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## **China's Silk Road Economic Belt: Geopolitical Challenges in Central Asia**

*By Zhang Hongzhou and Arthur Guschin*

### **Synopsis**

*The Silk Road Economic Belt (SREB) initiative faces huge geopolitical challenges in Central Asia. How will China respond to reduce the concerns of the Central Asia states as well as Russia?*

### **Commentary**

THE SILK Road Economic Belt (SREB) initiative put forward by Chinese President Xi Jinping during his Central Asia visits in September 2013 is considered as one of the two diplomatic initiatives by the new Chinese leadership, with Central Asia the centrepiece of the Belt.

The success of the SREB will to a large extent depend on how well Central Asian countries and the region's dominant power, Russia, respond to China's initiative. While official statements tend to suggest that all Central Asian countries and Russia are supportive of SREB, a closer look reveals that those parties have serious geopolitical anxieties towards SREB - thus posing the biggest challenge for China.

### **Central Asia: RMB welcome, but not Chinese**

Since the announcement of the SREB by Xi Jinping in September 2013, leaders of all Central Asian countries have publicly expressed support for SREB. The positive response of the Central Asian countries can be easily understood: SREB offers them huge economic opportunities that are desperately needed by all Central Asian economies, particularly against the backdrop of Russian economic recession and the gloomy global economic outlook.

All Central Asian countries are landlocked economies and most are poor developing countries with heavy reliance on the resources sectors. Thus, enhancing economic connectivity and improving infrastructure which are the fundamental objectives of China's SREB, are critical to achieving economic development in Central Asia. With China's introduction of SREB, particularly after the establishment of the US\$40 billion Silk Road Fund, Central Asian countries have been eager to benefit from the Chinese aspiration to link Eurasia and Europe, while trying to earn extra cash from being a 'transit hub'.

While Central Asian leaders welcome China's SREB, they are deeply worried about the geopolitical implications of SREB. Chinese leaders, aware of the sensitivity of the project, have clearly stated that SREB is about enhancing connectivity and promoting mutual economic prosperity and that China will never interfere in the domestic affairs of Central Asian nations, seek a dominant role in regional affairs, or try to create a sphere of influence.

Still political elites and security experts in much of Central Asia are worried that the growing economic presence of China could lead to Chinese dominance or interference in regional affairs. China's growing economic influence in the region could even force the Central Asian countries to hedge against Beijing by moving closer towards the United States or Russia.

### **Russia: Unwilling partner**

On 7 March 2015, China's foreign minister Wang Yi announced that China and Russia would sign an agreement to work on the SREB. Undoubtedly, Sino-Russian relationship has significantly improved in the last couple of years. The notable improvement is, however, not because of enhanced mutual interests or common strategic aspirations, but rather Russia's increasing alienation from the West.

There is no denial that Russia has expressed support for SREB. Yet, Russia's interest in SREB has its geographical limits. While Russia is interested to cooperate with China under the umbrella of SREB to develop its Far East region, it is concerned about China's expanding influence in Central Asia.

Russia's careful attention to Beijing's SREB proposal is based on an assessment of opportunities and risks that the long-term grand project offers. On the one hand, the concept of creating a common transport system - as well as elimination of trade and investment barriers - between China and Russia promise economic benefits for Moscow; comments of Russian officials in 2014 and the plan for transport infrastructure in Russia in the coming decades point to this. In particular, Moscow has already committed 560 billion rubles up to 2018 to modernise and increase traffic capacity of the two most important railway arteries of the Russian Far East – Baikal-Amur (BA) and Trans-Siberian (TS) Mainlines.

The special focus in reconstruction will be on sections at border-crossing points with China and in the direction of ports. BA and TS integration into the Silk Road Economic Belt will lead to additional transit revenue for Russia and boost further development of the depressed Far East territories. Moreover, the continued reverse flow to the East is vital for Moscow in terms of overcoming western sanctions and hard economic conditions. It is no coincidence that Russia is expanding its area of cooperation not only with China but also South and North Korea.

### **Need for China to assuage concerns**

The inclusion of the Russian Far East, which is way behind its European half, especially in transport infrastructure, in the Silk Road Economic Belt can become the economic trigger for Russia. This could also maximise the potential of advanced economic development zones and move it closer to a free trade zone with a much lower tax than the 45% in mainstream Russia.

On the other hand, Russia understands that SREB will inevitably upset the current balance of power not only in Russia-China relations but also in Central Asia. The growing Chinese investment will exacerbate the dependence of the Central Asia states on Beijing. Russia does not want to lose its influence in the former Soviet countries and regularly attempts to block Chinese initiatives that could pose a challenge. For instance, in the past, Russia hindered the establishment of the SCO Development Bank and SCO Free Trade Zone despite both being the initiatives of the Shanghai Cooperation Organisation (SCO).

For years, China has been pushing for railway linkages between China's western borders through Central Asia all the way to the Caspian Sea or Europe. Part of this railway strategy is the 268 km, China-Kyrgyzstan-Uzbekistan line, which was first conceived in 1997. Although this railway could potentially bring benefits to member countries, it is still not built, primarily due to the objections from Russia which has its own regional railway strategy in the Trans Siberian railroad.

Although China might not have any ambitious political agendas behind SREB, geopolitical challenges will no doubt be the biggest hurdle to building SREB in Central Asia. As China is determined to make SREB a success, it will have to make special efforts to reduce the geopolitical concerns of Central Asia and Russia.

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