sea for its external trade and for sourcing oil and gas, in a way not dissimilar to Japan, South Korea and Taiwan. But unlike Japan and South Korea, China is contained by the US through America’s military presence in the Asia-Pacific and through its many military alliances with countries surrounding China’s east and south. Also, unlike Japan and South Korea, China has a vast hinterland to its west connecting to the huge landmass of Eurasia. This western front to China is relatively free of US containment, hence allowing China greater freedom and manoeuvrability to connect, develop and expand in that direction. While the maritime routes are definitely
important to China’s economic wellbeing, the land routes offer new potentials for development. While maintaining the status quo to China’s east as far as possible, it also makes good sense for China to devote relatively more energy and attention to its west. In relative terms, China has less conflict situations to its west than its east. A balance between the two sides of development is necessary, but obviously tilted slightly to the west for the foreseeable future. It is therefore not either sea or land. It is both. One acts as an insurance for the other. Both are required for security and development in some sort of balance.

THE STRUCTURE OF THIS BOOK

This book consists of eight chapters. This chapter, Chapter 1, reviews some key developments of the BRI. It then turns to the maritime Silk Road. The book argues that geo-developmentalism captures well the essence of the BRI, including the maritime Silk Road. Geo-developmentalism is a concept and an approach that I proposed a few years ago in an earlier book. The present volume continues to refine this theoretical approach with evidence drawn from the implementation of the BRI so far, to be elaborated in Chapter 3. Chapters 4 to 6 focus respectively on the maritime Silk Road to the west, the south (Oceania) and the north (the Arctic). Chapter 7 looks at the ways China goes about protecting its maritime investments. Chapter 8, the last chapter, is the concluding chapter.

Chapter 2 gives an overview of the current state of affairs of the maritime Silk Road, as a prelude to more detailed analyses of the three main routes which China identified in an official paper in 2017: ‘Vision for maritime cooperation under the Belt and Road Initiative’. These three main routes are: the traditional, established route to the west to connect with Europe through the Malacca Strait, the Indian Ocean and the Suez Canal; a second route to reach Oceania and the South Pacific via maritime Southeast Asian; and the third, newest route to link up with Europe and northern America through the Arctic Ocean. China has started to develop port facilities along these routes to facilitate trade and other forms of connectivity. This chapter discusses the efforts made by the PRC to develop its shipbuilding industry and to promote its maritime interests since the reform and opening up in the 1980s.

Chapter 3 is a theory chapter. It provides some pointers to guide the framing and analysis found in the book, using geo-developmentalism as a concept to capture the spirit and practice of China’s BRI. I have defined geo-development as ‘China-initiated developmental strategy of infrastructure building aimed at promoting mutual economic growth by increasing connections across the globe’. I have identified ten core features of geo-developmentalism, including a win–win formula, infrastructure building, geo-economics and geopolitics. Using this concept, I try to probe into international developments
based on the implementation of the BRI and on other developments in global politics, especially the impact of American foreign policy under President Donald Trump. The purpose is to help enhance our theoretical understanding of China’s new diplomacy under President Xi Jinping. These international developments include the emergence of neo-transnationalism and neo-globalisation. I shall explain them and assess whether or not a new global order is in the making. I would argue in the positive by describing the emerging order as a hybrid system which combines global features and Chinese characteristics.

Chapter 4 follows China’s maritime journey to the west through the South China Sea, the Indian Ocean and the Arabian Sea to reach Europe. This route has served as the main artery for trade between Europe, the Arab world and Asia for a long time. China is in the course of opening up, developing or upgrading numerous ports and sea channels along the way. The chapter focuses on four case studies: the Gwadar port in Pakistan; the Hambantota port in Sri Lanka; the Piraeus port in Greece; and the Djibouti port in East Africa. All these four port cities occupy strategic locations along major trade routes, although the host countries of these ports face vastly different politico-economic environments, both domestic and external. China’s concerted efforts in developing these infrastructure projects have met with different responses: cooperation, resistances and confrontations. The chapter analyses the responses of some major powers to China’s initiatives. It assesses the implications of such interactions for global order and development.

Chapter 5 investigates China’s way to the south to connect with Oceania and the South Pacific. As China’s economy grows, it reaches out to other countries to promote trade, investment and development. The maritime route to Oceania and the South Pacific helps to achieve such aim. In this region, Australia and New Zealand are the big players. They form parts of the Western security alliance led by the US. However, they have to strike a fine balance between the US and Europe on the one hand and China on the other. This balancing act is not easy to perform. In addition, they have to protect their traditional sphere of influence in the South Pacific. For China, it is a matter of dealing not only with Australia and New Zealand, but also with a large group of small island states. Increasingly too these small island states have to practise their own balancing: between Chinese trade and investments on the one hand and on the other their aid-receiving diplomacy with Australia and New Zealand. As a result of China’s expanding presence in the region, Australia and New Zealand find it necessary to step up their foreign assistance to their neighbours. China expresses its willingness to work with both Australia and New Zealand to help these states. However, Australia and New Zealand have become cautious. In comparison with Australia, New Zealand plays a slightly more independent role. It can serve as a bridge for China to reach out to Latin America and the
Antarctica. China faces an addition problem in the region as some of the small island states maintain diplomatic relations with Taiwan.

Chapter 6 explores China’s venture to the north to make connections with Europe and North America through the Arctic. The Chinese call this route the ‘Polar Silk Road’. The country is a latecomer to the region. In January 2018 the Chinese government published a white paper on its Arctic interests and policy, declaring itself a ‘near-Arctic state’, although its northernmost part is still a fair distance away from the Arctic Circle. China pledges to follow international law in dealing with Arctic affairs, in contrast to its policy towards the South China Sea. As a result of global warming, Arctic ice is melting and the surrounding sea widening. This geographic change offers new opportunities to countries to exploit new ways of navigation and mining, including Russia and the US. Does China’s recent intrusion in the Arctic pose a threat to others? What has China done to invest in the region? In what way does China’s northern venture tie in with its BRI? Does China’s interest go beyond economics and science to politics and security? How do other countries, especially the eight member-states of the Arctic Council, respond to China’s activities in their vicinity?

Chapter 7 asks the question: How does China protect its assets along the maritime Silk Road? History has taught us that when a country grows strong and reaches out, it will look for ways to protect its expanding interests, usually by building up its military. Will China prove to be an exception to this rule? This chapter aims to find out the ways in which China goes about protecting its investment overseas. It looks into two major aspects of China’s protective measures: legal means to settle trade and investment disputes; and martial means to provide security protection. In terms of disputes with other countries, China has started to establish its own arbitration system to deal with the increasing number of such disputes. In terms of security risks, some big Chinese SOEs have started to employ private security services to protect their employees and properties. Some of these private security providers are Chinese companies newly set up in the country. At the same time, the Chinese government has begun to organise military assistance to overseas Chinese stranded in conflicts or natural disasters. This would involve the strengthening of China’s maritime and naval capability and the building of port facilities to provide logistical support. In this way, China is not acting unlike other rising powers. What is China’s maritime power? How to assess its growing capability? What is the present state of China’s shipping industry? What are the consequences and implications of China’s maritime rise?

Chapter 8, the concluding chapter, brings together important findings reached in previous chapters and makes sense of the current situation of China’s maritime Silk Road. It addresses two major issues relating to the implementation of the BRI. One is the so-called ‘debt trap’ that critics have accused China of using by extending easy loans to developing countries to
build infrastructure projects with little hope that these countries could service their debt repayment. The other is the major tech advancements that China has made. China plans to continue to invest in IT industries, especially its Made in China 2025 programme. The chapter compares the views expressed by critics and the responses made by China in defence. It assesses the likely developments of this confrontation in the near future. It also assesses whether or not geo-developmentalism can stand the test of time and to what extent.

NOTES

1. ‘US war on Huawei shows China’s belt and road needs a rebrand – and quick,’ South China Morning Post, Hong Kong, Internet ed., 12 May 2019. The Los Angeles Times quoted a figure of more than $440 billion the amount of loans already targeted to development projects across Asia, Africa, Europe and Latin America under the BRI. ‘In China, rebranding a foreign loan initiative to calm fears over geopolitical reach,’ Los Angeles Times, Internet ed., 26 April 2019.

2. ‘BRI gaining more global recognition,’ China Daily, 28 October 2019, p. 12.

3. Ibid.

4. Ibid.

5. A full text can be found at http://www.xinhuanet.com/english/2017-06/20/c_136380414.htm (accessed 1 January 2020).

6. Christine Lagarde, ‘BRI 2.0: stronger frameworks in the new phase of Belt and Road,’ speech delivered at the second Belt and Road Forum, Beijing, 26 April 2019.

7. ‘US war on Huawei shows China’s belt and road needs a rebrand – and quick.’


9. Ibid.

10. ‘China to embed more graft inspectors in foreign projects,’ Financial Times, 19 July 2019, p. 4.


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16. Ibid.

17. For a brief history of its origins and development and the rule it plays, see Gerald Chan, *Understanding China’s new diplomacy: Silk Roads and bullet trains* (Cheltenham, UK and Northampton, MA, USA: Edward Elgar Publishing, 2018), Chapter 5.


19. Ibid.


27. ‘Top 10 container ports around the world, by Cargofive.’


30. ‘Asia leads in container shipping connectivity.’


32. This section has been slightly updated and revised from Chan, *Understanding China’s new diplomacy*, pp. 11–12.