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China and the New Silk Road

Challenges and Impacts on the Regional and Local Level

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Preface

The economic and political world order is changing also through the New Silk Road! China has created a global development programme, which is the subject of worldwide discussion about advantages and disadvantages, as well as the correct design of framework conditions. The New Silk Road, also known as the Belt and Road Initiative (BRI), builds on the image of the historical Silk Road, which in the ancient world and in the middle ages connected Europe and Asia and at its peak, helped China to flourish. On the 70th anniversary of the People's Republic of China, it has become clear how much the BRI represents a potential for conflict, as well as an occasion for cooperation for the partners involved. The scope of the BRI extends well beyond the much-discussed investments in infrastructure.

Most of the potential conflict is based on the emotions: fear and trust. Trust is essential for stable global trade. The current trade conflict between the USA, China and Europe, combined with Brexit discussion, hampers the necessary trust in global trade and value chains. Currently, China is positioning itself as a global player and outwardly representing the idea of free trade, whereby, domestic political and economic interests, as well as the reinforcement of the Inner and West China are undoubtedly pursued through the BRI. Along with change in the global distribution of roles comes the fear of change, and in this sense, also the fear of China's influence. Indeed, China's search for global integration and responsibility could bear fruit through the BRI's world trade framework and global participation.

What are the reactions of the BRI participating states and the non-participating states? Currently, about two-thirds of the world's population is connected with the BRI by a bilateral "Memorandum of Understanding" (MoU) within its framework. It is often uncertain in which form these MoUs are implemented and which concrete projects are associated with the BRI. Even projects that were started before the official announcement of the BRI have been labelled as BRI by external observers. With regard to transport, the BRI can be described as a successful instrument for the reduction of transport time and transport costs by rail. Although there is still potential for the optimisation of transport costs by rail over Eurasia, experts agree that rail transport volume is limited.

Far greater potential for development is offered by the industrialisation of Central Asian and Eurasian countries. In former times, these countries were important cultural and economic centres of the Silk Road, whereas Central Asia today seems to have degenerated into a space in-between: underrepresented in the European perception and, in the BRI, often only a transit region to enable the fastest possible freight traffic between today's economic centres in West Europe and East Asia. A possible way to integrate these countries better would be the development of economic and industrial zones at important waypoints along the BRI. China seems to extend its influence outside China through the establishment of about 80 industrial parks along the BRI. In often diverging proportions, the question is how individual states can position themselves responsibly within the BRI.

For a long time, Europe has been looking for an appropriate and collaborative answer to the BRI. Indeed, the EU connectivity strategy (Connecting Europe & Asia: The EU Strategy) presented in 2018 should now enable infrastructures, economic partnerships and financing towards the East. Meanwhile, Italy signed a Chinese–Italian MoU or some East European countries have already positioned themselves in the 17+1 format. The European discourse repeatedly addresses the fear of becoming dependent on Chinese investments and of giving Chinese companies too much access to the European market. This happens against the background of unequal framework conditions for investements. In relation to the tendering of participations and megaprojects, from a European point of view, local construction companies are too small to compete against Chinese state companies in terms of a fruitful mix in quality and quantity. In terms of investments, however, Europe is on more equal footing: European investments in the BRI countries have reached the same level as Chinese investments. Possibly due to poor marketing, there is a general lack of awareness of such European investments in the West. However, in terms of financing and tendering, the EU has pursued high standards, while the inadequacy of BRI project standards has been criticised. In this sense, European companies request investment protection contracts, legal certainty and transparent tenders.

China seems to have listened to its critics, as during the 2019 Belt and Road Forum it declared that the BRI should become green, clean and transparent. International standards in the call for tenders and the protection of human rights have been promised. The image that the Chinese government has of its own country is a very positive one. However, a look into China's domestic affairs draws a more difficult picture: China is introducing a so-called social scoring system, the effects of which on further social developments are not yet foreseeable. Furthermore, focal points lie in the geopolitical field of tension between Urumqui and Hong Kong along historical or current transport corridors or sea routes. Minimising its home affairs risks, China is expanding towards South Asia and Eurasia and now also into Africa, South Africa and South America. This raises the question: Why does China invest there and how do these countries benefit?

Each country and each company has the free choice to cooperate, and create awareness of the BRI and the political, economical and social consequences. Currently, dealings with China take place in the area of tension between trust and fear. The world seems to have little trust in China's intentions and doubts China's competence in development cooperation. Then there is the fear of takeovers and of too much entrepreneurial power, the fear of change in the global political and economic structure and the fear that China can now set rules and standards. In all the discussions about China's influence and the weak influence of the "First-World" in the respective countries, the sovereignty of the recipient countries should be respected. The intention to create stronger cooperation in the world community needs to be viewed as positive in these times of protectionism. However, it is important to create transparency and equal conditions between China and the participating states and to connect initiatives such as the EU connectivity strategy with the BRI. Moreover, it would be helpful to reduce fear and to continue the dialogue with China on joint initiatives. Again, the formation of global economic networks and the provision of information on the BRI in the respective countries is relevant.

In the discussions so far, it has become clear that China will not move away from the global ideas of the BRI and that it is highly relevant for us. It is, therefore, necessary to discuss and understand the BRI from different perspectives. This volume aims to create a platform to expand on the topics mentioned and more, and to look at thematic fields such as economy, culture, tourism or ecology from different regional perspectives.

The idea of this volume on the regional impacts of *China and the New Silk Road* was developed following two international conferences that took place in Bolzano–Bozen (May 2018) and Munich (November 2018), organised by the editors of the book.

The first conference was realised by the Center for Advanced Studies of Eurac Research, entitled "China and the New Silk Road: Which consequences on the regional level?" and took place on 31 May 2018 at the NOI Techpark in Bolzano–Bozen, Italy. The Inter-European conference explored what this development might mean for European countries and their regions. In particular, it discussed the potential impact of the BRI on different areas, considering its tourist potential, the role of regional development and the geo-economic impact. The aim of the conference was to discuss the development of the New Silk Road and to highlight the related political, economic and cultural implications for European regions and their stakeholders. It also attempted to determine a position at scientific and political levels within current discussions.

The second conference was organised by the Chair of Tourism/Center for Entrepreneurship at the Catholic University of Eichstaett-Ingolstadt, Germany in cooperation with the Chamber of Commerce and Industries for Munich and Upper Bavaria. It took place in Munich on 23 November 2018, entitled: "Tourism and the New Silk Road—Perspectives for the Tourism Industry". This conference aimed to combine findings from international case studies with local initiatives in order to balance Chinese interests and to find ways to utilise the New Silk Road and the increasing Chinese outbound tourism to develop entrepreneurial activities in Germany. In this way, it contributed to the ongoing discussion of local opportunities and threats by bridging academia and practice through joint panels.

In this book, the reader will find the central lectures of the two conferences in the form of reviewed essays, as well as further contributions by authors who were invited to this book project because of their outstanding expertise.

We wish you a pleasant reading!

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The New Silk Road—An Overview of the Global Project

Preparing the New Silk Road for Regional Development and Exploring a Research Agenda

Greta Erschbamer, Harald Pechlaner, Mirjam Gruber, and Hannes Thees

An Introduction to the Belt and Road Initiative

The Chinese project "Belt and Road Initiative (BRI)" is the largest development programme of its kind worldwide. China is investing heavily in the network of trade routes over land, over sea and in the air. The project highlights China's ambition to intensify collaboration with Europe, Asia, Australia, South America and Africa.

The project itself is known by several names: the "Belt and Road Initiative" and its acronym "BRI"; "One Belt One Road" and its acronym "OBOR", and the translated Chinese name of the initiative "yi dai yi lu". Moreover, the "New Silk Road" is often divided into the "Silk Road Economic Belt", referring to the land route, and the "Maritime Silk Road", which describes the sea route section connecting different countries, from China, through Southeast Asia, the Indian sub-continent, Africa, the Arabian peninsula and Europe. The various routes and countries involved are displayed in Fig. 1.1.

In 2013, the launch of the international project was announced by the Chinese government. The President Xi Jinping introduced both the overland Silk Road Economic Belt and the 21st Century Maritime Silk Road during a visit to Kazakhstan and Indonesia, where he presented his vision of creating a project that stretches from East Asia to Europe by means of outstanding infrastructural development and investment initiatives. The original Silk Road connected Europe to Asia centuries ago, when the Han Dynasty developed trade routes to connect the West with Central Asian countries such as today's Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, as well as India and Pakistan.

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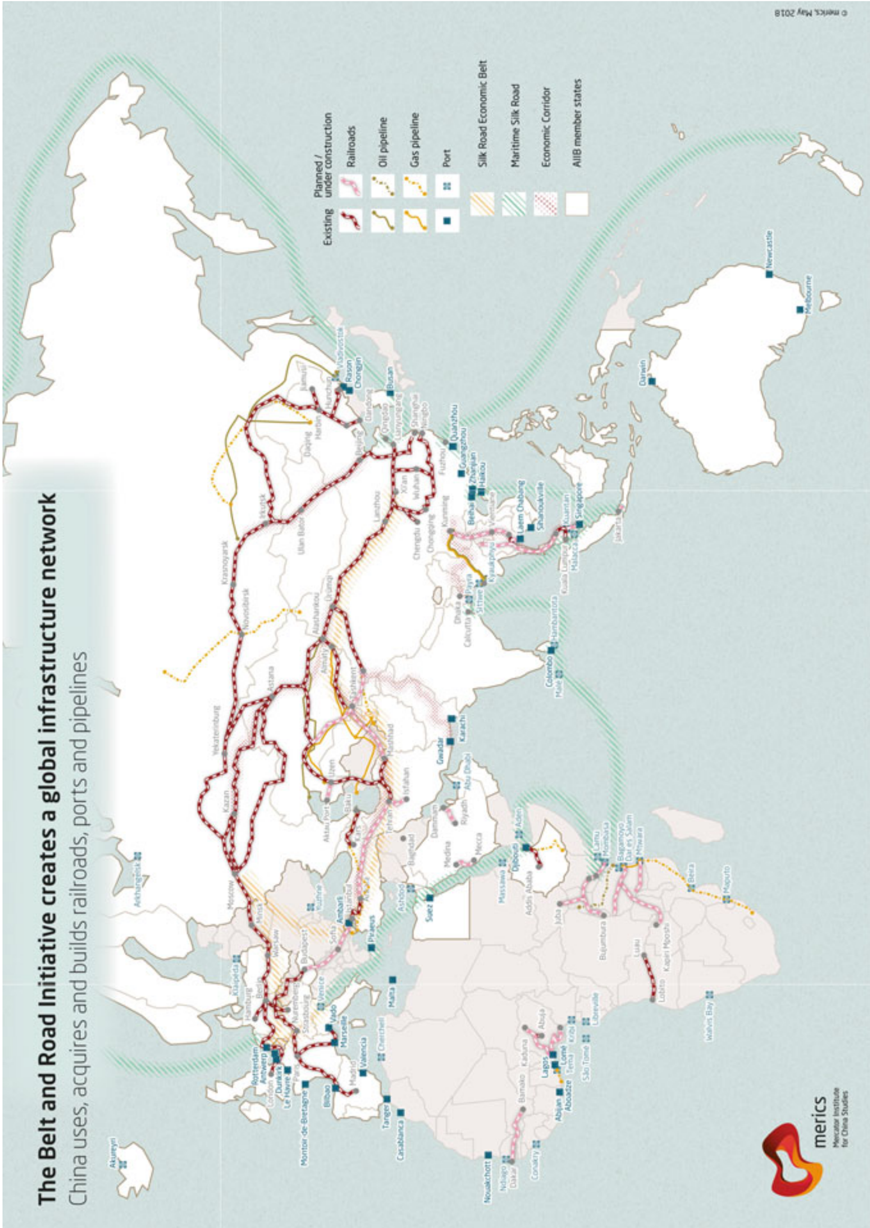

Fig. 1.1 The Belt and Road Initiative creates a global infrastrucutre network (Merics 2018)

According to China's national government, China's goal is to double its 2010 per capita GDP to $10,000 by 2021—the date when the Chinese Communist Party celebrates its 100th anniversary. Moreover, it was announced that the project is planned to be completed by 2049, the 100th anniversary of the Republic of China.

The objective of this chapter is to illustrate the impact of the BRI at the regional level and to identify the different ways it is reported in the media After a short overview of the current state of affairs we give a broader perspective, creating a theoretical frame that includes various approaches to looking at an international project. We end with a brief summary of the aim, structure and content of this publication.

The Global Initiative and Regional Impacts

After the Second Belt and Road Forum for International Cooperation in April 2019, the Chinese Xinhua News Agency initiated the founding of a "Belt and Road Economic Information Partnership" with the goal to implement the tasks discussed at the Forum. Founding members are renowned news agencies, information service providers, research institutions, chambers of commerce and associations from more than 20 countries and regions in Asia, Europe, Africa, Latin America and Oceania ("„Belt and Road "-Partnerschaft für Wirtschaftsinformationen gegründet" 2019). This partnership serves as lights another BRI tool that promotes networking and exchange of information between different actors. Moreover, it serves as a sign that China is not only building infrastructure, but is also using the BRI to raise its profile in various regions.

China's ambitions are portrayed in different ways in the media around the world. On one side are the BRI supporters who see the advantages and possibilities of this project. On the other hand, many critics warn of risks and negative consequences.

China itself promotes the project as a provision for "a realistic opportunity for mutually beneficial and win–win international development and cooperation" (Nan, 2019) especially with industrialised countries. Within this context, the example of Italy, which signed a "Memorandum of Understanding" (MOU) within the framework of the BRI, is often highlighted. Prior to this, 13 other EU states had already signed a MOU with the People's Republic of China (PRC), but Italy is the first member of the G7 and the first founding member of the EU to sign such an agreement. Italy's move was highly discussed in the European media and received a lot of criticism. Peter Frankopan described the Italian action as "largely symbolic" ("Italy joins China's New Silk Road project" 2019).

BRI projects are also often implemented in developing countries and according to the Global Times "China is willing to invest in the least-developed countries, which other countries avoid due to the fear of non-recovery" (Awan 2019). In October 2019, Xi Jinping visited Nepal as the first Chinese President in 23 years. Nepal joined the BRI as early as 2017 and recently the two countries have signed several agreements (among others, on health, agriculture, industry, tourism and infrastructure, including a trans-Himalayan railway line). Due to its geographical location, Nepal is certainly very interesting for China and critics point to a possible geopolitical influence on the neighbouring country. For instance, Nepal is considered a transit country for Tibetans travelling from Tibet to India and vice versa (Sharma and Schultz 2019).

In fact, especially for developing countries, China's infrastructure projects can entail many risks, such as high indebtedness or economic and political dependence on China. According to the British newspaper The Guardian "critics say it is a tool to project geopolitical power, suck up overseas resources and vent the excess capacity of a slowing domestic economy, particularly in the steel, construction and power industries" (Watts 2019). For example, since 2014 the Maldives under President Abdulla Yameen accepted enormous investments from China. Now, after many years of no transparency and corruption, the new Maldivian government fears the "national sellout" (Mundy et al. 2019). The port of Hambantota in Sri Lanka was also expanded under the BRI and due to the inability of the country to pay back the loans, it was forced to lease the port and an industrial area to a Chinese company for 99 years. However, European countries can also fall into the debt trap. For example, the majority shareholding of the Greek port of Piraeus is already in Chinese hands (Crolly 2018).

Countries such as France, Germany and the USA are quite critical of China's initiative. Newspapers speak of power, influence, lack of transparency and unfair competitive conditions (Spalinger 2019). In contrast, there is a certain economic dependence. There is also criticism that many BRI projects use Chinese companies and workers, which in turn is bad for local labour markets. The European Union has discussed the increasing presence of China, especially in the context of the BRI, and formulated ten actions for global cooperation and a more balanced economic relationship with China" (European Commission 2019). In these points, sustainable development and environmental protection are discussed implicitly and explicitly and are regarded by the EU as essential in the cooperation with China.

Sustainability is a major issue in the debate on the "Silk Road" for other organisations and institutions too. The International Monetary Fund has already drawn China's attention to the environmental compatibility and sustainability of BRI projects (Partington 2019). Sustainability is a broad term that should include society and the financial aspect, for example debt, along with environmental protection. The BRI policy documents speak a lot about renewable energy projects and cooperating in this field with countries in Africa and the Arctic region, but de facto China invests in more coal-fired projects than in renewable power plants. However, due to several huge domestic hydropower production projects, China's investments seem to be higher in renewable energies (Eder and Mardell 2019). The PRC wants to cut domestic emissions and is transitioning to clean energy sources, thus, it is transferring its domestic coal fired power companies to other countries (Eder and Mardell 2019).

Insights from the Academic Discussion on China's BRI

To date, the so called New Silk Road has been widely studied by scientists from different disciplines (e.g. Islam 2019; Deepak 2018; Kasimov and Kotlyakov 2017; Mayer 2018). The following paragraphs should give an overview of the most recent research available.

First, ecology and sustainable development issues are quite salient in the literature. For instance, Evseev et al. (2019) claim that the preservation of traditional nature areas for the use of indigenous populations is essential for local ecological and social stability in the Arctic. In their view, New Silk Road projects may be a chance to restore sustainable development on a regional level by restoring the ecosystem. Kuang and Ou (2019, p. 84) also emphasise the importance of the Arctic area of the BRI, which, they state, "promotes peace, stability and the sustainable development of the region". However, to protect vulnerable environments in BRI countries, Li et al. (2015) suggest more scientific research, international collaboration and education as steps to build a more sustainable New Silk Road.

Second, scholars discuss the complexity of the project with the objective of identifying the benefits and risks in various fields (Belova et al. 2019). Some researchers (e.g. Zhang and Ji 2019; Wang and Ye 2019) present a positive view of the implications of the Belt and Road strategy. Conversely, Peyrouse and Raballand (2015) argue that the BRI promotes infrastructure projects in many countries of Central Asia without tackling obvious barriers to trade, such as production patterns, widespread corruption, and poor management practices at borders. Others address the BRI and its related impacts on political or economic issues from the perspective of individual countries (Choroś-Mrozowska 2019; Kokushkina and Soloshcheva 2019). Especially vulnerable regions such as the Xinjiang Uyghur Autonomous Region (XUAR), where about eight million Uyghurs live, have become the focus point of many studies. The XUAR has become an important element of the BRI due to its geographical location. According to Hayes (2019, p. 1), Chinese repression there, which goes hand in hand with serious human rights violations, "demonstrates Beijing's acute anxiety over opening this region up to external influences, particularly from Central Asian and Middle Eastern SREB [Silk Road Economic Belt] states". Scholars express doubts about mutual benefits for European countries too. According to Holslag (2017), while China's markets grow enormously, European member states have already lost market shares. Furthermore, Sárvári and Szeidovitz (2016) categorise the New Silk Road as a tool of Chinese foreign policy that aims to contribute to the establishment of a new multipolar world order.

Lastly, logistics and supply chains are of great interest. In an exploratory analysis of the drivers and processes of the BRI in relation to local service industry development in Georgia, Pechlaner et al. (2019) underline the need for a national strategy and transnational governance system in order to counterbalance a possible dependency on China's financial investments. Moreover, Thürer et al. (2019) refer to new risks and sustainability issues that are introduced to areas where China creates new supply chain routes within the BRI.

Research on the implications for cultural and social aspects, such as the study on higher education and how China is developing its higher education system to cooperate academically along the New Silk Road with new partners and to attract talent, are quite rare (Kirby and Van der Wende 2018). Technological aspects (Fung et al. 2018; Vila Seoane 2019) are also rarely discussed.

In sum, the areas of interest and studies described are only a few recent examples to give an idea of the academic discussion in different disciplines. The following section gives a broad overview of conceptual and theoretical approaches in the literature and proposes a framework that could help researchers apply an inter- and transdisciplinary approach to their analysis.

Finding a Theoretical Framework

This section explores the conceptual roots of research on the BRI, related to guiding questions and different perspectives. First, the BRI has the potential to accelerate economic development ("The Belt and Road Initiative Progress, Contributions and Prospects" 2019) which should lead to an increased availability and distribution of basic life-sustaining goods, a raised standard of living and an expansion of the range of economic and social choices (see UN SDG, Todaro and Smith 2015, p. 24). Such economic development can be regarded as a multidimensional process, which involves not only the economic system, but also the entire social system. This requires a multi-disciplinary view of the BRI, which is not limited to infrastructure and economic discussions. Against this background, Fig. 1.2 provides a framework of selected theoretical and conceptual approaches by different disciplines in social science on the New Silk Road. It serves as an orientation in discussing several concepts within the BRI, for example in business economics, the availability and distribution of financial instruments for infrastructure projects or the implementation of transport services within the transport geography. By recognising the limitations of each discipline and hybrid forms in multi-disciplinary research, this framework can only serve as a broad framework rather than being complete in itself. Beyond social science, the BRI is also highly relevant in terms of technical disciplines that are responsible for implementing BRI projects, such as engineering and the construction industry or energy supply.

Second, the theoretical approaches presented and their application within the BRI framework can be summarised by some guiding questions:

1. How can the projects of the BRI be put into practice and what economic opportunities and challenges need to be recognised?
2. Under what circumstances and conditions is the BRI a feasible tool for regional development? How is the transport system of the BRI distributed and how will it influence the mobility of information, peoples and goods?
3. How do states and state communities react to the BRI and what are the geopolitical profiles of attending and non-attending countries?
4. What actions do states undertake to promote development based on the BRI in domestic or international relations—or what alternatives do exist?

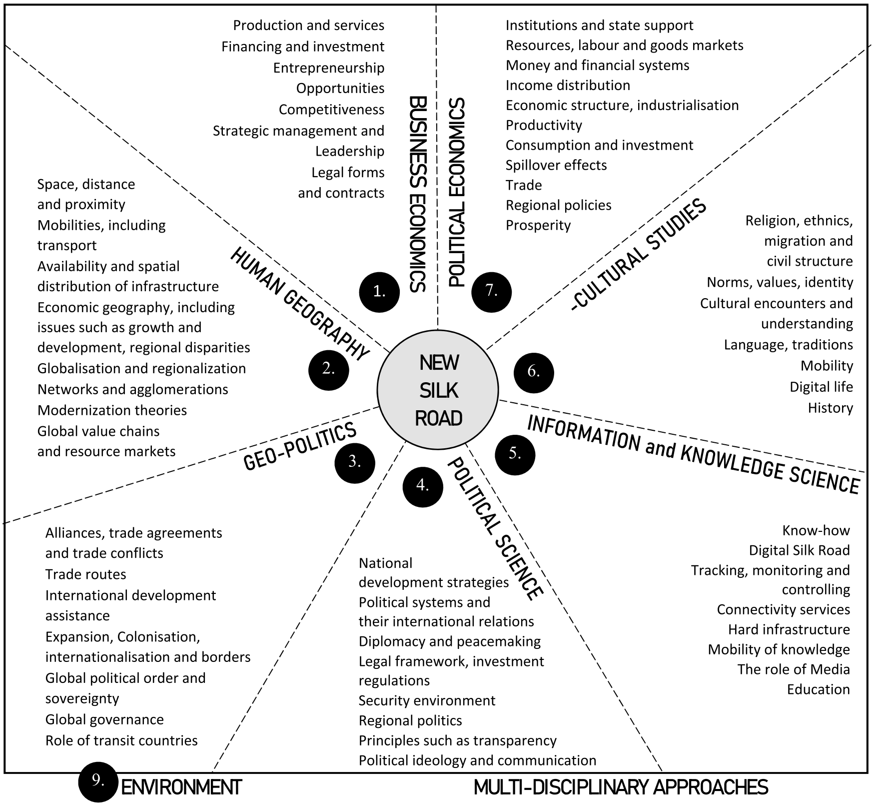

Fig. 1.2 Selection of conceptual and theoretical approaches to the New Silk Road (own elaboration)

5. What level of know-how is needed in order to achieve a better connectivity in terms of infrastructure, communication and digital services?
6. In what way will societies be affected by the BRI and what are its possible disruptive or supportive factors?
7. How will the BRI change national and international economic structures?
8. How can it be secured that the BRI follows a green development?

Third, because of the multi-dimensional nature and specialties of the BRI it is necessary to consider and understand it from different perspectives (Fig. 1.3). In a temporal perspective, research and discussions on the Silk Road can be rooted in a historical context, but also in recent history and future prospects. For research purposes, it can be also fruitful to transfer research results from studies on pre-BRI cases, such as TRACEA or historical studies on the current Belt and Road activities. Furthermore, it is crucial that the current discussions on infrastructure issues are widened to include political and social perspectives. By means of a geographical scale, the BRI influences numerous levels that need to be analysed in their entirety and interaction. Moreover, reflected discussion needs to address the questions of who

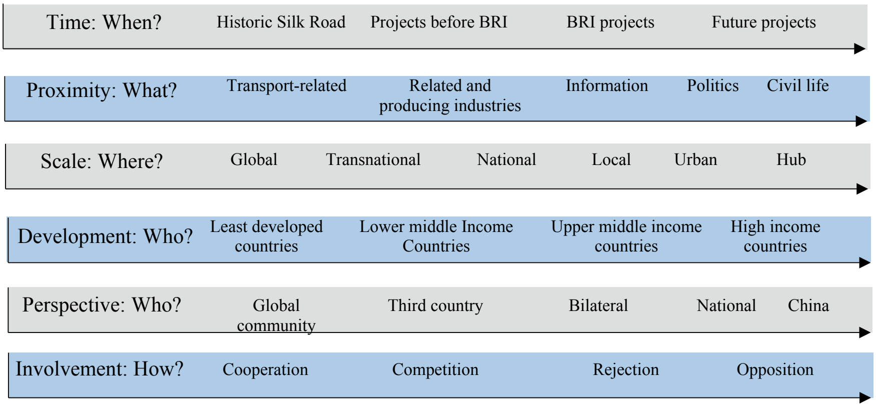

Fig. 1.3 Perspectives on the BRI (own elaboration)

is discussing what about which country with which status of development. While the BRI has led to numerous cooperation agreements on different scales, it also faces competition on projects, rejection or even opposition.

This selection of perspectives can be combined with the selection of theoretical approaches in order to discuss the causes and relations of the BRI within a more holistic framework. Nevertheless, the BRI is also embedded in global challenges and influenced by a broad set of conditions.

The Aims of This Book Project

The main objective of this edited volume is to discuss regional consequences of the Chinese project. The book addresses the global phenomenon based on theoretical models and concepts as well as on empirical investigations and case studies. Possible consequences and implications of the New Silk Road will be identified for different regions alongside possible challenges and benefits.

When ideating and structuring the edited book, the following questions were set to be answered:

- What does this development mean for countries and their regions along the Silk Road?
- What aspects have to be considered in regard to this project, especially for politics and the economy? What are the economic prospects and opportunities of this cooperation and connectivity?
- What are the challenges and risks that arise from the New Silk Road initiative?

Within this book, experts from different disciplines such as geography, economics, political science, history, tourism, and environmental science use case studies and analysis to show the effects of BRI at a regional level and discuss current challenges and possible future developments.

Against this background, the book has been divided in four parts. The first part concentrates on how a global project launched by just one country—China—can influence local and regional political, economic and cultural structures in different parts of the world. The discussion is intended to highlight the research and action needs of the Chinese project and explain OBOR's contemporary history and background. Concretely, Peter Frankopan investigates the challenges faced by the BRI in China and elsewhere by outlining the relevance of looking into the origins, context and nature of the BRI. Dominic Sachsenmaier provides insight into China's future global role in relation to the BRI by presenting its domestic and international challenges—apparently very similar to those faced by Western countries. The fact that China's government is uniquely in command domestically and internationally is questioned. Roland Benedikter and Verena Nowotny discuss various pros and cons of the New Silk Road and through reviewing many current actions and projects that fall within the scope of the BRI, they try to understand and explain the Chinese logic.

The second part of the book explores the global phenomenon from different regional views, which are very diverse in their cultural, political, economic, religious and demographic characteristics. This diversity is the reason why the perspectives and consequently the expectations and doubts regarding the New Silk Road differ. In this section, different perspectives will be presented in order to illustrate the complexity of the project. The first four chapters focus on regional issues. Stephan Barisitz addresses the risks and opportunities for the European region within the BRI framework with respect to exposition to debt distress and a danger of fuelling corruption as well as the opportunity for south-eastern countries to capitalize their peripheral position in Europe. Moreover, Maksim Vilisov reflects on the implementation of the BRI in Eurasian countries with opposing interests by analysing the challenges faced by authorities at national and regional level. In his contribution, Matthias Schmidt addresses the hopes and fears raised by the BRI in Central Asia and investigates new dimensions of external influences. Anna Scuttari outlines theoretical concepts coming from the mobility theories in regard to the BRI and sets a research agenda. The following chapter of Matteo Bressan provides insight into the impact of the New Silk Road on the Mediterranean and Italy—the only G7 country to sign a memorandum of understanding on cooperation within the BRI framework.

The third part of the book presents different viewpoints on the political, socio-economic, cultural and ecological implications of the New Silk Road project. Consequences and opportunities for cooperation and the impact of digitisation on the BRI will be discussed, with particular attention paid to its ecological implications. The paradigm of sustainable development has become an important goal in the twenty-first century, especially in Western societies. The aim is to treat the economy, society and ecology equally and thereby promote a development that serves the needs of the present generation without compromising the ability of future generations to meet their needs. The extent to which the New Silk Road plays a role within this context shall also be illustrated in this chapter.

The next three chapters focus on the environmental and political impacts of the BRI. Fernando Ascensão outlines the infrastructure development in Africa within the BRI as a threat to biodiversity and the economy while simultaneously being a great opportunity for broadening education to a greater population and increasing food production. Run Wang and Run Liu analyse the role of China in water issues, especially related to international rivers, underscoring the relevance of an active and cooperative leadership for China in resolving disputes. Furthermore, Sebastian Purwins provides insight into the specific case of Ghana within the Bauxite for Infrastructure Deal and related ecological and economic risks. Kerry Brown and Anna Burjanadze reflect on China's push for digitalisation, discussing the reasons behind it and the compatibility between a digitally undeveloped Europe and a digitally developed China. A cultural perspective is addressed by Ma Li, with respect to the role of music and music making as a means for intercultural cooperation and cultural exchange. This is followed by a chapter by Wei Manske-Wang, who gives advice to German SMEs on how to understand and participate in a changing global economy scenario and within the BRI framework, which sees China as a global leader.

The final section highlights the tourism perspectives of the Silk Road project, as tourism has established itself as an important economic sector in many regions along the historic Silk Road. Tourism has the potential to promote regional development and can contribute to the prosperity of a region. Therefore, this part of the book deals with the historical but above all with the New Silk Road in relation to tourism development. Alla Peresolova reflects on the history and recent developments of the Silk Road tourism concept, arguing that there is a need for reliable research and data on this subject. The subsequent paper by Hannes Thees and Arne Schuhbert discusses factors of cross border tourism in the Southern Caucasus. Shiheng Zeng, Qiuju Luo, Xiangru Qin, and Xiaoqing Li address aspects of the growth of Chinese outbound tourism, such as behaviour and preferences. The potential spill over effects of the BRI on the tourism market in Australia are then addressed by Xiumei Guo, Michael Volgger, Songshan Huang and Li Xu with respect to the geographical proximity of Australia to southeast Asian BRI countries. In their contribution, Jana Kučerová, Tomáš Gajdošík, and Andrea Orelová address the relations between Slovakia and China on tourism benefits and risks after sanctions against Russia and within the "16+1" initiative framework.

The New Silk Road—A Strategic Leadership Perspective?

Strategy means, for example, to adapt Moltke's further advancement of the originally leading idea accordingly to the constantly changing conditions (Moltke 1890). The Silk Road can be a case study showing the basic features of strategic thinking and acting. The guiding idea of the Belt and Road Initiative has to do with the claim to leadership, the desire to show global presence, to increase influence at the global level, to expand the scope of validity, or to internationalize the sphere of interest. The central element of a strategy is the preservation of freedom of action and the creation of space for autonomous, regional and international development strategies. This can go hand in hand with the creation of technological standards in a large number of sectors and industries. Ideally, one of the central tasks of the major political contexts of the

USA or Europe, in the sense of global responsibility, is to enable similar leadership and strategic competence within the framework of democratic-political, economic, social and military perspectives. Furthermore, leadership consists of dealing with contradictory times and the New Silk Road offers enough opportunities to deal with them strategically.

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The Origins, Context and Nature of the Belt and Road Initiative

Peter Frankopan

In July 2019, Ethiopian Airlines announced the opening of a new route linking the country's capital, Addis Ababa, with Chongqing in south west China. This was not in itself unusual: airlines frequently add, replace and remove routes to reflect changing demand. What was striking about the announcement, however, was that it was connected directly with China's Belt and Road Initiative (BRI). The addition of a new weekly route, that will use Ethiopia not only as a gateway to other countries in Africa but with South America too was explicitly linked to the BRI in press releases that went out to all major trade publications (Ledda 2019).

The news about route did not come as a surprise to those who follow the aviation closely, for the Chief Executive of Ethiopian Airlines, Tewolde Gebremariam, had been talking for some months about his desire 'to sign co-operation agreements with Chongqing and Zhengzhou airports to start cargo flights between Ethiopia and China.' His aim was not only to make Ethiopia into 'a hub of Chinese aviation in Africa,' but also to boost Ethiopia's 'own economic development program, [which is] aiming to emulate China's unprecedented economic development over the last several decades.' This would be possible, he said, thanks to the BRI, which 'is expected to boost trade, investment, tourism relations between China and Africa' (Xinhua 2019).

The reference to the Belt and Road Initiative also came as no surprise to those who follow the BRI or China either. In recent years, the BRI has become ubiquitous, not only in China itself where conferences, exhibitions and concerts celebrate the Silk Roads of the past, present and future, or even in Asia—where the ancient Silk Roads, of the exchanges of expensive goods and commodities, of famous travellers, scholars and warriors has an obvious resonance—but in Africa, in South America and even beyond. The Belt and Road Initiative seems to be everywhere, appearing on branding for banks and clothes, on projects investigating oral hygiene, climate change, shipping lanes through the Arctic—and new cargo routes to Ethiopia.

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The scale and ambition of the BRI evolved quickly after the program was announced by Xi Jinping in Astana in September 2013. On that occasion, Xi talked about the benefits of closer co-operation across Asia. Throughout the millennia, Xi said, 'the people of various countries along the ancient Silk Road have jointly written a chapter of friendship that has been passed on to this very day.' The history of the Silk Roads proved that peoples of 'different races, beliefs and cultural backgrounds are fully capable of sharing peace and development'. The time had come, he went on, 'to forge closer economic ties, deepen cooperation and expand development space in the Eurasian region', and to build an 'economic belt along the Silk Road' (Ministry of Foreign Affairs of the People's Republic of China 2013).

Xi's announcement had been carefully thought through, as is clear from the fact that minutes of the Central Committee of the Communist Party in November 2013 recorded that 'we will set up development-oriented financial institution, accelerate the construction of infrastructure connecting China with neighbouring countries and regions, and works hard to build a Silk Road Economic Belt and a Maritime Silk Road to form a new pattern of all-round opportunities' (China.org.cn 2014).

Initially known in English as the 'One Belt, One Road' policy, the name 'Belt and Road Initiative' was later adopted formally replaced and is now used in all official references (Bērzina-Čerenkova 2016). The centrality to Chinese thinking is such that at the 19th National Congress in 2017, the BRI was formally incorporated into the constitution of the Chinese Communist Party, which resolved to adopt 'the principle of achieving shared growth through discussion and collaboration, and pursuing the Belt and Road Initiative' (Xinhua 2017a).

The significance is also clear from the language used to frame its objectives. The BRI, said President Xi at the first Belt and Road forum in Beijing in 2017, could change the world. 'Exchange will replace estrangement, mutual learning will replace clashes, and coexistence will replace a sense of superiority.' The initiative would 'boost mutual understanding, mutual respect and mutual trust among different countries.' It would 'add splendour to human civilisation' and create 'a new era of harmony and trade' (Xinhua 2017b).

The 'blueprint' to support 'cooperation to enhance policy, infrastructure, trade, financial and people-to-people connectivity' had been successfully designed, said the president two years later at the 2nd Belt and Road Forum in April 2019; it would play a vital role, he continued, in promoting 'high-quality economic development, meet the people's desire for a better life, and contribute to world peace, stability and development' (Ministry of Foreign Affairs of the People's Republic of China 2019).

The rhetoric of the Belt and Road Initiative centres on issues concerned with connectivity. Inevitably, therefore, commentators often focus closely on new transportation links—including air route, but also on trains that now run from the cities all over China to all parts of Asia, as well as from the Pacific coast of China to the heart of Europe. The media coverage generated by the arrival of the first containers to arrive by rail from China at the Eurohub terminal in east London in the spring of 2017 is typical of the attention paid to the creation and expansion of new train connections that bring all corners of the world together (Josephs 2017).

Although the statistics suggest very heavy usage of the new rail links, with more than 14,000 recorded trips overland from China to Europe by the spring of 2019, the train routes are more symbolically striking than anything else (Belt and Road Portal 2019a). Trains typically pull a few dozen containers—with the first the Yiwu-London shipment pulling forty-four units. This pales into insignificance in real terms when compared with the largest ships, some of which are capable of carrying tens of thousands of containers at a time.

Just as train lines are a highly symbolic and important part of the Belt and Road Initiative, so too are similar programs of road building, and investments into air transportation. But a great deal else falls under the umbrella of the BRI. Projects investing in deep water ports, energy plants, pipelines, and in the exploitation of mineral resources and fossil fuels are all part of a wide portfolio that are formally branded as 'Belt and Road' investments.

It can be tempting to see the BRI as a single entity, and to assess and analyse the policy through the lens of a fully joined-up, centrally directed master-plan. The ubiquity of the BRI label, the large-scale conferences and forums that highlight the progress and opportunities on offer and the regular pronouncements from Beijing about the benefits of what is invariably referred to as 'win–win' co-operation between China and other states can create an impression of coherence that is not justified.

It is certainly the case that there strategic areas that are of specific interest to China, including locations of strategic sensitivity, as well as facilities and infrastructure that support China's current and projected future needs. However, in many cases, the most logical approach is to consider projects on a one-by-one basis, rather than trying to see how they fit into a notional and assumed blueprint whose aim is to expand China's political and economic clout.

This, after all, is the default position of understanding the BRI in some parts of the world—not least India, where the push-back has been substantial: indeed, Delhi refused to send delegations to the two major Belt and Road events held in Beijing in 2017 and 2019 (Kamdar 2019). Suspicion that the BRI masks hidden political, economic and territorial ambitions is a theme that runs through India and indeed many other countries too—including some of the 123 nations that have signed co-operation documents with Beijing and become formally involved in the Belt and Road Initiative (Belt and Road Portal 2019b).

Nowhere is concern more acute and criticism more sharp than in the United States. In testimony to the US Senate in 2017, then Secretary of Defence Jim Mattis pointedly mocked the BRI and its grandiose claims about improving the world: 'In a globalised world', he noted, 'there are many belts and roads, and no one nation should put itself in a position of dictating 'one belt, one road' (US Senate, Committee on Armed Services 2017). He was more emphatic a few months later when he criticised China for 'demanding other nations become tribute states, kowtowing to Beijing; espousing One Belt, One Road, when this diverse world has many belts and roads … and attempting to replicate on the international stage their authoritarian domestic model' (Department of Defense 2018).

Such views are part of a much wider concern in the US about China as a strategic competitor across multiple horizons. As such, interpretation of the BRI rests on being able to correctly interpret and understand the nature, purpose and implications of the strategy—and makes it all the more important for scholars to help in this process. Since the start of the presidency of Donald Trump, for example, not only has there been a ramping up of direct action against China in the form of trade tariffs, but also a targeting of Chinese technology firms like Huawei, which both reflect the multilateral threat that China is seen to pose. The depth of the fears across the political spectrum in the US are profound. One leading congressman has declared that China 'is more of a threat than the Soviet Union was', while another has claimed that China 'explicitly seeks the destruction of the United States' (Glancy 2019).

It has become normal to read of the outbreak of a new Cold War, this time pitting Washington against Beijing—and indeed, some military strategists have taken to preparing models as to what the consequences of a conventional war between the US and China might be and to base a series of recommendations accordingly (Gompert et al. 2016). Such heightened levels of anxiety have obvious knock-on effects when it comes to looking at the BRI: ironically, the more conferences, projects and press releases eulogise the policy, the more shrill the way it is perceived and interpreted elsewhere. Exaggerated claims about what the BRI is—or is not—are not just unhelpful, in other words; they can even be reckless and dangerous.

Part of the problem stems from the fact that the announcement of the BRI to such fanfare has coincided with China's economic rise. Major political and economic reforms in the early 1990s, led to a transformation of China into a nascent superpower. Apart from the fact that the last three decades have delivered the fastest and largest period of urbanisation in human history, China has grown at an extraordinary rate, lifting hundreds of millions of people out of poverty. Amongst other things, this has resulted in a need—and the awareness of the need—to spend time learning about and finding ways to engage with neighbours, near-neighbours and others beyond for a wide variety of reasons, some benign, others less so (Frankopan 2018).

In this framework, looking to the past for inspiration and for models that could be replicated, emulated or learned from was not exactly unexpected. In China, as across much of Asia and certainly in Europe, the name of the Silk Roads has long held an almost mythical resonance conjuring up ideas about trade of expensive goods, camel caravans, long distance trade and exoticism. Although only coined by German geographer Ferdinand von Richthofen in the late nineteenth century, the name struck a chord almost immediately as a convenient way to describe commercial, cultural and religious exchange across Asia in the past.

Like all terms that simplify, it is not hard to argue that 'Silk Roads' can reasonably be said to pose as many problems as it solves—raising questions about methodology, about the focus on elite goods, of over-emphasising high level and long distance connections while down-playing the local, the intensive and the mundane. Nevertheless, part of the beauty of the term, and its resultant popularity, lies precisely in its elasticity, its ambiguity and the fact that it is a convenient catch-all on the one hand, but also can be broken down too where, how and as needed.

But from the Chinese perspective, the idea of re-galvanising the Silk Roads is neither new nor a product of the country's recent history. In the third quarter of the twentieth century, Prime Minister Zhou Enlai talked enthusiastically about the Silk

Roads and how it was worth discussing how to re-open ‘an ancient trade route … lost to modern times, not only for trade but for strategic purposes as well’ (Khalid 2009).

Other senior figures likewise recommended looking outside the country for opportunities that could benefit China in the future. For example, in 2000, the Ninth National People’s Congress formally adopted a policy of ‘going out’ (*zouchuqu zhanlue*) as part of the adoption of the National Economy and Social Development Five- Year Plan (Frankopan 2018). Despite the lofty aims of these precedents, however, the scale of the BRI is clearly of a different magnitude altogether, both in terms of funds committed, projects that have been funded and visibility (Brakman et al. 2019).

There have been several high profile cases that have proved not only controversial but concerning from the point of view of trying to make sense of the aims and ambitions of the policy. Well-publicised examples include the port at Hambantota in Sri Lanka which resulted in a 99 year lease of the facility to Chinese interests, problems with a thermal power plant in Bishkek, Kyrgyzstan and heavy revision of a slew of projects in Malaysia following concerns about the high-level of expenditure that had little chance of being repaid.

Many commentators have noted the heavy levels of debt that have been incurred by individual projects, arguing that funding for projects that are unsustainable is not just a product of the policy but that default is one of the core aims of the BRI. The US has warned repeatedly about the dangers of engaging with Beijing, casting its own methods, as then Secretary of State Rex Tillerson put it, as standing ‘in direct contrast to China’s approach, which encourages dependency using opaque contracts, predatory loan practices, and corrupt deals that mire nations in debt’ (US Department of State 2018).

Some of these criticisms have hit a mark, and more significantly to debt write-offs and to attempts to improve lending practices. ‘Every policy has its flaws’, noted one commentary carried by state media on the eve of the 2nd Belt and Road Forum in Beijing in April 2019. The BRI, it went on, has been ‘mired in controversies since its launch in 2013.’ Important lessons had been learned, however, and in the future, investments would be better thought through, less risky and less problematic (Jianxi 2019).

It can be dangerous to over-simplify the BRI and to see patterns and themes that are illusory when looked at closely. Equally, however, it is important to understand and recognise that the BRI is constantly evolving—both in terms of how it is being framed, rationalised and developed in Beijing, but also in how it is being implemented, understood and received in other states—as well as in China itself.

And as China-watchers know, there are difficulties too in making assumptions about what the BRI means at a time when the transition of the economy from manufacturing to services, damaging trade wars with Washington and a global economic slowdown mean that the opportunities provided by the Silk Roads are not the same as perhaps they were when Xi made his speech in Astana in 2013.

When it comes to the BRI, what happens in the years ahead is not so much hard to predict as fruitless: the variables in global geopolitics are so great as to make speculation little more than guesswork. What is clear, however, is that we are living through the world in age of transition and profound change. And in that context, understanding Origins, Context and Nature of the Belt and Road Initiative seem to be not only important but essential.

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The Belt and Road Initiative: Challenges for China

Dominic Sachsenmaier

A Radically Different China?

The West has long watched China closely, and that is particularly true as it tries to build a new network of trade relations and infrastructure. China's new global projects raise concerns that are growing stronger in the West as well as in some other parts of the world. To be sure, apprehensions about China's rise are not entirely new; what is new is that many Western governments are now taking a strong stance in hopes of containing China's growing global influence. The Trump administration's tough approaches to Sino-American trade relations are one of the very few major international policy fields where Democrats and Republicans agree (Lai 2019), and there is also harmony with (and among) many European policy-makers. In a 2019 declaration, the European Commission and the High Representative referred to China as a "systemic rival" (Blockmans and Hu 2019). Likewise, quite a few national strategy papers in Europe now openly prefer containment over engagement as the main framework for future interactions with China.

When it comes to China, an increasing number of Western policy-makers no longer believe in win–win situations; they assume instead that China's gain necessarily means a loss elsewhere. This shift in attitude has been triggered by a variety of developments. First, the Chinese Communist Party's increasingly repressive measures against domestic groups ranging from Uighur Muslims to social media users have incited widespread criticism. Second, there is mounting disapproval that many Chinese economic policies are driven more by national interests than by a commitment to the promotion of international trade. Third, the Belt and Road Initiative incites a combination of nervousness and trepidation, with some concerned about the global standing of the West and others worried that the Belt and Road Initiative might disturb European unity (Roussi 2019).

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The debates about China's future global impact typically focus on the implications of the country's rise for specific world regions or international order at large. This means that the question of whether China will actually be able to achieve all its Belt and Road Initiative plans is often marginalised. Indeed, its success is usually assumed, and quite a few influential figures believe that as an authoritarian system, the Chinese government is uniquely in command, domestically and internationally. Relatedly, the contrast between China and Western countries is imagined as vast—with the United States and European countries assumed to be exceptionally suffering from globalisation-induced social fragmentation and political divides. According to the same set of ideas, these problems make it impossible for many Western political systems to respond adequately to the challenges of globalisation.

But is China's position really so different? Is its ruling party, state, economy and society such a well-orchestrated system that it can shape globalisation without being deeply affected by it? A closer look reveals that China's domestic problems are similar to the challenges many Western governments are dealing with. Even more than that; China's problems are of the same magnitude. This simple fact no longer looks particularly surprising if we stop thinking of China merely as a systemic other. While the People's Republic of China's (PRC) political system clearly stands apart from the rest of the G20 world, we ought not exaggerate the distinct character of its economic system. While aspects of the Chinese economy, largely its financial sector, differ from other leading economies, China's current economy is tightly entwined with a globalising market and financial sector shaped by neoliberal principles (Mühlhahn 2019).

In other words, over the past forty years, not only has China become an important part of the global economy, but the global economy has become an important part of China. The close connections between the PRC and the global economy have left such a deep imprint on many facets of Chinese society that there is no longer a stark contrast with daily life in other developed countries. This is particularly true for Chinese urban life, which has become a majority phenomenon almost overnight. The proportion of urban dwellers in China has grown from about 18% of the total population in 1980 to more than 58% in 2018 (Guan et al. 2018). In China's rapidly growing cities (but also in the countryside), consumerism has profoundly altered life—not only for China's 400 Mio.-strong middle class, but also for the many people living below the means of the moderately affluent citizen. There is now the usual choice of international malls, stores and restaurants, with all kinds of subcultures visibly claiming their space. The mushrooming of jazz clubs, yoga schools, business associations, private schools and international bars is a visible sign of this trend.

Yet the marketisation of the Chinese economy has not only reduced the lifestyle gap between China's new middle classes and their peer groups in the West, it has also dramatically opened up growing wealth gaps inside China, just as the spread of neoliberal economic order did in many Western countries, including the United States, France and Italy. In China, this process occurred faster than almost anywhere else in the world: in the 1970s, the People's Republic was among the most egalitarian societies on the planet, and now the disparities between the richest and poorest layers of Chinese society are larger than in most of the developed world (Jain-Chandra et al. 2018). But it is not only the newly underprivileged classes that feel the pressure inherent in China's new socioeconomic model. The new middle classes are also experiencing mounting competition, growing financial insecurity and an increasing income disparity. Exploding real estate prices, the rising cost of education and growing job insecurities are also putting the newly prosperous under financial stress (Sachsenmaier 2018).

There are parallels between China's socioeconomic challenges and the situation in many Western societies. These similarities are even more striking when we consider that in both parts of the world socioeconomic insecurities have bred a high degree of dissatisfaction with the political sector, albeit without generating a truly revolutionary climate. Many people no longer trust established politicians to fully represent their interests or consider them capable of tackling their problems. In China, this political legitimacy crisis is aggravated by the fact that the Chinese Communist Party (CCP) and its sociopolitical networks find the new urban milieus much harder to reach. The CCP's origins are closely tied to the mobilisation of the peasantry, and the party's stronghold is still the countryside. Yet the countryside's demographic weight and political significance are dwindling.

Certainly, one ought not exaggerate the parallels between the political situations in Western countries and China. The People's Republic doesn't have a fully independent legal sector, and it remains a one-party system. While political instability in many Western democracies has manifested in the decline of established parties and the rise of—often populist—political newcomers, the Chinese government has seemingly headed into the opposite direction, trying to fortify its monopoly on power and information. Among other measures, the CCP has stepped up media censorship, shrunk the open space on the internet and in social media, and has limited public criticism from academic, intellectual and artistic circles. It has created a societal climate in which people are cautious about articulating dissenting views.

These developments are deeply troubling, but do they mean that the Chinese government is uniquely in charge and the country is free from systemic tensions? No. In fact, the Chinese leadership is squeezed between two different sets of expectations; from the side of the people in general and the urban population in particular. On one hand, there are strong demands for the government to mitigate the social, environmental and other costs of an industrialising economy. On the other, large parts of the Chinese population want to ensure that the promises of the market economy—good career opportunities, upward social mobility and financial wellbeing—are within reach for their families. We can see similar tensions in many countries around the globe, including the Western World.

Challenges for China

For the Chinese government, the current situation boils down to a simple fact: it is under great pressure to ensure continued economic growth if it wants to meet public expectations; high growth rates are also a precondition for the CCP's international ambitions. After all, the country can hardly embark on a path to global leadership if its current economic conditions merely stay the same. True, in absolute numbers the Chinese economy has the second largest GDP in the world, second only to the United States. But if we consider China's GDP per capita, we find it merely in the global midfield—depending on the ranking system, somewhere in the vicinity of Brazil, Kazakhstan or Bulgaria.

Even if the Chinese leadership wanted to return to a far-reaching control of daily life that would be approaching conditions in North Korea, it would not be possible. For the significant future, China can only hope to continue its climb up the economic ladder if its system remains closely connected with the rest of the world, particularly the other economic core regions. It would be self-defeating for any Chinese administration to reverse its close entanglements with the West and other leading economies like Japan. For instance, in today‘s international market economy any effort to serious limit the international mobility of Chinese students (the vast majority of whom study in the West), businesspeople, employees and tourists would go squarely against the necessities of ensuring further GDP growth. Likewise, it would hurt China's economic interests if the vast number of foreign experts and expats in China began leaving because their lives were unbearably controlled by state authorities. All this would undermine, perhaps even destroy, China's position in the global competition for talent, capital and know-how as it tries to evolve into a high-tech economy.

Another reason that the Chinese government needs to comply with the dictates of an internationally competitive market is that the future scale of its economy remains uncertain. Thus far, Chinese companies can truly compete with the most advanced economies in only a few high-tech sectors. Despite the roadmap to "Made in China 2025" and the country's massive investments in research and development, it is far from clear that China will be able to join the elevated circle of the world's high-tech economies in the near future. At present, it is losing more blue-collar jobs (because of rising wages) to less developed countries like Bangladesh or Kenya than it is gaining white collar jobs in the industries of the future (Wang 2019). It is still possible that some time in the future, Chinese economic growth will grind to a halt, dragged down by rising wages, comparatively low productivity and an inability to successfully enter a broad range of high-tech sectors (Hoering 2018). Many countries, including Argentina and Brazil, that once enjoyed spectacular growth rates have ended up in the notorious "middle income trap" (Glawe and Wagner 2016).

We ought not to interpret the BRI's origins solely as a grasp for global power by a muscular, overly confident state; the vast initiative must also be read as an attempt to steer the Chinese economy past the middle-income trap and other looming cul-de-sacs. Among other benefits, a flourishing Belt and Road would guarantee buyer markets for China's export-oriented industry, greatly improving the long-term prospects of the Chinese economy, including its innovation sector. Without this, it would be hard to ease the social and other crises that are becoming increasingly visible in the Chinese system.

At the same time, enhancing the Belt and Road Initiative will require a significant amount of financial resources. Yet money might become a significant problem for China in the future because of the many costs that may hamper its long-term economic development. With an eye on its own legitimacy, the Chinese Communist Party has no other choice than to invest heavily in environmental protection and China's welfare system. China faces exceptionally large expenses in the retirement and elderly care sector, because it is one of the first countries to age before maturing economically. Dealing with these factors will be particularly challenging because of the country's significant debt problem. True, China holds exceptionally large foreign currency reserves and the official national debt may only amount to less than 50% of the country's GDP. Yet that figure goes up sharply if the debts of state-owned corporations, other companies and private households are added to the picture: most estimates put China's total debt-to-GDP ratio at a staggering figure of more than 250% (Lee 2019).

The specificities of China's financial sector make it hard to predict whether a Chinese version of the Asian flu of the late 1990s is a likely scenario. But we definitely know that—like many other governments around the world—the Chinese leadership's ability to manoeuvre will be heavily constrained by fiscal burdens. This comes at a time when it is becoming clearer that the Belt and Road Initiative will likely incur significant costs for the Chinese state and economy. True, Chinese loans for BRI projects are supposed to generate returns on investment; in addition, Chinese companies often receive large orders for infrastructure projects abroad. Yet some BRI projects have already run into financial difficulties, including the Sri Lankan inability to pay back roughly eight billion dollars in loans used to build a port in Hambantota. After long and contentious negotiations, the Sri Lankans finally agreed to turn the port over to China for a period of 99 years in exchange for cancelling the debts (Abi-Habib 2019).

Gaining control over this new port in the Indian Ocean certainly has geostrategic value for China, and it carries economic advantages for Chinese companies. Nevertheless, the Sri Lankan experience can hardly serve as a precedent for a larger pattern of Chinese international behaviour. The fiscal challenges for the Chinese government would be significant if a widening range of New Silk Road projects were to pile up liabilities rather than profits. Moreover, if several BRI partner countries simultaneously ran into serious debt, the Chinese government might very well have less bargaining power than it did in Sri Lanka. The growing costs of its global endeavours may soon turn into considerable fiscal and political challenges for China since other poor economies, from Venezuela to Laos, could well be on the brink of entering a similar situation to Sri Lanka.

We should also remember that in quite a few Belt and Road partner countries, the political tides have started turning against China, as has public opinion. Consider the outcome of the Malaysian elections and Prime Minister Mahatir's decision to cancel some large projects connected with the Belt and Road Initiative. Anti-Chinese political currents are strengthening in other countries too, including the neighbouring states of Kazakhstan, Pakistan and Vietnam. These movements are further emboldened by the recent foreign policy initiatives of players with greater political and economic power, such as India, Japan and the United States. These are not only responding to the Belt and Road Initiative but, first and foremost, they are pursuing their own geopolitical agendas and national economic interests.

The complex global and local entanglements underlying the Belt and Road Initiative will most likely generate additional crises, many of which might take the Chinese government by surprise. In any case, it would be wrong to regard the New Silk Road or the Belt and Road Initiative as a carefully crafted master plan that will be rolled out without major contradictions and unforeseen problems. Not unlike the United States in the Middle East and Afghanistan, the Chinese administration has rushed into international endeavours that are enormous in scope and consequence. It is doubtful that Chinese policy-makers have always had a sufficient degree of regional expertise, and they may have over-estimated the lure of economic deals while under-estimating religious, ethnic and political realities on the ground. The outcomes may prove to be costly for a government that in the future will probably need to decide very carefully whether to spend its limited resources on international or domestic projects. Due to its complex domestic situation, China will certainly not be able to pump endless money into the Belt and Road Initiative, and there are strong indications that already at present, a range of projects is being scaled down.

Conclusion

Does it really make sense to imagine the Belt and Road Initiative simultaneously as an economic alliance driven by an ever-more powerful Chinese engine and the main supplier of power and energy to that engine? It would be imprudent, if not disingenuous, to ignore the combined force of domestic and international challenges when reflecting on China's future role in the world. At present, the public discussion of China as a mounting threat to the West is strangely divorced from the—still primarily academic—debates about China's mounting crises. China hands often remind us not to be naïve, to take China seriously. This surely also means that we need to take its problems seriously—and the reality that its entanglement with the global economy makes it subject to some of the same challenges with which the West is currently struggling. Most importantly, we need to recognise that many of these problems emanate from the same global structures and conditions. Overcoming them requires shared solutions instead of trade wars, and collaboration instead of polarisation.

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The New Silk Road and Europe's Regions. On the Pros and Cons of Travelling China's Roads

Roland Benedikter and Verena Nowotny

Introduction

The New Silk Road, officially branded the Belt and Road Initiative (BRI), is usually touted as an economic policy strategy aimed at gaining more trading partners for China and securing its access to vital resources such as energy and raw materials. However, this one-dimensional view neglects the strategic vision China is pursuing with the BRI initiative. This vision encompasses much more than economics. Political, technological, cultural and demographic aspects also play important roles, affecting the regions that are touched by the BRI along the way, in particular Central Europe's regions which are on the one hand its transition space and on the other hand its destination and thus play a double role. Therefore, both the opportunities and potential problems for European regions dealing with the BRI need to be carefully pondered when judging the BRI from a European view. Examples of China's growing inter- and transnational influence destined to be decisively strengthened and expanded by the BRI project provoke mixed feelings in many European regions.

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The Seven Pillars of BRI

When president Xi Jinping officially launched the BRI in autumn 2013, he mentioned five pillars on which this initiative should rest. He identified "improved communication of national policies", "improved transport connectivity", "improved trade facilitation", "improved currency convertibility", and "improved people-to-people exchanges" (Jiao and Yunbi 2013). Since April 2019, when the project was formally presented to international politicians, bureaucrats and decision-makers in Beijing in the presence of 40 world leaders, another pillar was added with "[improved] industrial cooperation".[1] Today, these six areas are the focus of all activities (NPC 2019). On this latter occasion, Xi also promised a not-to-be-underestimated seventh (though rather contextual and diplomatic) aspect, i.e. "improved transparency" of the BRI (Global News 2019), which until then was widely perceived by international partners and transition countries as rather opaque and lacking participatory and face-to-face value as well as cooperative planning (Escribano and Centeno 2019). While many observers consider that all seven dimensions are too strongly dependent on China's unilateral discretion to enable a project of exchange and cooperation such as the BRI, others point out that the seven pillars are proceeding at different paces and thus should be judged individually rather than—as the Chinese government conceives it—as an interconnected whole.

Interestingly, the term "New Silk Road" resonated so well with the Western world that many countries and media outlets started to draw maps that depicted its course—whereas almost no Chinese maps exist. This may be because as far back as March 2015, China's National Development and Reform Committee (NDRC) published a document titled "Visions and Actions on Jointly Building [the] Silk Road Economic Belt and [the] 21st Century Maritime Silk Road" (National Development and Reform Commission 2015) stating clearly that there should not be any regional limitation to the initiative.

During the first international BRI conference in Beijing in May 2017, new terms were introduced such as "Information Silk Road", "Arctic Silk Road" and "Digital Silk Road". New topics were again addressed at the 2nd BRI conference in Beijing in April 2019, such as "Exchange between Think-tanks", "Clean Silk Roads", "Innovation Silk Road", "Digital Silk Road" and "Subnational Cooperation". At the conference, sustainability was strongly emphasised with issues covered ranging from green bonds to support for the Sustainable Development Goals (SDGs) of the United Nations (UN) ("Joint Communique" 2019). This wide range of topics and the constant introduction of new aspects and goals all signal that, in principle, the BRI must be addressed as a large-scale connectivity project that is.

(a) thematically open;
(b) regionally not limited;

[1] Xi Jinping's original keynote speech "Working together to deliver a brighter future for Belt and Road cooperation" of April 26, 2019 can be found, in an official transcript by the Chinese authorities, here: https://www.npc.gov.cn/npc/c16175/201909/58541b5bd2fc416481919ec3d259a1e3/files/3aa8b87afc19439fb8a0550e50d0cb22.pdf.

(c) temporally not limited;
(d) a work in progress, and
(e) supported by strongly coordinated financial, political and diplomatic means.

In essence, given what China's government itself has communicated on it, the BRI must be seen as

(f) a carrier of Chinese governmental policies and worldviews to the world, including the diffusion and export of aspects of China's political and economic system (or in official terms, "improved communication of national policies");
(g) a medium of propaganda internally, particularly under the rubric domestic unification and order strengthened by "one joint national goal";
(h) a tool in the service of national wellbeing and growth, powering both internal production and consumption, much less an explicitly global endeavour;
(i) a tool to get rid of overcapacities and old structures, which are exported along the BRI to adjacent countries, as seen for example in the reconstruction of China's old coal mills in other countries along the BRI.

In short, with the BRI China has developed a tool that aims to rewrite globalisation under China's leadership, but also tries to avoid mistakes from the past. By September 2019, 131 countries have—in one way or another (ranging from positive statements to Memoranda of Understanding)—articulated their support for or participation in the BRI (Janardhan 2019). Also, the UN Security Council has acknowledged the BRI as, in principle, a valuable tool for peace building, thus giving it some official status (UN Security Council 2016, 2017, 2018).

Six Sets of Motives

Critics of the BRI insinuate that China's true motives for this initiative are purely selfish: increasing economic power by driving developing countries into dependence; increasing political clout by using chequebook diplomacy; and undermining international standards by dumping and business practices that are not transparent. These accusations reveal a huge gap between China's self-perception and how many in the European and Western hemisphere perceive the BRI. Given the rising scepticism, it is legitimate to question China's motives. In order to do so, it is useful to analyse and compare them with current practices. Among the main motives of the BRI are

- creating political and social stability by broadening interconnections with a more internationalized economy and by offering a valve for discontent towards the outside;
- exporting the government's technological control and surveillance dystopia and its implicit order logics to indirectly improve its acceptance among adjacent nations;
- building better resilience by enhancing "contextual politics", e.g. by influencing economic and social psychology;
- elevating China's champion enterprises to global players;

- setting new economic standards to change the Western-led international system of rules; and
- internationalising China's currency to upgrade its role in global financial mechanisms.

Creating Political Stability

Political stability has always been a priority for China's leadership, dating back to the emperors' times. Not only is it a challenge to keep a huge country like China stable and developing; China's 14 neighbouring countries also represent a permanent challenge to its stability, not least due to unstable domestic politics (e.g., Afghanistan, Myanmar), nuclear arms (e.g., Pakistan, India, Russia), or different socio-political systems such as democracy (India). Internally, the BRI functions as a valve offering both the under-employed elite and the disadvantaged and disappointed the option of finding new opportunities in transnational activities, including finding work abroad by extending the de facto territory of action. Externally, China's BRI approach is to some extent reminiscent of the early days of post-WWII economic diplomacy: those who trade with each other don't go to war against each other. China has learned from its own development that infrastructure plays a crucial role in supporting growth and development, hence the focus on railroads, roads, harbours, airports, power stations, and telecommunication infrastructure. As the Vienna Institute for International Economic Studies (WIIW) argued in a 2018 study which proposed a "European Silk Road" (Heimberger et al. 2018), a "big push" in infrastructure can lead to a significant increase in economic growth and employment. China has done this on its own territory and is now exporting it to its neighbours and the world.

In doing so, China's approach is heavily influenced by "guanxi", a key term that can be roughly translated as "building a network of personal relations". The important criterion for the Chinese mindset, however, is not just to build a vast network, but to manage and to balance this network constantly, so that one is surrounded by a circle of friends who coexist in a "harmonic" way. Consequently, China's government wants to steadily increase the number of countries who have positive dealings with China, carefully balancing its relations with them so as to not offend any of its partners. An example of this balancing that is currently starkly in contrast to the positioning of the US is China's close relationships with both Palestine and Israel. The Chinese government has a diplomatic office in Ramallah and diplomatic relations with Israel; and it trades with both sides simultaneously.

On the other hand, the balancing act also consists of not creating ties that are too strong with anybody. As a Chinese proverb says, "the mountain does not move, and it doesn't need any friends". Because of its size, history and cultural self-understanding (sometimes branded as cultural nationalism), China has no friends in the strict sense in international relations, nor does it seek them, because it strictly repudiates any interference in its own affairs. It conceives itself primarily as a national, not a global, and as a bilateral, not a multilateral player, despite all diplomatic jargon. Additionally, for China's government, balancing means strategically differentiating between the alliances of nations, the single nations and the—often transnational—regions, territories and spaces which are involved in the BRI. The often conflicting interests and contexts between single regions and between regions and their nation states, as well as between nation states and supranational actors (such as, for example, the single European regions, the nations they belong to and the EU), are carefully pondered by Chinese officials in order to implement, when useful, "divide et impera" tactics.

This is visible, for example, in China's efforts to trigger competition between different regions in Central Asia—often focusing on regions crossing nations or border territories—for Chinese investment and economic support. A similar tactic is visible in Europe with China's "16 plus 1" initiative, where China—the "1"—promises heavy investment in the 16 lesser developed Central-Eastern European nations, thus tending to split the EU, triggering explicit warnings and protests from EU officials, including the European Parliament, on repeated occasions since the initiative's inception in 2012 (Grieger 2018). In most cases, such a strategy is applied in very carefully thought-out and apparently self-restrained ways, always with the goal of signalling a "softened" expansion. Nevertheless, observers assert that the "16 + 1" initiative

> "Is not really a multilateral format," according to Petr Kratochvil, the director of Prague's Institute of International Relations. "It's more a group of countries that China took to have bilateral ties with. It's mainly Poland and Hungary in terms of investment, and Romania and Serbia for building projects" (Maurice 2017).

Exporting Technological Dystopia

With regard to "guanxi", critics argue that China is not only expanding its networks through the BRI, but that it is also exporting its growing "techno-dystopia" of AI-supported surveillance and the related social credit system, which are important parts of the current authoritarian Chinese government's understanding of "creating political stability". By exporting comprehensive surveillance technology, experience and practice through the BRI into adjacent nations and the world, China is implicitly also enlarging the spectrum of effectiveness of the underlying communist order logics. In this sense, according to a 2019 study by the Carnegie Endowment for International Peace, the BRI is increasingly serving as the main carrier of "the global expansion of AI surveillance" (Feldstein 2019), of which China is currently the undisputed main global driver and point of reference. As observers write,

> China's social credit system gives the state the power to monitor every move of every citizen. The system links footage from 200 Mio. closed circuit TV cameras with people's personal data, letting the state rank its citizens based on their private lives. ("Exporting dystopia" 2018; Akita 2019).

The resulting question for Europe's actors on the different levels of multi-level governance is if, in which segments and to what extent such a concept of "political stability" will be exported via the BRI to Europe and the West in the coming years (Mozur 2018; Mozur et al. 2019). China's de facto state firms, which act as if they were private global enterprises, allegedly play not only a public and open role in this export, for example, as recognised global leaders in face recognition technology and the use of AI for surveillance purposes ("A Surveillance Dystopia" 2019), but also as indirect carriers of Chinese governmental logics. This is exemplified by the current heated debate about the role, influence and effect of Chinese global communications giant Huawei in and on European and Western democracies. Most European and Western state officials are convinced that "there is no substantial distinction between the Communist party and Huawei" (Reichelt 2019). In this sense, the Belt and Road Initiative could become the "road to digital unfreedom", as Stanford's *Journal of Democracy* wrote in January 2019 (Diamond 2019).

Although some nations may in some way or another adhere to some parts of the respective ideology, it will eventually be up to Europe's regions to decide upon their practical implementation, including potential resistance "from the bottom" (Rolley 2019). This regards not least the status and reality of human rights and privacy versus control and surveillance in BRI politics, which is a still under-discussed topic whose importance will increase in the years to come (Human Right Watch 2019).

Building Stronger Resilience

In the framework of its all-important "stability is priority" paradigm, China's government wants to build better resilience—which it sees as just another form of stability projected over time. The assumption that a "New Silk Road" will increase domestic resilience is supported, among many others, by a study by the Austrian Academy of Sciences (Österreichische Akademie der Wissenschaften 2018) that compares the Roman Empire to Imperial China. The most important finding is that trade and transit routes turn out to be rather resilient, even if some important points of intersection get lost (e.g., due to catastrophes or war). These networks remained long-lasting even if the capital of the empire was destroyed. However, if the sovereign could not afford to maintain the costly infrastructure, the resilience factor would quickly break into various regional clusters.

Critics, however, argue that through the BRI, China's government seeks resilience mainly as a tool of "contextual politics", i.e., for the sake of securing its own power and the legitimacy of the existing authoritarian order by influencing economic and social psychology and demonstrating its own global recognition and success. Second, they maintain that China is seeking resilience mainly for itself, not for the international system of rules or even the globe. The new dictum in Western diplomacy that when China speaks about the world, it mostly and mainly speaks about China, is no accident. The BRI is an active part of such a mindset, which tends to identify the "good of the world" with the "good of China", a mechanism that legitimises itself not least by pointing towards the sheer number of China's population, destined to grow again over the coming decades after the abolition of the "One Child Policy" in 2015 (Agence France-Presse 2015).

Make Chinese Champions Global Players

China's State-Owned Enterprises (SOE) are at the forefront of the BRI, and they will definitely be huge beneficiaries of it. As the Chinese News Agency *Xinhua* reported in February 2019 (Shanshan 2019), more than 90% of China's SOEs are actively engaged in the BRI—a kind of centralised and coordinated mass mobilisation. Contrary to the former days of globalisation, China no longer pursues a strategy of outsourcing to lower-wage countries. On the contrary, the goal is to increase market shares along the whole value-added chain from sourcing to production and logistics, and from payment to marketing, thus trying to reduce China's dependency on foreign industries and to increase domestic consumption to promote China's economic self-reliance.

Critics observe that such a concerted plan to "upgrade" China's enterprise champions to global leadership comes (by international standards) with continued opacity of how exactly it is financed, and the blurring of lines between SOE's and apparently private Chinese companies with international activity. The question is to which extent the regional specialisation of many Chinese firms may interfere with their new international and global ambitions; and to which extent such ambition may create tensions with those geopolitical regions on the BRI who may become direct competitors in the sector of export-oriented high-quality manufacturing (of which China's strategy aims to become the new leader), such as Germany. The paradox here is that China is working closely with Germany to establish the BRI as a game-changing interconnection while at the same time working to replace Germany as the leader in export-driven manufacturing.

Set New Standards to Change the Global System

The internationalisation of Chinese companies and brands is backed up by strategic plans such as "Made in China 2025" (MIC25) and "Internet Plus" ("China gibt 'Internet Plus'-Aktionsplan" 2015). Beijing wants to use digital technologies to amplify what the Communist party calls "discursive power" by shaping global standards. MIC25 has already triggered a rather harsh response in Germany and other countries, leading to heated debates over Chinese investments in Europe and the US ("Deutschland ist ein zu bereitwilliger Partner" 2019).

In response, the EU introduced a new screening framework, initiated in 2018, that will probably impact Chinese investors and reduce Chinese Foreign Direct Investment (FDI) in several European regions (European Commission 2019). In November

2019, the US, Japan and Australia joined together to establish a trilateral "Blue Dot Network" to help develop infrastructure "in the Indo-Pacific and around the world" ("What is Blue Dot Network" 2019). The plan was announced on the sidelines of the 35th ASEAN summit in Thailand. In this occasion the US Department of State Under Secretary for Economic Growth, Energy, and the Environment, Keith Krach, provided a rough guide as to what the global trust standards might cover. He said that they would be based on "respect for transparency and accountability, sovereignty of property and resources, local labor and human rights, rule of law, the environment, and sound government practices in procurement and financing" ("US Announces 'Blue Dot Network'" 2019). Yet how three countries, even if they represent major internationalized economies, will be able to keep, adapt and if necessary re-set "global" standards to correct China's growing system-changing impact remains to be seen. However, the intention to limit and contain is obvious.

China currently refrains from mentioning the MIC25, trying not to provoke further negative reactions. Critics, though, have long argued that from the very beginning, and purposedly so after WWII and particularly since the 1990s, China adhered to international organisations to change them, not to be changed by them (Kempe 2019; Mazarr et al. 2018). The question is how far this development may be pushed and strengthened by the further implementation of the BRI and through the cooperation with European nations such as those involved in the "16 + 1" initiative.

Internationalisation of China's Currency

As recently as October 2016, the Renminbi (RMB) became the first emerging market currency to be included in the International Monetary Fund's (IMF) special drawing rights basket, the basket of currencies used by the IMF as common reserve currency ("China's yuan" 2016). However, although China is the world's largest trading nation, its currency does still not have a significant weight on world markets. China was deeply concerned with the financial crisis of 2008 and its aftermath. This triggered the idea of establishing a separate financial infrastructure as much as possible independent of, or at least not essentially vulnerable to the Western-led global system. Such a self-preserving strategy was implemented with a long-term view of development to be achieved in many little steps. In 2015, the Asian Infrastructure Investment Bank (AIIB) was founded, also out of the Chinese government's disappointment that it had not been possible to gain more influence within the existing institutions such as the World Bank or the IMF.

The BRI now serves as a perfect vehicle to enhance the importance of the Renminbi as a future dominant currency in the service of China's greater leeway to act financially. Immediately after 2008, the Chinese Central Bank started to negotiate bilateral swap agreements, thus circumventing the US dollar as a lead currency. So far, China managed to sign swap agreements with 35 countries, most of which also support the BRI (McDowell 2019).

Nevertheless, critics doubt that despite these efforts the Renminbi will become a lead currency, as it still lacks international fundamentals such as free float, open trade and open exchange. However, China is not in a hurry to see the Renminbi spread. Instead, control over its currency remains an absolute priority for now. China's push to create a sort of a parallel financial and thus also civil order to provide an alternative to the currently dominating post-WWII and post-Washington-Consensus (1989ff.) system is seen by European and Western observers as much as a *chance* of pressing reform on current global institutions in crisis and in need of renewal, as a *threat* to the global liberal order based on open societies, which, in many ways, China's system under Xi Jinping seems to be opposed to or incompatible with. In short, the question is whether or not China's strain to create its own financial global circle by means of the BRI can become a productive and positive part of "Re-Globalization" (Benedikter and Kofler 2019), i.e., the epoch of transition to a new international system of balances which the globe is entering with the passage towards multi-polarity and a "G-Zero World" (Bremmer 2012; Bremmer and Roubini 2011).

Central Eastern Europe as the BRI's Currently Most Important European Region

Against this complex backdrop, the BRI aims to focus on the three continents Europe, Africa and Asia. Although South America and the Caribbean increasingly ask to get involved, China has long hesitated to step into the backyard of the United States. In 2005, China's government negotiated the first bilateral trade agreement with Chile, which marked the starting point of a huge investment programme for Latin America ("China-Chile FTA" 2019).

Since the start of the BRI, Europe has been the most important region, ahead of Sub-Saharan Africa and Western Asia. The European Union became a prime destination for China's FDI. Yet despite Europe's priority and the BRI, since 2018 Chinese FDI in Europe began to decline. However, China still managed to accomplish some prestigious projects in the transport sector together with European partners. Already in 2012, the Chengdu-Lodz (China-Poland) freight train took its maiden journey. While in 2013 only ten trains from China arrived in Lodz, this figure soared to 500 in 2018. Also, in 2013 the first Zhengzhou-Hamburg (China-Germany) cargo train began running. In the meantime, the frequency has increased from once a month to eight round trips a week. Since 2016, the new Chongqing-Duisburg (China-Germany) railway line reduces the transportation time between the two cities by approximately 12 days. Another example is the new railway service between the Austrian capital of Vienna and the Chinese freight hub of Chengdu, which was launched in 2018. In November 2019, the first cargo ship arrived from Xi'an in the harbour of Mukran (Northern Germany, island of Rügen). According to the regional minister for infrastructure, Christian Pegel, the German region hopes to export food to China on the new route very soon ("Erste Container aus China" 2019).

But such as with its main framework which changes constantly, also with regard to Europe China's BRI strategy proves flexible and adaptive. Initially focused on Western Europe as a prime target for Chinese investments, China's government has turned increasingly to Central and Eastern Europe where national and particularly regional governments turned out to be more receptive to the BRI. The institutional framework, the previously mentioned "16 + 1" format (which became de facto the "17 + 1" in 2019 when Greece joined), has angered representatives of the EU as they considered the format a—willing or unwilling—attempt to disunite the European Union. The European members of the agreement are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, The Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, North Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia. In all of these nations there are heated disputes about the long-term effects and perspectives of the initiative, contributing to political and social polarisation, including the much debated "crisis of Western liberal democracy" (Sitaraman 2018) and in particular the "crisis of Liberalism in Eastern Europe" (Rupnik 2018). However, China seems to find common ground with these former Eastern Bloc countries who suffered from suppression and underdevelopment and have struggled to adopt to a liberal market-driven economy. There is a subtle irony inbuilt in such a "similarity of mind", since it were exactly these Central-Eastern nations who suffered the most under the regime of Communism and are now bonding with the last existing communist mega-power on earth.

Can You Make It Everywhere? Duisburg's Ambitious Rise

30 years ago, the German city of Duisburg, a Ruhr metropolitan area in the German federal state of North Rhine-Westphalia, the 15th largest city in Germany with a population of approximately 500,000, felt near the abyss. The city was heavily indebted, and its social fabric torn apart by violent street protests initiated by laid-off steel workers who felt they had nothing to lose after the big steel mills were shut down. Fast forward to 2019: Duisburg has become *the* hub of the BRI in Europe. Its port, Duisport, already handles roughly 30% of trade between China and Europe by rail. Erich Staake, head of Duisport for twenty years, now plans to develop Europe's largest container terminal on the city's so-called "coal island", together with partners from Shanghai, Switzerland and the Netherlands. With this enlargement, Duisport will be able to manage up to 100 trains to and from China per week, raising its freight turnover to 850,000 containers per year.

The business model behind this evolution sounds simple: develop the huge space left by the former steel mills. Staake managed to do that in only ten years. Duisport today provides logistics, infrastructure, services, including location management, and most important of all work for 45,000 employees, generating three billion Euro added value per year (Rasch 2019). Meanwhile, prominent visitors have come to learn about Duisburg's success story, including president Xi Jinping in 2014. Duisburg has long-lasting ties with China: the city started a partnership with the Chinese city Wuhan in

1982, the first German city to establish such a cooperation. Staake believed in rail transport between Europe and China even before Xi Jinping announced the BRI in 2013. Therefore, he immediately embraced the BRI initiative with open arms.

The numbers are without doubt as impressive as the perspectives. It takes 13 days for a train leaving from Duisburg to reach China, crossing Poland, Belarus, Russia, and Kazakhstan. A lot of time is lost in border controls between Poland and Belarus, and before that in Poland itself as the railroad system is simply overstrained by the increased traffic between Europe and China. Duisport has already started to export its expertise and is currently involved in developing a logistic park near Minsk, again with partners from China. No wonder that German media outlets assert that "Duisburg today is better known in China than Berlin" (Hänel 2019).

Critics—among them the IMF and the EU—nevertheless have pointed out for nearly a decade now that Germany has long practiced an exaggerated export-orientation connected with a poorly securitised economic open-arms policy towards China which has not sufficiently been aligned and integrated with the EU partners (Krahé and Adler 2019). Others such as 2008 Nobel Laureate Paul Krugman have pointed out that in developing projects such as Duisport, Germany is too heavily reliant on external partners such as China while neglecting its own infrastructural investment opportunities, to the disadvantage of its own progress (Krugman 2019). Germany's dependency on its currently third most important trading partner China (Workman 2019) is destined to further increase through the BRI—while as mentioned in the meantime China aims, as its next global goal, to replace Germany as the world's most important quality manufacturer with the help of the BRI, knowing well that the US' innovation superiority is in many ways still out of reach. Therefore, Germany faces growing internal divisions on the BRI issue, with warnings that cities such as Duisburg and particularly strategic knots such as Duisport may soon become dependent on the Chinese government's will through the increasing influence of Chinese ownership, including Chinese SOEs, furthered by the BRI (Müller 2019; "China: Der gefürchtete Partner" 2019). These are the reasons why the party of chancellor Angela Merkel (CDU) is split on the future of mega-hubs such as Duisburg as well as on the BRI as a whole.

A Productive Bias: China Builds the BRI on Its Own Experience, Not on International Expertise

Searching for blueprints to understand and analyse the basic methodology of the BRI, one simply needs to look at China's own development, starting with the early days of opening-up under Deng Xiaoping. In 1979, Deng approved the establishment of four "special economic zones" (SEZs) in the southern Guangdong Province and in Fujian Province. These SEZs enjoyed certain privileges to attract foreign investment, thus generating foreign exchanges through exporting products and importing advanced technologies as "radiators" in accelerating inland economic development.

Encouraged by the zones' success, in 1984 the Chinese government opened 14 larger cities along the coast to foreign trade and investment.

The SEZs also became the nucleus of China's massive urbanisation plan that aims to transform China into a more productive, consumption- and service-based economy. The population of China's cities has quintupled over the past 40 years, reaching 813 Mio. in 2019. By 2030, one billion Chinese shall live in cities, according to the government's ambitious plans. The idea is to foster the rise of huge urban clusters, connected with high-speed trains and public transport. The plan calls for 19 clusters or super-regions, such as the Pearl River Delta, the Yangzi River Delta and the area around Beijing including Tianjin ("China is trying" 2018). The BRI is seen as instrumental to push and speed up this evolution further.

At the same time, these super-regions shall help to address the pressing issues of overpopulation, unaffordable housing, and pollution. In April 2017, president Xi Jinping announced that 2,000 square kilometres about 180 kms away from Beijing will be dedicated to develop a "completely new type" of eco-city, called Xiong'an (xiong = brave; an = peace) (Wong 2019). In 2035, approximately five million people should live in Xiong'an, enjoying carbon neutral housing, clean air, and smart public transport. According to the announcements, a high-speed train shall connect the capital Beijing with its new "support" city already in 2020.

The Chinese government intervenes heavily to lure people to these new regional clusters, using a long-standing problem as an incentive. The *hukou* system is an official residency permit system that ties social security and access to education to one's birthplace. According to 2019 statistics, at least 270 Mio. Chinese live outside their place of household registration ("Migration in China" n.d.). Rural migrants are allowed to work in cities on a temporary basis, but most are denied access to health care, utilities subsidies, housing benefits and, in many cases, schooling for their children (Miller 2012). To encourage people to disperse through clusters, the government has raised the barriers to obtaining a *hukou* in the wealthiest cities and lowered them in smaller ones. However, whether life becomes more affordable there remains to be seen. Chinese towns that are woven into the high-speed transportation networks see their fortunes change almost overnight—along with a soaring cost of living and housing prices.

Besides the regions in the periphery, the exodus of China's rural population left behind another victim: the traditional villages across the country, called *ziran*. Between 2000 and 2010, the number of *ziran* fell from 3.6 Mio. to 2.7 Mio. (Yau 2019). By 2012, the government had earmarked 2.6 billion Euro to create a list of traditional villages that should be preserved. But many of these villages, often in remote areas, have been lost or are inhabited only by a handful of people today who don't have the facilities to maintain the structures.

Critics of China's top-down approach to urban planning predict that these old villages will become the small and abandoned version of the huge ghost towns that also exist in the country, such as New Ordos, a city planned for more than a million people in Inner Mongolia that currently hosts just several thousand inhabitants. Will such experiences swap over, to some extent, to Europe's more remote regions under the influence of the BRI? Europe's economically most important nations, for example Germany and Italy, two of the main transition routes and destinations of the BRI, are already struggling with growing urbanisation, youth emigration and countryside depopulation. In Europe the de-population of peripheric regions is not a governmental strategy as it is in China, but a social and economic mechanism of epochal size threatening the future of many of its more remote regions despite a variety of attempted counter-measures. If the BRI transports China's experience both with regard to successes and failures, will it also lead to more centre-periphery tensions in Europe's regions, such as in its homeland?

What Europe Needs: A Less Defensive, More Pro-active Approach

In the seventh year of its formal existence, the BRI has still not seen a unified approach from the European Union or even a sufficient number of EU member states. Half of the EU member states have already signed BRI-related agreements by their own. Many top European companies are also already participating in the BRI. Yet others hesitate or are sceptical. Europe's split continues in the financial area: 17 EU members have joined the Asian Infrastructure Investment Bank (AIIB), others haven't—both sides with good arguments (Skala-Kuhmann 2019). Germany is the fourth largest shareholder of AIIB after China, India, and Russia. In July 2019, the annual meeting of the AIIB took place in Luxembourg, for the first time taking place outside Asia. European institutions such as the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) have also both been involved in BRI projects at an early stage ("The EBRD and BRI" 2019).

While European politicians and institutions hesitate to wholeheartedly get involved with the BRI because of their fears of its potential medium- and long-term impact on the very different European realities, many parts of the corporate sector have embraced its potential opportunities early on. However, they have raised unsatisfactory issues such as a lack of transparency, lack of information, and lack of reciprocity in terms of market access. These topics need to be addressed on a political level. Even after the EU Commission will be able to discuss the issue in-depth, the European strategic void toward the BRI is likely to continue at least for some time due to the notorious internal splits in EU policies. Although an EU connectivity strategy for Asia was unveiled by the European External Action Service (EEAS) and the European Commission in September 2018, it does not yet offer any clear guidelines regarding the BRI as it remains rather vague and the BRI is, strangely, not even mentioned once (European Commission 2018) despite the fact that it is by far the most important interconnecting project.

The teachings of such shortfalls are clear. It is high time for the EU to come up with a unified evaluation and joint response to the BRI. The EU needs a better mechanism to gather and exchange information on the BRI, which would also be helpful for small and medium sized European businesses who would like to engage. The EU must also respond to the BRI by framing its own development projects according to European priorities such as human rights, the rule of law, climate change or jobs. Last but not least, the EU must sketch a strategy of differentiation and integration among and between the different levels of its multi-level governance system, involving the (often transnational) regions of very different size, wealth, location and centre-periphery-mechanics into a tripolar framework of regions, nations and the European supranational bodies which only together can appropriately deal with the BRI's challenges.

Such a differentiation-integration strategy will be absolutely crucial for fostering a more pro-active European approach to the BRI supported by the bases of the current European democracies, including the citizens on the ground who use to participate much more in local and regional than in national or supranational processes. The EU also needs to take the fears and scepticism about the effects of the BRI on economically weaker regions seriously. Also to be considered is the protection of strategically located regions on the main routes of the "New Silk Road", such as, for example, the Autonomous Province of South Tyrol in the border region between Italy and Austria, part of the transnational (Italian-Austrian) European Region of Tyrol-South Tyrol-Trentino, from exaggerated Chinese strategic investment. The Chinese "influence, evolve and securitize" strategy notoriously never occupies territories, but secures transition routes via buying into the property, service and trade markets of a region to make sure that decisions cannot be made completely without a Chinese say. A more attentive and cautious observation of such activities—which in most cases are concerted in the Chinese government's hands—is highly recommended for the sake of regional autonomy and European democracy.

The EU also needs to become better at marketing its existing development programmes, which are often eclipsed by the hype surrounding the BRI. A 2019 study commissioned by the German Bertelsmann Foundation (Bartsch and Laudien 2019) claims that Western institutions (e.g., the World Bank, EU, OECD) invest much more in countries along the Silk Road than China itself. However, China is definitely better at promoting its activities and turning investments into political capital. Hungary serves as a perfect example. During the years 2013 to 2017, the EU contributed more than one percent to Hungary's GDP, and 5.6% to its budget. During the same period, China chipped in with 0.03% of the GDP and with 0.15% of Hungary's budget. Still, Hungary vetoed sanctions against China several times in the EU council and openly advocates China's interests in Europe. The teaching is that the EU needs to correct and improve its media and information standing with its Central-Eastern member states. The BRI can become a driver for such internal improvements, although perhaps an unwilling one, and thus serve as a push for domestic European evolution.

A Side Effect: Growing Worries About a European and Western Split Over the BRI

But this is not all. The political implications of the BRI already reach far beyond such "internal" European issues—and touch upon the future of the West as a whole. Even before its full development, let alone completion, aspects of the BRI and the surrounding growing involvement of China in critical infrastructure split Europe and the US in rather serious ways. For example, the debate about Chinese enterprise's Huawei's involvement in building the German 5G network has triggered serious diplomatic irritations between the NATO allies—and is continuing to create turmoil in transatlantic relations. In November 2019, a serious bickering followed the statement of the German Federal minister for economic affairs and energy and former head of the German Chancellery, Peter Altmaier, as he made little difference between potential Chinese spying activities and the "information gathering" of allied US partners:

> The US ambassador to Berlin has sharply criticised German Economy Minister Peter Altmaier for suggesting a parallel between Chinese and US spying. The row flared up over Germany's decision not to ban Chinese tech giant Huawei from participation in the German 5G mobile phone network. Some see Huawei as a security risk. The US government is urging Western allies to ban Huawei from bidding for 5G contracts, arguing that the firm is too close to the Chinese Communist Party (CCP) and Chinese intelligence services…. During a TV debate on Huawei, Mr Altmaier recalled the 2013 scandal over US surveillance of NATO allies via the National Security Agency. It emerged that the NSA had even spied on Chancellor Angela Merkel. Mr Altmaier said that 'Germany still did not impose any boycott' on the US despite the NSA scandal. 'The US also demands from its companies that they pass on certain information needed to fight terrorism,' he said. His remark was an apparent riposte to US fears that Huawei, a world leader in new-generation mobile technology, would pass on sensitive data records to the Chinese government. Ambassador Grenell said equating US government action with that of the Chinese Communist Party was 'an insult to the thousands of American troops who help ensure Germany's security and the millions of Americans committed to a strong Western alliance'. 'These claims are likewise an insult to the millions of Chinese citizens denied basic freedoms and unjustly imprisoned by the CCP,' he added ("Huawei affair" 2019).

Another issue that divides European and Western opinion is the presence of Chinese Uighur "detention camps" where, according to independent information, more than a million people seem to be detained under inhuman conditions undergoing "brainwashing" procedures ("Data leak reveals" 2019). While some in Europe tend to actively ignore the problem given the increasing importance of China–Europe economic exchange through the BRI hoping for "mutual adaptation" between open and closed systems, others, including UK and EU authorities, despite denial by Chinese officials ("China's UK ambassador" 2019), demand the problem be addressed more in-depth and by independent investigation by international and global bodies such as the UN ("UK urges China to give UN access" 2019; Marques 2019). While the first, more pro-Chinese and pro-economy group points toward the need to have an "evolutionary" culture of conversation with China's government, the latter sees Europe's and the democratic West's credibility in threat by ignoring human rights violations on a large scale (Kellon 2019). In such a tense situation, the fact that at the end of 2019 democratic countries such as Australia were investigating plots of allegedly Chinese origin to install a “spy Member of Parliament” in the Australian parliament (“Australia investigates alleged Chinese plot” 2019) was not helpful to calm the situation.

Conclusion and Outlook: The Many Pros and Cons of the BRI in the View of Europe’s Regions

Against this background, the outlook is met with mixed feelings. The exceptionally many pros and cons involved are still overarched by a touch of positivity, as always needed in international relations. Nevertheless, any judgement needs to be pondered carefully and to be contextualised according to the very different needs and aspects in play in Europe’s very different local, regional and national realities. In their 2018 book about the “New Silk Road”, the best-selling authors Doris and John Naisbitt toy with an intriguing idea. Imagine in 1952 the founding fathers of the European Union agreed on a 50- and a 70-year plan (Naisbitt et al. 2019). Imagine they would have said: After 50 years the citizens of the European Union should enjoy moderate prosperity; after 70 years, in 2022, the EU should have become the most dynamic economic region in the world. In order to stay on track, five-year-plans would serve as a means to adapt to current developments or to introduce new measures.

It is likely that the founding fathers of today’s European Union had a vision that most probably is excelled by what the EU represents today. However, the Naisbitt’s intellectual game serves as a reminder that visions and dreams need to be bold—and even then, they might be dwarfed by what can actually be achieved. In the eyes of many in the global community, including many Europeans, this is exemplified better by China nowadays than by Europe. And to many, the BRI is the best prove that today it is not Europe, but China to “dream bold”. Such perceptions must change—both in the world and in Europe itself.

What does this mean? The European Union and its regions need not be afraid of China and the “New Silk Road”. Fear is a bad counsellor. Rather, Europe and its regions need a clear and long-term oriented joint stand. Their track record of achievements should give them the self-confidence to focus on opportunities rather than retreat to the defensive. With unfortunately many global regions in deep and systemic turmoil, such as, for example, Latin America which is burning, the window of opportunity for fair and beneficial cooperation with China is wide open. This does not mean that Western democracies have to ignore democracy, human rights, the protection of the liberal global order and the rule of law in the modern sense when dealing with the current Chinese mono-archy. On the contrary. The BRI is not set in stone. China is the first to know and recognize this. It acts on one of its most popular maxims: “Crossing the river by feeling the stones”. There is enough room to test, to explore, and to amend this initiative also according to European needs.

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A Global Phenomenon Explored Through Different Regional Views

New Silk Road—A Geo-economic Assessment with a Focus on the European Region

Stephan Barisitz

Introduction: From the "Old Silk Road" to the "Belt and Road Initiative"

The New Silk Road (NSR) or Belt and Road Initiative (BRI) was proclaimed by Chinese president Xi Jinping during state visits to Kazakhstan and Indonesia in 2013. This quasi-global development program consists of numerous infrastructural investments along two major geo-economic branches: (a) the "Silk Road Economic Belt" (SREB), a Eurasian overland trading network established and modeled on its ancient prototype, the Old Silk Road,[1] and (b) the "21st Century Maritime Silk Road" (MSR), a complementary seaborne network on which today the lion's share of East-West trade is carried out. Both, overland and maritime networks aim at boosting connectivity and reducing transportation costs along infrastructural trajectories. The latter comprise the setting up or modernization of port, rail, road, energy, pipeline, communications and IT infrastructures, intermodal transportation hubs incl. container terminals, and logistics—with BRI thus corresponding to an enormous investment program with total estimated needs of ca. USD 800 bn—USD 1.5 trn. In October 2017, the Belt and Road Initiative was officially incorporated into the constitution of the People's Republic of China.

A total of around 65 nations is being addressed in Asia, Europe and Africa, which together account for about 70% of the world population and 55% of global GDP. The main financial mechanism for the implementation of Belt and Road (B&R) projects is the provision of tied loans (in some cases also of a concessional nature)

[1]The Old Silk Road was a network of overland trade routes that enabled economic, cultural and technological exchange between Europe, Central Asia, India and China for at least 1½ millennia. The term "Seidenstraßen" (German for "Silk Roads") was coined by the geographer and explorer Ferdinand von Richthofen in the late 19th century (Barisitz 2017).

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by Chinese financial institutions. BRI loans are often given to the host country without (explicit) political conditions—however, as a rule, with economic conditions, namely the commissioning of Chinese enterprises, often the state-owned giants of construction, railroad and maritime transportation that have emerged in the past two decades. In some cases BRI loans may be repaid by raw material deliveries to China. In a minority of cases, equity participations are acquired (e.g. by the Silk Road Fund, see below).

Institutions Supporting the NSR—Impressive Financial Clout

Salient bodies backing the BRI boast generous financial "fire power":

Not all of the funds enumerated in Table 5.1 are currently effectively available, some have already been disbursed (as mentioned above), some still have to be raised; on the other hand there are also additional funds, notably from China's policy banks, to be slated for B&R projects. According to the assessment of the China Banking and Insurance Regulatory Commission, Chinese credit institutions by end-2017 had invested around USD 200 bn in 2600 B&R projects. Estimates of the China Global Investment Tracker (Heritage Foundation, Washington, DC) suggest that total spending on about 3100 projects between 2014 and 2017 came to USD 340 bn (Wilson 2019, p. 77). If one adds 2012 and 2013, one may arrive at a sum of USD 400 bn. Raiffeisen Research has calculated that BRI projects account for about 52% of all of China's contracted investment and construction projects (outside the country) since 2014. Most recently, this proportion is assessed to have increased significantly (Raiffeisen Research 2019, p. 3). According to Chinese experts, *up to USD 750 bn of China's international reserves* (at end-March 2019: USD 3.10 trn) could, if necessary, also be used to finance B&R projects, given the rather low returns that these reserves, mostly invested in US government bonds, are currently yielding (Wang 2016).

In June 2018, China announced an initiative to establish a *Digital Silk Road*, with the aim of assisting BRI countries to develop digital infrastructure (incl. quantum computing, nano technology, artificial intelligence, big data, enhanced cloud storage). Another official goal is to increase internet security. Projects are intended to be launched first in Asian and African countries, incl. Thailand, Bangladesh, Ethiopia, Kenya, Tanzania, Zambia, and Nigeria.

In July 2018 two *Chinese international arbitration courts* were established by the Supreme People's Court in Beijing. They were vested with the authority to handle disputes around projects under the BRI. One international court is based in Xian, the traditional "capital" and point of departure of the Old Silk Road, and will deal with cases along the overland "Belt". The other court is domiciled in the southern coastal city of Shenzhen (adjacent to Hong Kong), and will have purview over litigation arising along the maritime "Road". Moreover, in January 2019, the Chinese Council

Table 5.1 Belt and Road-supporting institutions and funds

Institution	Funds offered
Silk Road Fund/SRF (took up operations in spring 2015)	USD 55 bn
Asian Infrastructure Investment Bank/AIIB(took up operations Jan 2016, Austria and Italy are also members)	USD 100 bn (authorized capital)
New Development Bank/NDB (of BRICS countries, business started 2016)	USD 25–50 bn (may be earmarked for B&R projects; authorized capital: USD 100 bn)
China's policy banks	
- China Export-Import Bank (China Eximbank)	USD 100 bn (reportedly already disbursed for BRI, more earmarked)
- China Development Bank (CDB)	USD 190 bn (reportedly already disbursed for BRI, more earmarked)[a]
- Agricultural Development Bank of China (ADBC)	USD 20 bn (earmarked)
China's and the world's largest commercial bank	
Industrial and Commercial Bank of China (ICBC, state-owned)	USD 70 bn (so far disbursed for BRI)[b]
Special regional initiatives	
"17+1 forum" of intensified cooperation with twelve CESEE EU and five non-EU members (EU Commission and Austria are observers, Greece joined in April 2019[c]):	
- China-CEEC Investment Cooperation Fund (financed mostly by China Eximbank)	Up to EUR 10 bn
- China-CEEC Interbank Association (between China Development Bank and (so far) 14 CESEE development finance institutions in order to boost financial support for projects in lagging CESEE regions)	Up to EUR 2 bn (credit frame provided by CDB)
China-Russia Renminbi Investment Fund	USD 10 bn
Joint Statement of Cooperation EAEU (Eurasian Economic Union)—BRI (May 2015) Non-preferential EAEU-China trade and cooperation agreement (May 2018)	USD 9 bn (credit line for common infrastructure and other projects provided)
Financial support for Africa (announced at Africa-China summit in Beijing, September 2018)	USD 60 bn (of which 3/4 loans, 1/4 grants and interest-free loans)
China-ASEAN Investment Cooperation Fund	Up to USD 10 bn

[a]The China Eximbank and the CDB are the most powerful institutions of development finance globally. Their aggregated international credit volume exceeds that of the five Western-led multilateral development banks taken together (World Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank)
[b]In September 2018, the ICBC established a branch in Vienna, which is to perform cross-border financial services with CESEE
[c]At the end of the eighth CESEE-China summit in Dubrovnik, Croatia on 12 April 2019, Greece joined the group and the "16+1 forum" was officially renamed "17+1 forum" (Keegan 2019)
Source Author's compilation

for the Promotion of International Trade signed an agreement with the Singapore International Mediation Center to establish a Belt and Road Monitor Panel, an international mediation body for NSR disputes; the panel, to be located in the city state, is slated to comprise dispute resolution professionals from the two countries as well as other BRI host countries.

Some BRI Goals and Challenges: Largely Economic and Geopolitical

A major aim is to *improve transportation links* (particularly between China and Europe) and thereby, reduce trade costs and support economic expansion. Taking into account that the Middle Kingdom's transportation infrastructure has already been largely modernized,[2] NSR projects enable the redirection of Chinese surplus savings, the re-utilization of otherwise possibly idle domestic productive capacities and technical know-how (e.g. high speed rail expertise, container port construction know-how), and effectively allow an extension of the country's hitherto export-led growth strategy (Boisseau du Rocher and Dubois de Prisque 2019, p. 65).

A related goal is to diversify investments, and open up new markets and suppliers. China-oriented regional value chains (supply chains) may be set up in the country's immediate Eurasian neighborhood, which requires extensive infrastructure investments as a pre-condition. These investments would be linked up with modernized infrastructure in China's outlying provinces (Urban 2018, p. 21). Thus, "strategic propellers of hinterland development" could emerge e.g. in Xinjiang (in the north-west) or Yunnan (in the south-west), from which initial parts of the NSR extend to Central Asia, Russia or South-East Asia. Stimulation of growth in the Chinese periphery may also reduce regional economic inequalities and thus rein in migratory pressure toward the coastal regions (and social pressures connected with these tensions) (Frankopan 2018, pp. 80–81).

B&R projects may help disseminate Chinese technological and engineering standards internationally. The BRI may also contribute to *internationalizing use of the Renminbi-Yuan*. Here China meets parallel Russian interests in reducing reliance on the US dollar in international transactions (Djankov and Miner 2016, p. 34). The aim is i.a. to increasingly base trade relations (incl. energy deliveries) and joint investment projects along the B&R on local currencies, incl. through use of bilateral currency swaps and settlements.[3] A related initiative was the successful introduction of the Shanghai oil futures exchange, trading in Yuan, at end-March 2018; the total

[2]China possesses by far the largest high-speed rail network of any country or region on earth.

[3]Thus, in 2017 Russia reportedly paid 15% of its imports from China in Renminbi-Yuan, and China paid 9% of its purchases from Russia in rubles.

share of oil contracts concluded in Yuan expanded from 8% to 13% since the USA's unilateral exit from the Iranian Nuclear Treaty.[4]

Against the backdrop of the trade conflict between China and the USA, the B&R might also serve as a kind of counterweight or fall-back position for Beijing. More generally, various institutions connected to the NSR (like the AIIB, the SRF, the NDB), but also organizations in the wider entourage (like the Shanghai Cooperation Organization/SCO and the BRICS group, of both of which India is also a member) appear to be conducive to a policy aimed at building a counterweight to Western-dominated global institutions of Bretton Woods (IMF, World Bank/WB, Asian Development Bank/ADB, etc.).

One of the salient aims of BRI is to provide a venue for addressing *key resource supply and security issues* for Beijing. One objective is to reduce the overwhelming dependence of Chinese oil and other imports on routes running through the geopolitical chokepoint of the Strait of Malacca (near Singapore): about three quarters of the country's imports of oil and other goods still pass through this strategically delicate location. Alternate overland supply channels along BRI corridors have been or are being opened up (see below). Most of the above efforts also contribute to the aim of enhancing Chinese soft power in various parts of Eurasia and Africa, and possibly to nurturing something like a "circle of friends" (Adarov 2018, p. 10).

On the other hand, there are also numerous *challenges and risks*. Given that many B&R partner countries constitute less developed emerging markets, some BRI hosts doubtlessly feature relatively weak governance, extensive bureaucracy and/or potential political instability. Lavish B&R finance (not well controlled) may even exacerbate local governance problems and corruption (Barisitz and Radzyner 2017a, p. 13).

Frequent *Chinese dominance* in projects (from overall finance via contractors[5] to Chinese workers and even materials supplied) and possibly limited regard for local conditions may give rise to concern. Instances of popular resistance to Chinese investment have been recorded in some Central Asian countries, namely Kazakhstan, Kyrgyzia and Uzbekistan (i.a.in connection with large-scale Chinese agribusiness investments and/or alleged disadvantaging of indigenous workers), but also elsewhere, e.g. in Pakistan, Myanmar and Kenya. Chinese credit offers may not provide for competitive tenders, which is why in some cases in CESEE EU member countries such offers have run into difficulties with the EU Commission (see below).

Given the economic size of some infrastructural projects, Chinese B&R loans may push smaller countries into a "*debt trap*" or an unsustainable debt situation (Hurley et al. 2018, pp. 19–20). Eventually this may result in a "debt-lease swap" or a similar transaction between the host country and the Chinese creditor; while such a deal somewhat alleviates the debt burden, it may allow the Chinese side to take control of possibly strategic assets. However, according to a recent study (Kratz et al.

[4]However, any resounding success of the yuan oil futures exchange would still be hampered by continuing Chinese capital controls.

[5]According to the Center for Strategic and International Studies (CSIS) in Washington DC, of 2200 BRI projects examined by the CSIS, only 3.4% went to non-Chinese contractors (Breinbauer 2018).

2019, pp. 1–3), actual asset seizures happen rarely. Small economies lacking substantial liquidity often struggle to tap international capital markets, Western banks or multinationals for cash, which can leave such countries with (almost) no choice but to turn to Beijing for assistance (see examples of Sri Lanka, Maldives, Mongolia, Laos, Djibouti and Montenegro). In some cases, after changes of government, a few rather expensive projects were suspended because host country authorities became concerned by the danger of falling into such a "debt trap" or simply being exposed to excessive Chinese influence. Most recently (2018–2019), three relatively large countries—Malaysia, Myanmar and Pakistan—downsized some B&R projects (Frankopan 2018, pp. 166–167).

Possible fallout from heightened *geopolitical tensions* and rivalry, e.g. in the South China Sea or in the East China Sea, or a flare-up of geopolitical competition with other powers (e.g. in South Asia) could also affect Belt and Road projects (Barisitz and Radzyner 2017a, p. 14). On a more positive note, as infrastructure projects get completed, and transport and communication links strengthen, Chinese private companies may also become more active along Belt and Road corridors.

Constituent Economic Corridors

Belt and Road economic corridors or infrastructural trajectories can be grouped (as mentioned above) into those of the Silk Road Economic Belt (SREB, predominantly overland) and those of the 21st Century Maritime Silk Road (MSR, mostly seaborne):

- Overland economic corridors (Fig. 5.1):
  - New Eurasian Land Bridge (Xinjiang-Kazakhstan-Russia-Europe)
  - China-Mongolia-Russia
  - China-Central Asia-West Asia: gateway for oil and natural gas deliveries to China
  - China-Pakistan (CPEC): *first alternative* (to Strait of Malacca) energy supply route
  - Bangladesh-China-India-Myanmar
  - China-Indochina Peninsula
- MSR envisages following connections:
  - China-Myanmar-Indian Ocean-Middle East (or simply CMEC): in reverse direction, this is *second alternative* (to Strait of Malacca) energy supply route (and, thanks to Trans-Myanmar pipelines, is apparently capable of cutting China's oil transit dependence on the vulnerable strait by 20%).

    Moreover, accessing energy in Russia and Central Asia is at least partly also a hedge against possible geopolitical pressures and tensions elsewhere.
  - China-South China Sea-Strait of Malacca-Indian Ocean: This is the traditional maritime route that carries the lion's share of East-West trade. From the Indian Ocean it branches out in western direction either to the Middle East/Persian

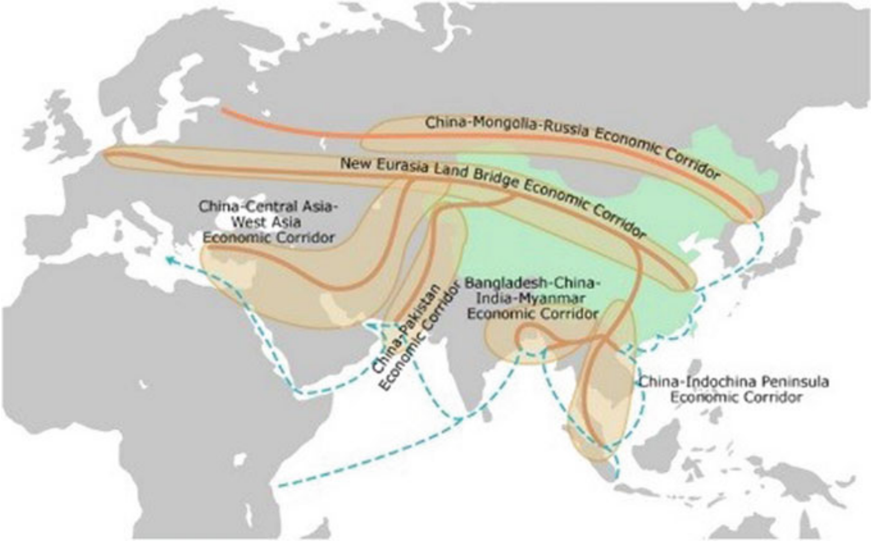

Fig. 5.1 The Belt and Road initiative: Six Economic Corridors Spanning Asia, Europe and Africa. *Source* China Trade Research (Hong Kong Trade Development Council/HKTDC)

Gulf or to East Africa or via the Red Sea and the Suez Canal to Europe. Its last (terrestrial) extension from Greece (Piraeus) via the Western Balkans (Belgrade) to Central Europe (Budapest) is called “Land-Sea Express Route” (LSER).

A geopolitical advantage of the B&R system is that not all economic corridors are topographically precisely determined, so that various countries and economic locations—within certain limits—may be persuaded to compete for Chinese infrastructural investment projects, which is likely to dampen project costs for investors and to somewhat enhance the latter’s regional influence.

The Silk Road Economic Belt: Trans-Eurasian Overland Connectivity Regaining Some Ground

Given that maritime container transportation is substantially cheaper over long distances than transcontinental rail or road conveyance, the most part (between around 60% in value terms and 90% in weight terms) of long-distance trade over the B&R is likely to remain seaborne. However, according to expert estimates (Schramm and Zhang 2018, pp. 779–780; Hillman 2018), rail transportation has been gaining some ground in recent years: From 2006 to 2017, the transit time for container deliveries from China to Europe on ships reportedly increased from 28 to 33 days (due to efforts to cut fuel costs and stipulations to use cleaner fuels), while in the same period, transit time on trains was more than halved from 37 to 16 days, and transit time on airplanes remained unchanged at about 5 days (in all cases including customs and administrative procedures). From 2006 to 2017, transit costs China-Europe on ships declined from USD 2500 to USD 2000 per container, transit costs on trains correspondingly shrank from USD 7000 to USD 6000, and transit costs on airplanes are recorded to have increased from USD 24500 to USD 32500 (possibly also linked to fuel costs). Still, in overall terms, rail transportation gains are relatively modest: In value terms, the share of rail in China-Europe trade grew from 0.5% in 2006 to 2.1% in 2016,[6] while respective shares of maritime and air conveyance remained at around two thirds and one quarter, respectively.

Eurasian rail connectivity has been gaining (modest) ground because of political stabilization and economic reforms in transit countries in recent decades, which have contributed to a degree of structural catching up. Some integration measures linking Eurasian landlocked economies in recent years, including the establishment of the Eurasian Economic Union (EAEU) and the harmonization of border/customs procedures among key countries between China and Europe (namely Russia, Kazakhstan, Belarus) also helped. Given that extensive parts of Eurasian East-West rail connections are electrified, they appear to have been under less pressure from fuel price rises in recent years than other modes of transportation. Electrified rail transportation is arguably also more environmentally friendly. Another substantial element that has supported the upswing of trans-Eurasian rail transport are Chinese subsidies of around USD 1000–5000 per transported container (which corresponds to about 20–50% of entire freight costs). These freight subsidies are mostly paid by rivaling provincial authorities, with the goal of attracting NSR traffic and investment into their respective jurisdictions. The freight subsides may or may not be phased out over the next five to ten years. Their total cost in 2012–17 is estimated at around USD 1 bn.

Another point related to structural change in the Middle Kingdom: After moving production in China further inland to regions with lower wage levels than the developed coastal areas, e.g. to the province of Sichuan (Chongqing, Chengdu), Chinese and foreign corporations (e.g. Hewlett Packard) started to ship their goods directly by rail to Europe, instead of shipping them first over 1500 km back east to China's coastal ports before reloading them on ships and transporting them thousands of kms south, then west. Thus, a profitable niche or middle option for long-haul Trans-Eurasian rail conveyance of high value-added products (computers, smartphones, other high-tech equipment, car parts, high-end fashion garments, pharmaceuticals etc.) and/or time-sensitive goods (like certain flowers, wine, whiskey, top cheese or chocolate) seems to have emerged.[7] One of the rail connections filling out this niche

[6]In the five years from 2012 to 2017, the freight turnover of trans-Eurasian rail connectivity is estimated to have expanded (from a humble point of departure) by an average annual growth rate of at least 50%.

[7]Kazakh and Chinese authorities aim to raise the share of East-West rail transportation to about 5–10% of the market in the long term (Sommer 2019, p. 238). On the other hand, the hitherto stormy growth of this mode of conveyance could be dampened by the (gradual) removal of Chinese subsidies.

is the Trans-Eurasia Express, whose freight turnover has multiplied since 2012, if from a low point of departure (see next section).

Some Examples of Belt and Road Projects Aimed at Boosting Connectivity with Europe

The *Trans-Eurasia Express (TEE, incl. high-speed rail link Moscow-Kazan*)stretches over a 9500 km trajectory along the New Eurasian Land Bridge from Chongqing or Chengdu/China via Astana/Kazakhstan and Moscow/Russia to Duisburg/Germany, and can be seen as a "backbone" of East-West rail connectivity, sometimes also dubbed "caravan of steel camels" (Fig. 5.2).[8] Run by state-owned railway companies, it is mostly modernized by public investments. In April 2018, the first Rail Cargo Group (ÖBB, Austrian Federal Railways) train went from Chengdu to Vienna in 15 days. Estimated costs of the planned high-speed rail section Moscow-Kazan (covering 770 km of the entire route) come to USD 15 bn, about half of which are pledged by the China Development Bank and other Chinese financial institutions. Siemens and Deutsche Bahn have also committed to investments. In January 2019, the Russian authorities gave their approval for construction of the first subsection of the rail link from Moscow to Nizhny Novgorod (covering about half of the distance to Kazan). The Trans-Eurasia Express directly extends into the North-Sea Baltic Corridor of the EU Trans-European Transport Network (TEN-T).

While TEE's freight turnover has developed dynamically in recent years, lingering problems relate to (a) border clearance, particularly at the Belarusian-Polish border at Brest/Malaszewicze (about 95% of trains running from China to Europe pass through this change-of-gauge station at the EU/EAEU border, a key chokepoint, where there is substantial potential for efficiency increases),[9] (b) discrepancies of regulatory requirements (e.g. length of container trains, electrification, axle load, standardization of shipping documents and technical regulations), and (c) Russian countersanctions against the EU, which have rendered overland deliveries of coveted European luxury food to China very difficult or expensive, as a result of which about one third of containers return empty to China.

Port of Piraeus/Greece: This port was purchased (majority stake of 67% for USD 800 mn) in 2016, enlarged and modernized by the China Ocean Shipping Corporation (COSCO), the world's third-largest container-shipping company. Modern maritime shipping from Shanghai to Piraeus is much shorter (about 22 days according to experts) than from Shanghai to Rotterdam or Hamburg (30–32 days), which reduces costs. COSCO doubled the terminal's capacity and i.a. set up an oil refueling pier. Total connected investments are estimated to have reached up to USD 5 bn (Fardella

[8]Of course, Russia's Trans-Siberian railroad, whose western section is identical to that of the TEE, plays a key role too.

[9]Bottlenecks and waits have been somewhat attenuated by the opening up of alternate routes (e.g. via Kaliningrad since 2017).

Fig. 5.2 Some major New Silk Road projects: a spatial overview. *Source* Author's compilation, technical cartographic expertise of Florian Partl

and Prodi 2018, p. 9). Before the Chinese corporation became involved, container flow through Piraeus Port was only 1.5 mn TEUs[10] per year, in 2017 container flow had increased to 4.2 mn TEUs. In recent years, the Port of Piraeus has become

[10]TEU = Twenty-Foot Equivalent Unit (the unit of capacity of a container ship). Modern container ships have a capacity of up 20000 TEUs.

the largest container terminal for ships entering the Mediterranean Sea by the Suez Canal (Figs. 5.2 and 5.3).

According to a joint statement by the foreign ministers of Greece and China, Piraeus Port's global ranking in terms of capacity has swiftly climbed from 93rd in 2010 to the 36th in 2017. And Piraeus is expected to move even higher in the ranking in 2019 with the completion of Pier III that should once again (almost) double the port's capacity. In the framework of Belt and Road rhetoric, Piraeus is being called the new "bridge between Asia and Europe" (Boisseau du Rocher and Dubois de Prisque 2019, p. 72). That said, with as yet 16–18 freight trains per week reportedly leaving Piraeus in the direction of South-eastern and Central Europe, there is major potential for catching up with these lofty aspirations.

High-speed rail link Belgrade-Budapest: This connection (length: 350 km, total estimated cost: EUR 4.0 bn) is part of the planned high-speed rail trajectory Athens-Budapest which is to extend the MSR as the Land-Sea Express Route (LSER) from the Mediterranean to the heart of Europe (Figs. 5.2 and 5.3) (Barisitz and Radzyner 2017b, p. 75). This trajectory also corresponds the Orient-East Med Corridor of the EU TEN-T. The modernization of the Hungarian part of the rail link was originally planned by a Chinese-Hungarian joint venture (majority Chinese-owned) and to be financed by a loan of the China Eximbank. However, given that EU competition and procurement rules were not respected, the EU Commission intervened in September 2017, demanding that the organizers carry out a competitive tender. This apparently happened the following year; yet, the maximum project cost fixed by the Hungarian authorities (EUR 1.79 bn) was substantially exceeded by the cheapest offer, which prompted the authorities to cancel the tender in December 2018 and launch a new one for the modernization of the Hungarian section. If this new tender finally goes well, the actual construction work will only start in 2020.

At the same time, preparations and work on the Serbian section seem to be proceeding quicker—without a competitive tender that would correspond to European requirements.[11] Most of the construction is being carried out by China Railways International (CREC) and China Communications Construction Corporation (CCCC). Total costs of the Serbian part are estimated at EUR 2.2 bn, again largely financed by the China Eximbank. A smaller part of the section is built by the Russian State Railways (RZD) and financed by a Russian loan of EUR 700 mn. In 2018, Chinese firms also agreed to set up a video surveillance system for the Serbian transportation sector and to build a beltway around Belgrade as well as an industrial park near the Serbian capital.

Motorway Bar-Belgrade: This project seeks to connect the Montenegrin Adriatic port of Bar via the border town of Boljare to the Serbian capital, it is proposed as an important south-western linkup to the LSER (Piraeus-Budapest) (Fig. 5.3). The Bar-Belgrade branch also constitutes a side arm of the Trans-European Corridor Orient-East Med. Another advantage would be that less developed mountainous north-eastern regions of Montenegro could become more accessible. The total cost

[11] These requirements do not apply to Serbia of course, given that this country is not member of the EU.

for the Montenegrin section comes to around EUR 740 mn, of which EUR 640 mn are financed by a China Eximbank loan. Construction started in 2015. However, according to an assessment of the IMF, the Eximbank loan has increased Montenegro's government debt by about 15 percentage points of GDP to 75% of GDP, which endangers the country's debt sustainability. In 2017 talks between Serbia and China on financing the section Boljare-Belgrade were still going on; in 2018 Serbia signed an Memorandum of Understanding with the China Road and Bridge Corporation (CRBC) for the construction of the first part of the Serbian section of the highway starting at Boljare. To ensure ready access to steel necessary for building the highway as well as for projects in Belgrade (see above), the Chinese company He Steel (Asia's largest steel producer) in 2016 acquired the renowned Serbian foundry Železara Smederevo.

Northeast Passage or "Polar Silk Road": Climate change and melting polar ice caps are likely to gradually increase the commercial viability of Arctic shipping between Europe and China. In July 2017, during a visit of the Chinese president to Russia the two countries agreed to cooperate in the development of the Northeast Passage (in Russia also called the "Northern Sea Route", running from Europe along Eurasia's north coast from the North Cape via the Bering Strait to East Asia) (Fig. 5.2), and China "incorporated" this maritime route into the BRI: the Northeast Passage is 25–35% shorter than the conventional East-West searoute via the Strait of Malacca and the Suez Canal, and is pirate-free, though not ice-free. As of December 2018, China's Ministry of Industry and Information Technology (MIIT) and China Telecom are collaborating with Norwegian, Finnish, Russian and Japanese partners in constructing a 10,500 km fiber-optic maritime cable link across the Arctic circle. COSCO (the China Ocean Shipping Corporation) has meanwhile become the first shipping operator to include the Northeast Passage in its transportation network as regular route (although for the time being of low frequency).

Liquified Natural Gas (LNG) has been shipped from 2017 from the Yamal LNG Plant, a major B&R project (total Chinese investment about USD 12 bn) in the West Siberian Arctic, along the Northeast Passage to Europe and Asia. In August 2018, five Chinese ships, led by Russian ice breakers, made the Polar Silk Road journey from Yamal to China in less than 50% of the time it would have taken via Gibraltar and the Suez Canal. Among Chinese polar B&R investments planned in north-eastern European Russia are the development of an Arctic deep-water port in Arkhangelsk and of a new railroad (called Belkomur) to transport natural resources from the Urals to Arkhangelsk. The China Eximbank has committed to providing loans to support these projects (Fig. 5.3).

Possible Implications for Europe

According to expert estimates (Herrero and Xu 2016, using gravity models), the Belt and Road Initiative could increase global trade of the EU by up to 6%, of Italy by up to 7%, and of Austria by up to 9%. This is particularly the case if trans-Eurasian

Fig. 5.3 Some major New Silk Road projects: a spatial overview (close-up). *Source* Author's compilation, technical cartographic expertise of Florian Partl

rail corridors are further modernized (container transportation). According to data of the China Global Investment Tracker (Heritage Foundation), B&R investment (measured by Chinese investment and construction contracts in transportation and energy sectors, which may be taken as a statistical approximation of NSR project expenditures) is strongest in (a) relatively large neighbors of the Middle Kingdom (like Pakistan, Kazakhstan, Russia, Bangladesh, Malaysia) and (b) strategically-situated smaller countries (incl. Djibouti, Kyrgyz Republic, Laos, Kenya, Montenegro).

The most important European B&R project countries (gauged by the ratio of respective Chinese investments to GDP) are situated in Central and South-eastern Europe (e.g. Serbia, Montenegro, Hungary). Favorable Chinese financial offers and unbureaucratic project management may provide welcome complements or additions to sometimes rather unwieldy and complicated EU programs, however the issue of debt sustainability would seem important. Moreover, some countries, like those of the Western Balkans (incl. Serbia and Montenegro) do not have access to EU structural funds as long as they are not EU members. Thus, the attractiveness of EU programs in South-eastern Europe may partly come under pressure by Chinese "investment competition".

On the other hand, Chinese partners often dominate B&R projects not only in financial, also in logistical terms. EU and possibly even national standards or regulations are not always respected in B&R projects (Barisitz and Radzyner 2017b,

p. 74, p. 79). One flagship undertaking, the Belgrade-Budapest high speed rail link, was partially suspended (in late 2017) due to non-observance of EU competition rules (see previous subsection). There is also the danger that local corruption could be fueled by loosely-controlled financial injections, and countries could slide into a "debt trap". At the same time, actual asset seizures are reported to be rare. China is often accused, particularly by Western Europeans, of willing to split the EU. In this connection, however, it is important to note regional structural characteristics: Western Europe is a source of coveted technology and R&D capacities, the entire European Union is a highly appreciated market, Central and Eastern Europe provides a logistical door of direct access to the EU. Central and Eastern Europe boasts well-educated and relatively cheap labor and major infrastructural catching-up potential. Both sub-regions are linked to each other by industrial value chains. Both sub-regions' interests regarding Chinese investors are therefore not fully homogeneous or congruent and the formation of a united EU position vis-a-vis China is somewhat hampered by these structural differences.

Misunderstandings could possibly be overcome by more strongly resorting to the EU-China Connectivity Platform (which exists since 2015) and by jointly planning, financing and carrying out some major projects along the Trans-European corridors which would obviously create synergies between the B&R and EU connectivity policies. More inclusion of European private sector firms in B&R activity would also help. A framework agreement on the establishment of the China-EU Co-Investment Fund of EUR 500 mn was signed at the EU-China summit in July 2018. The endeavor is financed by the SRF and the European Investment Fund (EIF). Of course, this would only appear as a modest beginning.

In the long term, South-eastern Europe may come to lie on or near a global trade artery to Asia—with advantages and drawbacks. Fully-fledged participation in the New Silk Road (if salient connectivity projects are realized) may contribute to overcoming the region's traditionally peripheral economic position in Europe. Austria, being a connecting link of core Europe to the south-east of our continent, may be one of the first to profit from such an upswing.

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The Belt and Road Initiative: How to Bring Inclusive Development to Countries in Eurasia?

Maksim Vilisov

Introduction

The Belt and Road Initiative (BRI) has proved to be an unprecedented challenge in different aspects.

The first is a political, or even geo-political aspect. The initiative caused huge debates within Chinese intellectual and political elite circles. The decision, made by Xi Jinping, demonstrated not only his robust personal influence and political power (Denisov 2016), but also the beginning of a new era in Chinese foreign policy. Later this new approach was manifested in 2017 at Davos, with the globalisation defense speech (Jinping 2017).

The second is an economic aspect. This is the most controversial part. Numerous experts and politicians argue that the politics in this initiative are taking precedence over the economics (Gabuev and Zuenko 2019; Likhacheva, Makarov and Pestich 2018; Izimov and Muratalieva 2018; Luzyanin 2016). Some experts argue that the absence of clear economic incentives and promising benefits demonstrates a long-term approach, which has become the main feature of Chinese domestic economic policy and, many think, the secret of its success (Mikhalev, Yakunin and Vilisov 2018).

The third aspect is social, and even broader, humanitarian. China offers its neighbouring countries a very clear and simple idea, which can be described using the concepts of "medium prosperity society" (Mikhalev, Yakunin and Vilisov 2018, p. 59) and the "community of common destiny" (Mikhalev, Yakunin and Vilisov 2018, pp. 75–76) and is formulated like this: "We [China] did it [jumped from developing country to the world leading economy; from poverty to huge domestic consumer market; from world factory to world tech-giants, building advanced 5G infrastructure in developed countries] and we can do it with you" (p. 59). This message can be

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considered ideological, if one can find ideology in the idea of an attractive development model for developing countries, which were considered "third world" counties during the cold war and have become neither winners nor losers since it ended. Given all the post-cold-war history of the West and post-communist and post-Soviet countries, with all their crises, including the 2008 world financial crisis and 2014 Western-Russian tensions, China can be considered the real winner of this period. This achievement may have given it the right to be the example, the model and the mentor for developing countries, and even broader—for all who haven't yet achieved success in the years since the end of the competition between the two main ideologies of the second half of the 20th century. Although China tries to be ideologically neutral in foreign policy and international relations, this message reflects Chinese ideology, which now cannot be considered Marxism or even pure Maoism, and involves strict political order, a relatively free market economy and high autonomy of regional public administration. However, these features, which can be considered inclusive development regarding domestic policy, are unlikely to be expected in Chinese international cooperation, although the BRI declares similar principles.

Given all the listed aspects, the BRI becomes an interesting intellectual challenge that forces us to seek answers in fields that have not been examined for decades. The most interesting thing will be to compare how these aspects of the BRI correspond to the same aspects in the other countries—potential participants of the BRI.

In this chapter we will focus on the states that can be called "core Eurasian" or "the most Eurasian"—the former Soviet Union countries, particularly Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Estonia. Now, almost 30 years after the collapse of the Soviet Union, they all represent different ways and approaches to development, and this diversity will let us explore a vast variety of possible ways to respond to the Chinese Belt and Road Initiative, either on a national or a regional level.

Political Dimension

Although Chinese leaders reject any comparisons between the BRI and the Marshall Plan (Mikhalev, Yakunin and Vilisov 2018), most experts consider this initiative to have a political, or even geo-political background. However, the focus of this paper is to examine the political context and aspect of mutual and multilateral relations rather than to examine this broad discussion.

The Former Soviet Union (FSU) countries are a very complex subject for examination. Given their relatively young history of existing as sovereign states, and some specific features of political regimes, which mostly are considered consolidated authoritarian according to international rankings (Confronting Illiberalism 2018), national sovereignty can be considered one of the main political values for existing political elites (with the exception of Baltic countries, which actually "shifted from one union to another" in their post-soviet transition (Vorotnikov 2016, p. 20).

This feature makes the regimes sensitive to any integrational initiatives, especially when they involve sharing national sovereignty with international (intergovernmental) institutions. This position can be illustrated by the participation of Kazakhstan and Belarus in the Eurasian Economic Union (EEU), which is defined by those countries only as an economic integration without any political context (Nemensky 2016; Nauchnyi Expert 2016b). Although any economic integration is impossible without intergovernmental coordination and some international bodies (which currently exist and act successfully), the partners in the EEU totally refuse to act jointly in the political and geo-political field, especially in favour of Russia. This position was clearly demonstrated during Russian-Western tensions since 2014.

Such an approach is not surprising and reflects the so-called "multi-vector" approach in foreign policy (Laumulin 2016; Nauchnyi Expert 2016b; Mamedov 2015), which has been exercised by political regimes of almost all the FSU countries. The main reason for the popularity of this approach is the will to deter geo-political influence, mainly from Russia, which is often accused of having "imperial ambitions". Therefore, Russian influence is to be balanced by other great powers, previously mainly by the EU (which becomes the most attractive alternative for Eastern European countries, such as Moldova, Ukraine, Belarus, Georgia and Armenia, that were involved in the EU "Eastern Partnership" initiative), the USA (through military and security cooperation), and—later—by China. Actually, all the post-Soviet countries try to compensate for their geo-political imbalance in order not to depend on some of the great powers. This balancing is a game that becomes risky when the political regime is unstable and political institutions are weak, because opposing foreign interest may split political elites and society, like in Ukraine in 2013, when the need to choose between the EU and EEU caused severe political conflict. For the FSU, internal political instability is mainly caused by low consolidation of power, with an alternative usually described as a consolidated autocracy. However, FSU countries with consolidated democracy (see Table 6.1) are also stable in terms of geo-political choice, but this stability is provided mainly by their total integration into the EU, which means an absence of geo-political choice and lack of sovereignty as that is partly transferred to EU structures. Anyway, we can suppose that despite the method of consolidation of power (whether by authoritarian tendencies or by effective democratic political institutions), the consolidation itself makes international relations more coherent and thus more effective for the country in terms of the stability of the implementation of national interests. This mechanism works by

Table 6.1 Post-Soviet political regimes typology by freedom house

Regime typology	Country
Consolidated democracy	Lithuania, Latvia, Estonia
Transitional government or hybrid regime	Georgia, Moldova, Ukraine
Semi-consolidated authoritarian regime	Armenia
Consolidated authoritarian regimes	Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, Uzbekistan

avoiding foreign interference into the internal political process, which restricts the ability of any one political group to act in favour of a geo-political partners against consolidated national interests.

This mechanism also works at the regional level of these countries. Most of them are relatively small, like Armenia, Georgia, Baltic countries, Kyrgyzstan and Turkmenia with their populations far under 10 million people; most of them (excluding Baltic countries) have an underdeveloped consumer market; and some of them (South-Caucasus and Baltic countries) have a high concentration of population and economy in their capitals. Given that none of the FSU countries (with the exception of Russia) is a federation, and most of them have consolidated political regimes, their regions have little space for independent international economic policy as everything is concentrated in the hands of central authorities, although there is some evidence of using "de-concentration" and "de-centralisation" approaches in Kazakhstan (Laumulin 2016). In Russia, despite the constitutional status for regions ("subjects of the federation"), regional authorities do not have enough opportunities to participate in international initiatives like the BRI: neither have they economic potential, nor institutional capabilities. The main actors in this field are federal ministries and state companies—they are responsible for the development of the main federal programmes, including those that aimed to develop the "conjunction of BRI and EEU"—the format of cooperation between the BRI and EEU that was jointly declared by Chinese and Russian leaders.

How does all of this affect BRI perspectives? It is believed that China promotes its geo-political interests through this initiative, therefore the potential partners will act according to the rules of chinese geo-political strategies. According to the above description, it is possible to put the political strategies of the FSU within the BRI into the following categories:

- P1. The strategy for the countries with relatively high geo-political potential and highly consolidated political power (only Russia matches these criteria at the moment): those countries can provide more or less equal relations with China, where success will depend on personal relations between the leaders and will not always convert into real economic projects due to political uncertainty or lack of mutual interests.
- P2. The strategy for countries with medium geo-political potential, highly consolidated political power, a low level of political institutions development (Kazakhstan, Uzbekistan): those countries can provide certain dynamics within the BRI if the projects help promote some defined political goals, whether in domestic or foreign policy.
- P3. The strategy for countries with medium geo-political potential, low consolidation of political power, weak political institutions (Ukraine): those countries are unable to promote any projects due to their political uncertainty.
- P4. The strategy for countries with low geo-political potential, high consolidation of political power, weak political institutions (Azerbaijan, Belarus, Turkmenistan, Tajikistan): those countries can provide certain dynamics if the projects help to promote certain political goals, whether in domestic or foreign policy; but there

is a high risk of unfair economic conditions due to an imbalance in political and economic potential and a low possibility of political institutions with the ability to affect the decision-making and avoid corruption and state-capture; there is also the possibility of withstanding the pressure of a stronger partner (e.g. with the "multi-vector" approach).

- P5. The strategy for countries with low geo-political potential, low consolidation of political power, strong political institutions (Baltic states, Georgia): there is a possibility to promote mutually beneficial projects as well as to withstand the pressure of stronger partner by appealing to European and Western partners.
- P6. The strategy for countries with low geo-political potential, low consolidation of political power, weak political institutions (Armenia, Moldova, Kyrgyzstan): there is a high risk of corruption, state capture, a shadow economy and unfair economic projects.

This brief summary allows us to make some preliminary conclusions. Obviously, P1–P2 strategies can provide a pro-active approach for FSU countries towards the BRI, where countries not only can feel free in choosing the projects and formats of their development within the BRI, but may also declare and launch their own regional and even global initiatives, like "Bright Way" in Kazakhstan (Mikhalev, Yakunin and Vilisov 2018) and "Greater Eurasia" in Russia (Karaganov 2018). A P3 strategy essentially excludes a country from BRI perspectives. P4–P6 strategies require permanent or temporary alliances for implementation.

Economic Dimension

The economic dimension has been declared as the basis for the BRI. For the FSU the very idea of using Chinese experience and models for developing countries doesn't always seem appropriate. Unlike China and developing countries, after the Soviet Union collapse the FSU states experienced an uneasy economic transition from a previously integrated and sophisticated socialist economic system towards their current state. Most of the countries lost their production capacities, simplified their economic structure and changed trade partners (Vardomsky 2012; Nauchnyi Expert 2016a). Former common economic systems meant a common utilisation of energy, infrastructure, natural resources and production facilities. After the dissolution of the Soviet Union some supply and production chains appeared to be divided by state borders. Energy and natural resources were highly valued on the new global market, unlike the industrial products of the post-Soviet economies. Former union republics with rich energy and natural resources, making them more competitive than their neighbours, immediately took on new trade partners.

This divided FSU countries into two main groups: energy exporters and energy importers (Vardomsky 2012).

The former were experiencing growth, as well as the "resource curse", which shaped not only their economic structure, but politics as well. Understanding these threats, some of them are trying to diversify their economies and to strengthen their institutions, especially in the economic field, in order to attract investment (Vardomsky 2012).

The latter experienced stagnation and decline. Most of them experienced a dramatic contraction of the economy with the loss of entire industries and sectors (Vardomsky 2012). Some of them tried to solve the problem of energy imports by lowering Russian oil and gas prices (Vardomsky 2012); some conducted reforms and strengthened economic institutions (Doing Business 2019) in order to attract investment and create new production facilities and sectors of economy (Vardomsky 2012).

Unlike China and the developing countries of Asia, all the FSU states missed the period of impressive economic growth in the 1990s, based on globalisation effects. Moreover, those countries now have a relatively low level of global connectedness (Altman, Ghemawat and Bastian 2018) that still doesn't allow them to use the advantages of globalisation, even though Russia made some attempt to create its own "belt of development" initiative (Yakunin 2014). Therefore, they have reasons to consider the BRI as a new opportunity, or as a threat to the conservation of their current state in the global economy and the current trends of their economic development—the results will depend on their strategy for BRI participation. Only Russia has declared that the BRI may become a driver for its regional development, especially for Asiatic regions (Lukin and Yakunin 2018), although its practice has not proved yet that this is not merely a declaration. For other countries, for different reasons, cooperation within the BRI scope is seen as safe and more fruitful on a central rather than on a regional level.

Given the current economic state of the FSU countries, different economic strategies towards the BRI could be classified in following way:

- E1. Energy importers with strong investment potential and strong institutions (Baltic countries, Belarus, Georgia): ready to attract investment from China on a competitive basis, which gives them better negotiation positions.
- E2. Energy importers with strong investment potential and weak institutions (Ukraine): have to attract investment only on the conditions of the investor, and this is unlikely to be China due to political tensions around Ukraine.
- E3. Energy importers with weak investment potential and weak institutions (Armenia, Kyrgyzstan, Moldova, Tajikistan): those countries are seeking any investment and are ready even for unfair conditions.
- E4. Energy exporters with strong investment potential and strong institutions (Azerbaijan, Kazakhstan, Russia) ready to attract investment from China on a competitive basis, which gives them a better negotiating position.
- E5. Energy exporters with strong investment potential and weak institutions (Turkmenistan, Uzbekistan): may persist on their own conditions and act voluntarily towards the investors, which makes the investments unattractive due to political uncertainty.

Actually, this classification allows the prediction of some general strategies and points of mutual interest between FSU countries and China within the BRI framework. The most interesting research outcomes can be found using a combination of political and economic strategies.

Conclusion

The above overview and classification provide a general understanding of the variety of models and strategies that can be implicated in different projects within the framework of the BRI. No less interesting is the possible combination of strategies. For example, strategy E3 is common for Azerbaijan, Kazakhstan and Russia, while they follow totally different strategies in the political field (P4, P2, P1 respectively). What are the chances that they unite their efforts in order to achieve better negotiating positions in some projects with China within the BRI? The answer, which may look obvious from an economic perspective, is not as simple in terms of politics and may look negative according to the description of P4, P2 and P1 models.

But what if another political strategy were possible? The outline of this strategy was drawn up in 2015, when the agreement between Russia and China on "linking" or "conjugation" (Luzyanin 2016) of the EEU and BRI was achieved. It was a generous and wise gesture by the Chinese leader in a situation of political uncertainty for Russia during the period of Western-Russian sanctions. Not only did it provide the opportunity to involve Russia in the BRI, but also indicated a new track for BRI development towards institution-building. The creation of institutions, which could provide the matching of interests, could lower the influence of political factors and create the possibilities of new political and economic strategies which could prove to be less controversial and more inclusive than those currently on offer.

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Reconfigurations in Central Asia: Challenges, Opportunities and Risks of China's Belt and Road Initiative

Matthias Schmidt

Introduction

China's "Belt and Road Initiative" (BRI) has the potential to transform the global socioeconomic and geopolitical landscape through large infrastructure projects, including railway lines, highways, ports and pipelines, as well as through trade and investment agreements. The neighbouring region to the west, Central Asia, has already experienced the increasing influence of the superpower China, not only through infrastructure projects and trade relations, but also by growing political interrelationships and financial dependencies. The term "Silk Road" is the main element involved in marketing BRI, and it draws a line from the famous ancient connection network that stands for the transcontinental exchange of goods, people and ideas, to today's idea of trans-boundary exchange and communication in times of globalisation. Since Central Asia was a key region of the ancient Silk Road and forms the gateway to the land-based Silk Road Economic Belt (SREB), consequently it is important to shed light on current developments in this important region (see also Laruelle 2018; Kohli 2018). After examining the external influences on Central Asia, defined herein as the former Soviet republics Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, this paper focuses on China's engagement in Central Asia as well as the related challenges, hopes and risks prevalent in the region.

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History of External Influences on Central Asia

Central Asia, characterised by vast deserts and steppes, high mountains and a relatively low population density, has experienced various degrees of external influences from different directions during its history. For a long time, Central Asia has served as a bridge between East and West and can be seen as a core region on the ancient Silk Road (Barisitz 2017). For many centuries, several caravan routes that connected China with the Mediterranean served the exchange of goods, people and ideas and led to the emergence of important trading centres and prosperous cities such as Samarkand and Bukhara. Hence, inner-continental Central Asia experienced a golden age in the early Middle Ages as an important transit area.

With constant improvements in nautical and shipbuilding techniques, and the increasing importance of seafaring in modern times, the Silk Road lost its main function, resulting in a significant decrease in travelling salespersons and traded goods. With the rise of the European powers and their colonial ambitions based on their worldwide marine activity, China lost its undisputed hegemony in East Asia and had to open its borders to these states and their aggressive colonialism. Goods from East Asia were transported thereafter via sea to Europe, and consequently, Central Asia forfeited its strategic meaning as a connecting area.

Internal rivalries between nomadic tribes and feudal kingdoms characterised the region in the 17th and 18th centuries, until the Russian Empire became Eurasia's great power and expanded its territories towards Central Asia from the 18th century onwards. During the so-called "Great Game" in the 19th century, the British Empire and the Russian Empire fought for influence in Asia, resulting in the Anglo-Russian Convention of 1907, in which the spheres of influence were delimited and the borders between the Russian Empire and the buffer state Afghanistan solidified and which today form the southern borders of Turkmenistan, Uzbekistan and Tajikistan. Tsarist Russia explored, administered and exploited its new territories in Central Asia in a colonial manner (Schmidt 2013).

After the Socialist Revolution in 1917, the Russian policy towards Central Asia continued to some extent, though the idea of colonialism stood in stark contrast to socialist ideals, with the new Soviet rulers heavily criticising the Tsarist colonial rule. In fact, the central planning system, organised and controlled by Moscow, ran in parallel in many ways to classical colonial rule and cemented Russian dominance within the Soviet Union. The Soviet rulers divided Central Asia administratively into five Socialist Soviet Republics (SSRs): the Kazakh SSR, Kyrgyz SSR, Tajik SSR, Turkmen SSR and Uzbek SSR. While the borders between the Soviet Republics were mainly only for administrative purposes and not demarcated physically, the outer borders to China, Iran and Afghanistan were hermetically closed for several decades; there was no trans-border exchange, no trade, no traffic.

As a consequence, for more than a century, political, socioeconomic and cultural structures and processes in Central Asia were influenced by Russia or the Russian-dominated Soviet Union. The population of Central Asia was controlled by political decisions and directives emanating from Saint Petersburg during the Tsarist Empire or Moscow during the Soviet era, while it received goods and cultural stimuli from the European part of Russia. However, the end of the Cold War and the dissolution of the Soviet Union in 1991 changed the political landscape dramatically. The former Soviet Republics became independent states, resulting in two different effects on the borders: those between the former Soviet Republics became international borders and were gradually demarcated or even secured, while the borders to China, to Iran and to some degree to Afghanistan opened up for international exchange and trade.

Thereafter, the inhabitants of Central Asia were exposed to the forces of globalisation and are now part of global trade and communications networks. Today, "Western" lifestyles, technologies and expertise, Chinese clothes, electronics and foods, as well as an increased leaning towards Islam, influence daily routines significantly, while hundreds of thousands of labour migrants from Central Asia work and live abroad, mainly in Russia and Kazakhstan. This re-orientation of commodity flows, impulses and viewing directions is aided by a new force of a different quality and exceptional dimension—China's Belt and Road Initiative.

Changing Infrastructures and Trade Connections

Central Asia's key role within the BRI is its function as a transit region. In order to serve as a transit route within the BRI, however, it needs a functioning transport infrastructure. Here, rail logistics in the form of an "Iron Silk Road" play a key role. In the 1950s, the Soviet Union and China planned to connect their railroad system, but due to worsening political relations, construction works came to a halt in the 1960s, and they were only revitalised during the collapse of the Soviet Union. The first trains crossed the border between—what is now—Kazakhstan and Xinjiang (China) in 1991 (Anastasiadou 2017), thus providing the missing link in terms of a Europe-Asia land bridge. The railway lines linking China with Iran, Turkey and Russia are an important logistical alternative to sea routes for Chinese goods reaching European markets. Today, trains from Chongqing to Western Europe need only 16 days to complete the journey, whereas sea transport requires about five weeks, albeit the latter is a much cheaper option (Duarte 2018). Current problems facing rail transport are the different rail gauges—all former Soviet Republics use the broad 1,520 mm gauge track, while China, Iran, Turkey and Western Europe use the standard gauge 1,435 mm—and lengthy customs bureaucracy. At border stations between the systems, such as Dostyk or Khorgos, containers must be transhipped. However, it is likely that times and costs for rail transport will decrease in the future.

Chinese investments in Central Asia play an important role in improving the often damaged and under-developed infrastructure. In particular, Kyrgyzstan and Tajikistan, as the poorest of all post-Soviet Republics, are barely able to invest adequately in infrastructure. In Kyrgyzstan, for example, the inner land connections that gained in importance with the delimitation of international borders between the former Soviet Republics were mainly financed by investors from abroad. Today, Chinese companies invest in various roads crossing high mountain ranges or vast steppes, thereby revitalising the idea of a railway connection crossing the Tian Shan and connecting the densely populated Fergana Valley (Uzbekistan, Kyrgyzstan, Tajikistan) with Xinjiang (China). Furthermore, China supports the construction of hydroelectric power plants, the modernisation of electric transmission lines and the installation of high-voltage lines that shall enable the transfer of Central Asian electricity to Xinjiang (Duarte 2018). Certainly, infrastructure improvements could well serve as catalysts for economic development in Central Asia, but China's loans also contribute to serious debt problems.

Another consequence of open borders and China's economic engagement is the development of a completely reconfigured trading structure in Central Asia, the widespread distribution and consumption of Chinese products and the emergence of large container bazaars such as Dordoi, near Bishkek, Karasuu, near Osh, and Baracholka, near Almaty. In particular, Kyrgyzstan's markets have become major hubs for wholesale and retail trade transactions and for the redistribution of Chinese consumer goods in the region, due to low trade barriers, as Kyrgyzstan has been the only country in Central Asia to share World Trade Organization membership with China for several years. Markets and increasingly more households are becoming flooded with Chinese consumer goods, and it is currently estimated that up to 80% of finished goods in Kyrgyzstan's markets originate from China (Tian 2018). This trend seems not to have changed significantly, even though Kyrgyzstan joined the Eurasian Economic Union in 2015, which is connected with a facilitation of trade between its member states Russia, Kazakhstan, Belarus and Armenia, aligned with rising tariffs for Chinese goods. With the BRI, including the establishment of special economic zones (SEZs) and the expected further liberalisation of trade, Central Asia's role as a marketplace for Chinese goods will remain. The steadily increasing importance of China as a major trading partner for the Central Asian states is therefore stark when one looks at the rise of imports from China between 2000 and 2017, while imports from Russia significantly decreased within the same time frame (Fig. 7.1).

Opportunities and Risks for Central Asia

China's engagement in the BRI, its investments and economic dominance are met by Central Asia with both optimism and suspicion, the latter due to China's increasing (geo)political and economic influence.

Central Asia has major potential and offers valuable natural resources (Fig. 7.2) that are of particular interest for regions with a need for these resources, such as China and Europe. Kazakhstan, for instance, possesses significant reserves of oil (1.8% of the world's reserves) and Turkmenistan has large gas reserves (9.4% of global capacity), while Tajikistan and Kyrgyzstan have an enormous and yet only partly used hydroelectric power potential. Additionally, Kazakhstan hosts large uranium deposits, and important gold mines are located in Kyrgyzstan and Uzbekistan. Moreover, Kazakhstan is one of the four countries with the largest under- or unused agricultural land reserves in the world (Visser and Spoor 2011).

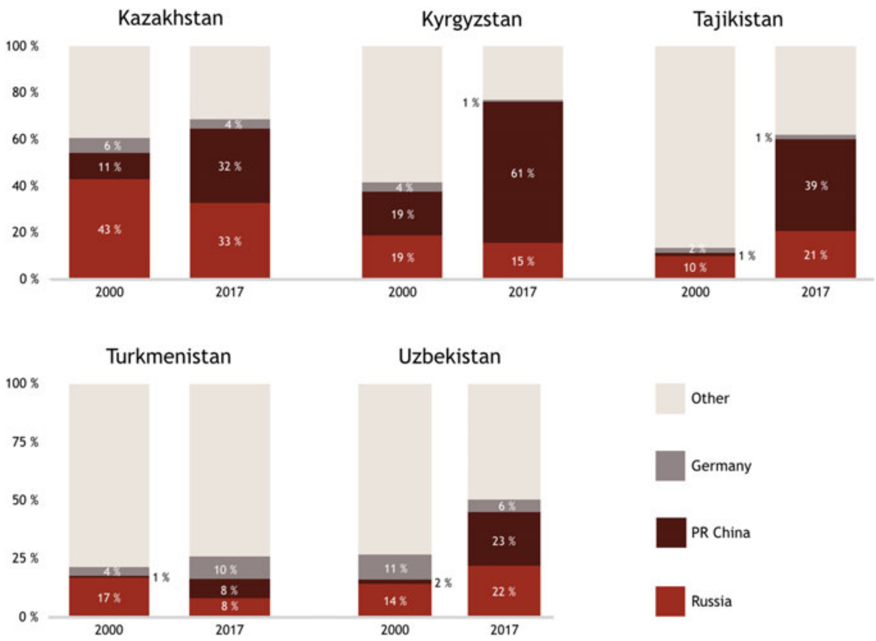

Fig. 7.1 Imports by selected countries in 2000 and 2017

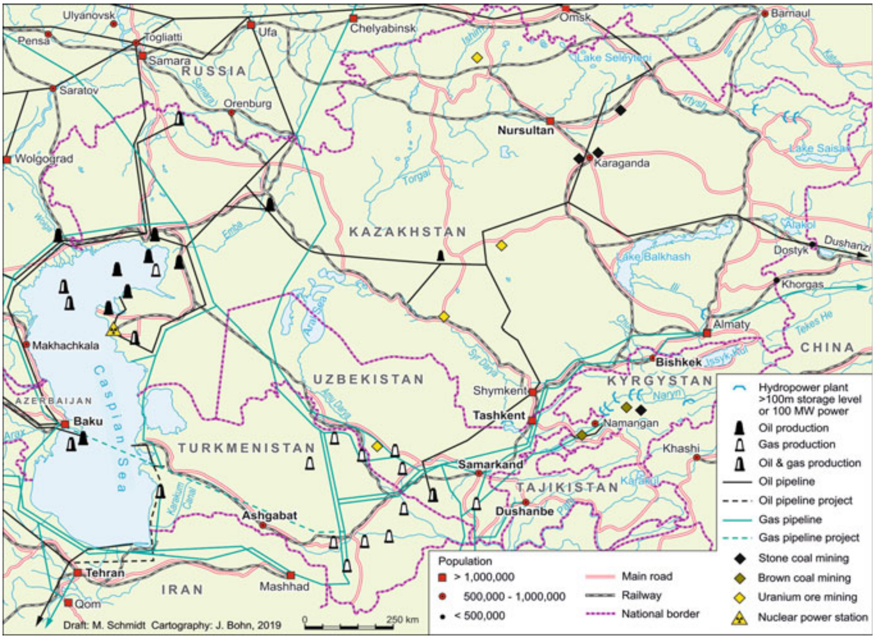

Fig. 7.2 Energy resources and pipelines in Central Asia *Source* Atlas of Economic Complexity 2019, http://atlas.cid.harvard.edu

These natural resources could form the basis for economic growth and contribute to significant foreign exchange revenues. Central Asia is and could be a major supplier of energy, especially in the oil and gas sectors, and it even has huge potential for regenerative energies (solar, wind and water). However, there are many obstacles to exploiting these resources, ranging from inadequate transport infrastructure and transferring energy (electric transmission lines, gas and oil pipelines), to insecure governments, payment difficulties and questionable energy politics (Dorian et al. 1999).

However, the BRI can be seen as a chance for Central Asia to export its energy resources to different markets, to Europe and to Asia (China, Iran), and thus to reduce its dependency on Russia for the export of fossil fuels, since all pipelines from the Soviet era cross Russia (Fig. 7.2). In particular, Turkmenistan has started to connect its gas fields via pipelines with Iran and China, whilst another pipeline is under construction that aims to transport gas to Pakistan (Heinrich 2017). Of Kazakhstan's three oil export pipelines, two lead currently towards the West, and only since 2011 one has connected the large oil fields of Atyrau on the Caspian Sea with China (Heinrich 2017). A gas pipeline from Kazakhstan to China is planned.

The growing influence of Chinese investments is remarkable. Many state-owned or private Chinese enterprises engage in the oil and gas sectors and other mining businesses, and it is estimated that up to 30% of all oil extraction in Kazakhstan is already controlled by China (Tian 2018). Moreover, China's activities and investments have two different effects on Central Asia: not only do they lead significantly to improved infrastructure and can stimulate economic development, but they also increase dependency on China. Lain (2018) sees a particular risk for Central Asia in such an "over-dependence" as an exporter of raw materials and as a buyer of commodities, as is already the case for Turkmenistan, because China is the only importer of Turkmen gas since Russia stopped gas imports from the country in 2016. The pipelines connecting China and Turkmenistan were financed by Chinese loans, so Turkmenistan currently does not earn hard currency for the gas exports; instead, the exports themselves are repayments in kind (Lain 2018).

Chinese investments raise the risk of debt distress in borrower countries, in particular in Kyrgyzstan and Tajikistan, and they could lead to a long-term indebtedness and more dependency on China. Around 50% of Tajikistan's public debt and 40% of Kyrgyzstan's debt is owed to Chinese institutions, mainly the China Exim Bank (Jaborov 2018). Nonetheless, Tajikistan is currently planning to increase its external debt in order to finance infrastructure projects in the power and transportation sectors (Hurley et al. 2018).

The attraction of Chinese investment for Central Asian governments lies in the belief that this financial aid is free of political conditionality, which stands in stark contrast to political conditions such as maintaining human rights, strengthening economic liberalisation or fostering good governance, as demanded by Western donors (Tian 2018). However, it is often overlooked that China expects loyalty to the "One China" policy from recipient countries, which includes limited relations with Taiwan, no criticism of Chinese policies on Uyghurs and Tibet and collaboration in the "hunt for dissidents" (Laruelle 2018, p. x).

Another problem is the fact that a large share of Chinese funds for Central Asia never leaves the Chinese system: “A loan granted by a Chinese bank to a Central Asian government is reinvested in the Chinese company that got the contract, which brings Chinese equipment and a Chinese workforce to Central Asia to carry out the project” (Laruelle 2018, p. xi). Moreover, it is not uncommon for joint projects to reserve 70% of the available jobs for a Chinese workforce, leaving only 30% for local hires (Tian 2018).

China’s growing influence and presence in Central Asia elicits Sinophobic sentiments (Peyrouse 2016) and fosters various concerns, such as the fear of an “invasion” by Chinese migrants who will take jobs away from locals, or the fear that China will question border agreements and demand more land (Laruelle 2018). People in Kyrgyzstan worry that their country has become a “dumping ground for cheap Chinese products” (Tian 2018, p. 32), while Chinese mining companies are accused of generating pollution, lacking transparency on contract negotiations and taking jobs from locals. Protests in Kazakhstan in 2016, about changes to the land law that would have allowed foreigners to rent land for 25 years, are a sign of such increased nationalist sentiments. The fact that China’s aid is usually not connected with investments in human capital, or with the intention to improve socioeconomic structures such as endemic corruption, aligned with a lack of any form of visible corporate social responsibility, are other negative aspects of these one-sided relationships.

Conclusion

The BRI is the latest and most visible culmination of China’s growing influence in Central Asia, and it will reconfigure further the region’s post-Soviet history and present-day economic development. After more than a century of dominance, Russia has lost ground dramatically in the region (Freeman 2018), and Central Asia is increasingly directing its foreign and economic gaze eastward, in that exchanges with other Asian countries, in particular with China, has been growing steadily since the 1990s (Contessi 2016). China is already the largest investor and the most important economic player in the area, and it will most probably strengthen this position in the future. In view of the high dependency of Central Asian governments on Chinese investments and loans and the risk of increasing indebtedness, it is most likely that the political influence of China will increase, too.

Whether there is already an ongoing New Great Game about the influence of large powers in Central Asia is a question of definition. Certainly, there is competition between powerful actors such as China, Russia, USA, the EU and, to some degree, Turkey, Iran and the Gulf states for natural resources, energy transfer, political allies or cultural impacts, and while Russia as the historical hegemon in the area retains a not insignificant political influence, it has lost most of its former dominance in economic and cultural terms. The EU is an important economic partner and donor for Central Asia, and for some parts of the population it acts as an attractive political and socioeconomic model. It seems that the USA has recently decreased its interest in the region and thus lost political influence; however, its lifestyle and culture influence the Central Asian societies constantly—and often unnoticed. In the field of trade, traffic and cultural-religious influences, Turkey, Iran and the Gulf states play a specific role, albeit in economic terms, while China has become the dominant force. This economic supremacy, probably followed by increasing political influence, will most likely increase with the BRI.

For the Central Asian countries, one could assume that a number of competing political actors would offer a range of opportunities and choice. But in fact, their opportunities are relatively limited due to their narrow portfolio of natural and human resources, their limited economic and political power, and their relatively weak strategic position—the Central Asian countries stay somehow in competition with each other. However, an open multi-vector policy towards all directions might be a good option for Central Asia, thus avoiding absolute dominance of one external power. The BRI is a chance for better infrastructure and better connectivity to global markets and thus for economic development. But the challenge for the Central Asian republics lies in whether they will be locked into the role of a transit area and raw material exporter. Until now, Chinese BRI projects have not necessarily led to significantly more local jobs or knowledge transfer and thus to economic diversification. In any case, the BRI is a major factor in the reconfiguration of Central Asia's role "in a world where more people would travel across Eurasia by rail than fly across the Atlantic to America" (Duarte 2018, p. 20).

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China's New Silk Road Project and the Mobilities Turn: Understanding Power Through Flows

Anna Scuttari

Introduction

The Belt and Road Initiative (BRI) of the People's Republic of China is a global mega-project with ambitious connectivity goals, but uncertain effects at political and social level. BRI's magnitude is impressive: it is supposed to involve about 65 countries, 4.4 billion people and 50% of Gross Domestic Product (Barisitz 2017). A material network of infrastructures and an administrative framework of international agreements will enable and encourage the flow of goods, services, people and information. Some scholars argue that the BRI initiative entails so much as a new global order (Nobis 2017). Notwithstanding the well perceived magnitude of the BRI project, the different layers of influence of BRI on the flow of materialities and information across the globe are underexplored in research, and relational aspects within regions and among Central Eurasian countries are rarely addressed (Reeves 2018). How will trade, tourism and other economic sectors evolve along the developing routes? How will a new balance (or imbalance) of countries' power relationships be established? The New Silk Road initiatives "provide a unique opportunity to explore the multifaceted impact of trans-state corridors of human, ideational, and resource transit" (Diener 2015, p. 380) in Central Eurasia. Mobilities geography (Shaw and Hesse 2010) offers a suitable framework to investigate these possible multiple levels of mutual exchange between countries, that also include "state ideology, regional conditions, and vitality of economic sectors" (Diener 2015, p. 376). Mobilities studies assume indeed that transport investments are far more than advances in infrastructural capital: "constructing mobility technologies—whether they be for the transport of goods, people, or ideas—is an inherently political act" (Diener 2015, p. 380). This contribution aims at investigating the BRI mega-project applying a mobilities perspective, setting a mobility-driven agenda for future research on the BRI.

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The BRI and Its Multilevel Impacts

For over 2,000 years, the Silk Road has been working as a link between the Arab World and northern Asia (Hutchings and Weir 2005). More recently, the concept of *New Silk Roads* experienced a revival, with the general aim to encourage transcontinental (trade) relationships. In fact, according to Diener (2015), a series of initiatives occurring over the last and this century can be listed under the metaphorical label of the "New Silk Roads"; they reflect the multiple initiatives of several world countries to enhance connectivity in Central Eurasia. As explained by the author, Central Eurasia is referred to as the sum of the former Soviet Central Asia (Kazakhstan, Kyrgyz Republic, Uzbekistan, Turkmenistan, Tajikistan) and its neighbouring states (Russia, China, Turkey, Afghanistan, Iran, Azerbaijan, Armenia, Georgia, India, Pakistan, Mongolia). Diener (2015) identifies at least three main perspectives to assess the development patterns of the New Silk Roads: *The West's New Silk Road strategies*, referring to the attempts of the United States and European Union to foster economic and political development, and particularly democratization, in Central Eurasian states; *The West and Central Eurasia's border management*, including several efforts of individual states engaged in bilateral or multilateral projects to enhance border management; and the *China's New Silk Road initiative,* declared in 2013 by President Xi Jinping after years of economic engagement, particularly through trade, with the Central Eurasian states.

This contribution addresses the Chinese perspective on the New Silk Roads, since the Chinese project "Belt and Road Initiative—(BRI)" has become dominant compared to the other two listed above. The political relevance of BRI is acknowledged also in academic research, with some scholars arguing that BRI is deliberately aiming at establishing a "new multipolar world order" (Sárvári and Szeidovitz 2016, p. 3) and others linking BRI to a new form of China-dominated globalization: "Chiglobalization" (Nobis 2017, p. 203). Therefore, the existing concerns to estimate and evaluate the infrastructural impacts of the BRI corridors (see, e.g. Eevsev et al. 2019; Li et al. 2015) are important but not comprehensive areas of research: they should be supported by additional reflections on the political ideologies, dynamics of power and power multiplication for the People's Republic of China (PRC) (Reeves 2018). At the moment of writing, the BRI mega-project is not completed, but it is rapidly developing at global level along two major components: the Maritime Silk Road Initiative (MSRI)—recalling, although not reproducing, the Ancient Silk Road path—and the Silk Road Economic Belt (SREB) (Blanchard and Flint 2017). Given the asymmetrical power relationship between the PRC and the neighbouring countries in shaping and/or financing these infrastructural projects, the BRI's impact on the involved countries has become "a multidimensional process, which involves not only the economic system, but also the entire social system" (Pechlaner, Erschbamer, Gruber, introduction of this book). Besides being an infrastructural mega-project, the BRI seems to have the force to consolidate Chinese private and public actors into a "grand narrative": one that aims at a global territorial integration (Reeves 2018, p. 503). Therefore, the geopolitical implications of the massive hard-infrastructure investments should be assessed (Blanchard and Flint 2017). The assessment of these multi-layer issues of the BRI can occur both from a static, territorial-based, perspective, or from a mobility-driven perspective. This chapter attempts to introduce the second approach, leveraging on the potential of mobilities research.

The Mobilities Theory and the Meaning of Movement

According to the "new mobilities paradigm" (Sheller and Urry 2006), mobility is far more than spatial displacement: it should be rather interpreted as a constructive framework for modern society (Shaw and Hesse 2010). Mobilities incorporates "both the large-scale movements of people, objects, capital and information across the world, as well as the more local processes of daily transportation, movement through public space and the travel of material things within everyday life" (Hannam et al. 2006, p. 1). Introducing a plural form of the subject "mobility", Urry (2007) argues that at least five levels of mobility should be assessed: (a) *corporeal travel*, both for business and for leisure, and with regular or occasional patterns; (b) *physical movement of objects*, for commercial or individual purposes; (c) *imaginative travel*, achieved in form of imaginative journeys inspired by print and visual media; (d) *communicative travel*, happening through traditional or digital media with the aim to exchange information; and finally (e) *virtual travel*, enabling Virtual Reality (VR) trips without physical displacement. Mobilities is explained and analysed as a "complex assemblage" (Urry 2007, p. 48) of these real or virtual displacements, as well as their individual and social meanings, and their links to the "spatial fix" (Williams 2013, p. 522). Therefore, mobilities geography is not only focussing on the measurable and mappable aspects of transport or human mobility, it rather provides insights into the meaning of movement and its capacity to shape "new constellations of power", create "identities" and form "microgeographies of everyday life" (Cresswell 2010, p. 551). As such, the "mobilities paradigm" turns into a multidisciplinary approach to understand the contemporary hypermobile modern society, including mega-projects such as the New Silk Road. It supports the interpretation of motion in time and space linking back to multiple disciplines of social sciences: anthropology, cultural studies, geography, migration studies, science and technology studies, tourism and transport studies, and sociology. Ultimately, the mobilities theory is "a movement driven social science" (Urry 2007, p. 18), whose research subject is an object in motion. As such, it seems particularly interesting as a perspective to address the BRI.

Mobile Methods

Mobile methods represent the methodological side of the mobilities geography, since "a mobile subject demands a mobile method" (Cresswell 2012, p. 647). They generally refer to "any attempt to physically or metaphorically follow people/objects/ideas in order to support analysis of the experience/content/doing of, and interconnections between, immobility/mobility/flows/networks." (Spinney 2015, p. 232). Therefore, mobile methods (Fincham et al. 2010) study the dynamics of movement: the relationships between mobility and immobility, the speed and geographical patterns of displacement, the influence and power of objects and technologies in shaping motion patterns. By mobilizing research, mobile methods often occur in motion, e.g. using GPS devices and—based on geo-referenced data—on GIS representations (Hein et al. 2008), often they also make use of the instruments of time geography (Hägerstrand 1970) or data from biometric sensors (Scuttari 2019). However, even more traditional anthropological observations of flows of goods, people and information also represent part of mobile methods. For instance, the study of the interactions between objects, technologies and humans on the move is crucial mobilities research, since it tackles "socio-technical processes and systems" of mobility (Spinney et al. 2015, p. 334). Some examples from mobilities studies can enlighten future research on the BRI. For instance, on a micro-level, the study of a modern car warning the driver through the persistent alarm "FASTEN YOUR SEAT BELT!" illustrates the way vehicles—as an expression of the car industry—can effectively (although indirectly) shape human behaviour (Latour 1992, pp. 151–152). Similarly, although at a much broader level, the PRC's control over the investments and infrastructures of the BRI has the potential to set the framework conditions for the *values*, *rules* and *habits* of future mobilities around the globe. One could say that BRI infrastructures, similarly to walking boots for hikers (Michael 2000), can be looked at mechanically (as instruments through which to move), socially (as tools to express a specific social identity), or even technologically (as means of connection among places, but possibly also of damage to natural environments). The investment on a port, a railway or an airport along the BRI—will not only affect the mobility of goods and people, but also the overall modal split of global transport, its costs, and its environmental impacts.

Besides the investigation of the relationships between the "spatial fix" (Williams 2013, p. 522) and the flows, an additional layer of study to derive from mobile methods relates to the dynamics of *space negotiation* (Jensen 2010). While at the micro-level, these dynamics are investigated through observation techniques and can reveal the power relations among vehicles in a delimited space, on a macro-level these forces could be mapped using the development of international trade agreements (see, e.g. Ramasamy et al. 2017) and the development of route trajectories along the construction of the BRI corridors. The PRC's financial and operational control of the transport network might once again determine whether a crossed country will become just a transit region or develop a network of local infrastructures and services that enable transit trade (Pechlaner et al. 2019). Rhythmic cartographies of mobilities (Edensor and Holloway 2008) could be a powerful method to represent both the development of agreements and of infrastructures, while at the same time considering the dynamics of trade and tourism.

Conclusion: Issues and Agenda for a Mobilities Research on the BRI

The understanding of the BRI initiative using the lenses of mobilities geography is peculiar, since it does not necessarily focus on the countries involved in the project, but rather on the types of flows among them, on their speed, directions, and meanings. Applying mobilities framework to the BRI seems to suggest a Copernican revolution to the analysis of the New Silk Road: from countries to flows, from actors to relations. This stronger focus on connection seems to recall the relational perspective introduced by Reeves (2018), according to which the examination of processes and relations, and particularly transactional interactions between states can offer a global view of the grand narrative of the New Silk Road. In addition to this perspective, the mobilities geography allows to distinguish among different levels of exchange: the mobility of people, of goods, of ideas and the mediation of technologies. Table 8.1 proposes a series of disciplines and issues that could be tackled in mobilities research along the BRI.

It should be acknowledged here that the mobilities perspective introduces their peculiar observation of objects, people and ideas while in motion, rather than their static analysis from a single-country perspective. In other words, mobilities research is focussed on ties and their developments, rather than on nodes and their characteristics. Further, linking back to its multiple layers of analysis, it conceptualizes several types of ties related to mobility: trade, tourism and migration, virtual travel, information flows and cultural exchange. In doing so, it enables raising critical issues related to *property*, *knowledge* and *control of objects, people and ideas*. Who is going to collect data on flows? Who will own data property and how will be the accessibility and fairness of data be guaranteed along the New Silk Road? Will there be a situation of asymmetry in knowledge generation and management among countries? Ultimately, how will this knowledge shape future tourism, trade and the spread of information (and news) along the Silk Road? Issues such as mass surveillance and social scoring—at the moment of writing mostly linked to the PRC—might quickly become mobile along the New Silk Road, and influence Eurasian countries and other countries of the world. Thereby, mobilities and its development have the potential to arise sharp and critical considerations of the new constellations of relational power around the globe.

Table 8.1 Mobilities and possible areas of investigation along the BRI

Mobilities	Disciplines	Possible areas of investigation	Existing initiatives
Corporeal travel (for business and leisure)	- Social sciences (tourism, geography, business studies, etc.)	- Tourist flows and tourists' time-space patterns	- UNWTO Silk Road Programme
		- Service development patterns	- Turkic Council Modern Silk Road
		- Destination development dynamics (linear destination Silk Road, single regions and countries)	
		- Branding and marketing issues related to tourism promotion	
		- Migration of workers	
		- Development and environmental impacts of infrastructure	
Physical movement of objects	- Engineering sciences (engineering, logistics, transport, etc.)	- Goods' flow (trade)	- Belt and Road Forum for International Cooperation
		- Hub development	
		- Arrangement of intermodality along the routes	
	- Social sciences (macroeconomics)	- Commercial balance	- Tbilisi Silk Road Forum
		- Environmental impacts of infrastructure	
Communicative travel (information exchange)	- Human sciences (media studies, political science, etc.)	- Diffusion of news and (digital) media contents on the BRI	- Smithsonian Folklife Festival The Silk Road: Connecting Cultures, Creating Trust
		- Development of international treaties and commercial treaties	
		- Narratives on the ancient Silk Road	
		- Comparative studies in language, society and culture	- China's Digital Silk Road

(continued)

Table 8.1 (continued)

Mobilities	Disciplines	Possible areas of investigation	Existing initiatives
Virtual travel	- Engineering sciences (engineering, Virtual Reality, IT, etc.)	- Virtual or augmented visits of attractions	- China's Digital Silk Road
	- Human sciences (anthropology)	- Exploration of the ancient Silk Road through VR	
		- Entertainment, gaming and documentaries on the Silk Road	
Imaginative travel (imaginative journeys inspired by print and media)	- Human sciences (anthropology, history, literature, etc.)	- Narratives on the Ancient Silk Road	- UNESCO initiative "Sustainable Tourism alongside the Silk Roads"
			- UNWTO Silk Road Programme
		- Enhancement of the cultural heritage along the Silk Road	

Source own elaboration

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The Impact of the New Silk Road on the Mediterranean and on Italy

Matteo Bressan

Introduction

In September 2013, during his visit to the University of Nazarbayev in Kazakhstan, President Xi Jinping presented the idea of the Silk Road Economic Belt. He followed it up a month later during a visit to the Indonesian Parliament, announcing his desire to create the 21st Century Maritime Silk Route. What might seem like an unprecedented investment plan is actually something more complex that should be defined as the largest geopolitical idea since 1978 for the People's Republic of China. The *Belt & Road Initiative* (BRI) is a colossal project involving over 1.4 trillion dollars of investments over the next 5–10 years, with the aim of building infrastructures in about 65 countries with 4.5 billion people, using three quarters of their energy reserves and one third of their total gross domestic product, on an area equal to 35% of the globe. The implementation of the BRI could have a significant impact on relations between Asia and Europe, on modalities of economic collaboration and on the evolution of regional and multilateral institutions. In recent years, China evolved from a peripheral economic region to a centre of gravity in the global economy. This initiative wants to recreate and strengthen two commercial roads that, on a terrestrial and maritime level, will connect China, Central Asia, Russia, Europe and Africa. Currently, six corridors have been identified by the Chinese government, four by land and two by sea. The land corridors are the New Eurasian Land Bridge, the China–Mongolia–Russia Corridor, the China–Central Asia–West Asia Corridor and the China–Indochina Peninsula Corridor.

The two sea routes would connect the South China Sea on one side with the Indian Ocean and the Mediterranean, and on the other side the South China Sea with the Pacific Ocean. The infrastructure plan promoted by President Xi Jinping has already received 113 billion US dollars in funding and will eventually cost about five trillion

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dollars. In order to understand the extent of the financial instruments available for the BRI it is sufficient to mention the performance of the *Asian Infrastructure Investment Bank* (AIIB), which, just one year after the beginning of its operation, obtained a triple A rating from *Moody's* & *Fitch*, certifying its excellent level of liquidity (Fatiguso 2017). The bank, creating synergies with the *Asian Development Bank* and the World Bank, aims to provide loans for the financing of infrastructure projects in developing areas. The AIIB, although considering China its largest contributor, confirms its vocation as an international bank with the admission of Chile, Argentina and Peru, countries that will be added to the other 77 that have already joined. All the elements and data analysed so far also help us understand the complexity of the initiative that, besides the investment and infrastructural plans, is China's strategic response to the economic crisis that hit the world economy since 2007. According to Wang Yiwei, professor of international studies at the University of Renmin in Beijing and Director of the Institute of International Affairs, the New Silk Road, has three major objectives:

- to be a response to the insufficient global level of post-crisis investments, due, in particular, to the uncertainty of their economic return in developed countries;
- to achieve a world balance in which Central Asia could not only be a corridor between Europe and Asia, but also bridge the gap with more developed areas;
- to establish new models of cooperation and coordination, better suited to the needs of the twenty-first century, through the voluntary participation of individual countries in the initiative with the aim to achieve mutual well-being (Yiwei 2016).

All these elements give a strong geopolitical value to the initiative, considering also that China and Europe will be interconnected in the frame of a single continental space that extends from the Pacific Ocean to the Atlantic Ocean through a high-speed rail network and a series of port infrastructures. An area that could absorb Chinese overproduction of steel, coal, cement and other raw materials. But connectivity is not enough. An effective, beneficial and durable integration needs stability and certainty. If improperly managed, the increase of global interconnections can, on the contrary, lead to the creation of risky and extensively dangerous imbalances. Activities and resources move internationally if rules are transparent, stable and shared (Tria 2019).

Issues

Like all major projects, the BRI will also have to deal with a series of unconventional threats ranging from terrorism to organised crime to national crises in Afghanistan and the Middle East that, crossing the Balkan regions, can cause tensions and crises even in Europe. Along with all these challenges, there are also critical voices and geopolitical tension on the project, that is born and developing with a medium to long-term perspective. The criticism expressed by the United States and Europe, which believe that China cannot automatically be considered a market economy because of its excessive public intervention in the economy, together with the difficulties faced by foreign companies operating in China in some sectors, still remain significant (Gabusi and Prodi 2017). The concerns of several European countries regarding hostile takeovers coming from outside Europe, with particular reference to China but also to the sovereign funds of the Arab countries, the commercial war undertaken by the Trump administration, as well as the conflict over 5G between Huawei and ZTE, leave uncertainties and further possible diplomatic crises that could have repercussions on the BRI's performances (De Ponte 2017).

The Centrality of the Mediterranean

The Mediterranean is the crossroads of many important traffic routes: it represents around 1% of the world's maritime surface, around 20% of the world's maritime traffic transits through it, 25% of the line services on containers, 30% of the global oil flows, 65% of the energy flow for EU countries.

The renewed international attention on this small body of water is well represented by the growth of Chinese investments, increased in little more than a decade from 16.2 billion dollars in 2001 to 185 billion today.

In this sense, Chinese investments in the port of Piraeus are emblematic: privatised in 2016 in favour of the China Cosco Shipping Group, it has become the largest logistic hub in the Mediterranean area, passing last year from 93rd to 39th place in the world ranking for goods handling capacity.

In the Mediterranean area and Northern Europe, between May 2015 and June 2017, China invested over 3.1 billion euro (equivalent to 3.7 billion dollars) in eight ports (Haifa, Ashdod, Ambarli, Piraeus, Rotterdam, Vado Ligure, Bilbao and Valencia). In order to better understand the increasing Chinese presence in the Mediterranean area it is appropriate to analyse Beijing's investments country by country, considering each infrastructure, investments often led by the logistics giant *China Ocean Shipping Company* (COSCO):

- Tangiers: Within 10 years, China will build an industrial park in Tangiers that will host two hundred multinational companies. The area in question is about two thousand hectares large and the volume of investment scheduled is about 10 million dollars;
- Bilbao and Valencia: COSCO, with an operation of about 228 million dollars, acquired 51% of the Spanish company Noatum Port Holdings, which manages the largest container terminal in the port of Valencia and the only container terminal in the Bilbao airport;
- Cherchell: Algeria is the first destination for Chinese investments in North Africa and China signed a 3.3 billion dollar agreement in 2016 to build and utilise Cherchell's port *transhipment* centre, located approximately 60 km from Algiers. The port will have 23 mol, it will be able to process 26 million tons of goods each year and one of its objectives is to allow access to the sea to neighbouring

countries that do not have this possibility, like Mali. The infrastructure, managed by China Shanghai Port Group, will become operational in about ten years;

- Suez Canal: China is the main investor in the development of this area. In 2009, it started the construction of the China–Egypt Suez Economic and Trade Cooperation Zone, located on the western shore of the Gulf of Suez, with an estimated value of 230 million dollars.. In Porto Said, COSCO is part of a joint venture managing the Suez Canal Container Terminal;
- Haifa: Shanghai International Port Group obtained, at a cost of 850 million euros, a 25-year concession for the management of the port, while China Harbour Engineering, another Chinese giant, will build a new 876-million-dollar port with the aim to connect Ashdod on the Mediterranean area to Eilat on the Red Sea area;
- Kumport: The third largest terminal in Turkey and located a few kilometres from Istanbul, Kumport is 65% controlled by COSCO.
- Piraeus: In 2016, COSCO acquired 51% of the Port Authority of Piraeus port in Greece (for a price of 360 million euros, in a deal in which, after five years, another 88 million euros will be added, bringing the Chinese shares to a total of 67%.). Today, Piraeus is the most important port of the BRI trade flows transiting the Mediterranean Sea. Since the acquisition of Piraeus by COSCO, the number of containers handled by the Greek port has increased from 500 thousand to 3.1 million (Prodi 2016) (Fig. 9.1).

Beijing's next step was to include the entire Balkan region in the BRI infrastructure project, in particular in the improvement of the Piraeus-Budapest railway line, passing through Serbia and Macedonia, involving EU and non-EU countries (Vangeli 2016).

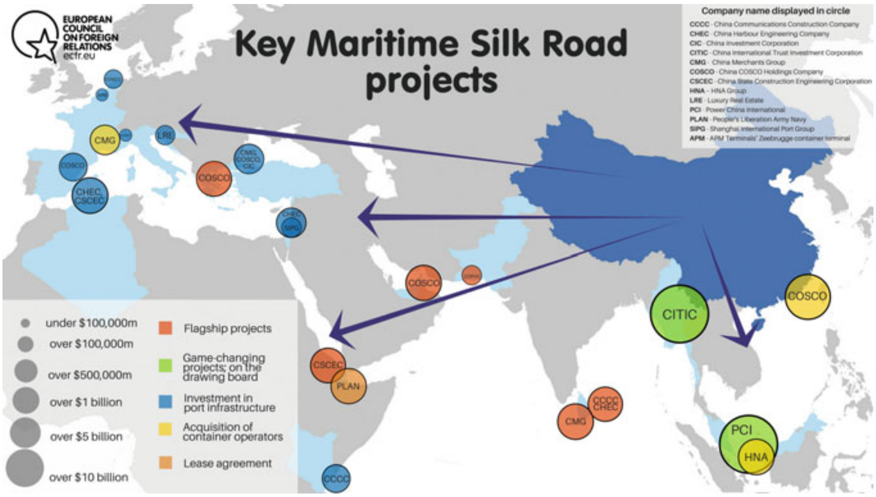

Fig. 9.1 Key Maritime Silk Road projects. *Source* Duchâtel M. and Sheldon Duplaix A., European Council on Foreign Relations, Blue China: Navigating the Maritime Silk Road to Europe, https://www.ecfr.eu/publications/summary/blue_china_navigating_the_maritime_silk_road_to_europe

Another initiative confirming Beijing's dynamism in the region is the navigable canal that, crossing the courses of the rivers Axios, Vardar, Morava and Danube, would connect Thessaloniki with Belgrade (Nicolato 2017).

Many of these initiatives, together with the doubling of the Suez Canal, will make the Mediterranean area more central than in the past. The volumes of goods that cross the Suez Canal have more than doubled (+124%) from 2011 to 2016 and have made the Mediterranean Sea the main outlet for 19% of global traffic, for 25% of container line services and for 30% of oil. Fifty-six percent of the goods that cross the Suez Canal arrive in the Mediterranean ports, thus reaching the heart of Europe. Chinese economic growth determined a significant impact on the trade flows that cross the Mediterranean Sea, with an increase from 27 to 47%, compared to 1995, of Europe-Far East traffic (Cuscito 2017).

These numbers conflict with the statistics reported in the 2016 Report of the European Court of Auditors, according to which in 2012 the three major EU ports, Rotterdam, Hamburg and Antwerp have moved about 20% of European goods, compared to 15% recorded by the nine European ports of the Mediterranean. The lack of space in city ports is indeed a limitation, especially when accompanied by insufficient connection infrastructures.

Italy and the BRI: Between the Land Route and the Sea Route

Although lagging behind other countries, Italy is playing a leading role in the China-proposed Belt and Road Initiative (BRI), and it is the first G7 nation to have signed a memorandum of understanding on cooperation within the BRI framework.

In 2018, the value of bilateral trade between the two countries amounted to 43.9 billion euros ($49.7 billion), an increase of more than 14% in two years. Currently, China is the third-largest exporter to Italy with a 7.3% share (17.7% of Italian imports from non-EU countries) and receives 2.8% of total Italian exports (6.5% of those to non-EU countries). According to Eurostat data (2017), among the EU countries, Italy is the fourth major commercial partner for China, both in exports and imports (Tria 2019).

Italy is directly interested in the project by virtue of the fact that China, with an annual interchange of over 27 billion euros ($31 billion), is one of its greatest partners in terms of maritime imports and exports.

Italy also aims to seize the opportunities that will emerge in other countries that are involved in the BRI, implementing its *know-how* in Africa and the Balkans, by means of triangular Italy-China operations.

Further, Italy enjoys a strategic geographical position along the current and future frame of commercial relations between East, West and Africa. Located in the middle of the Mediterranean Sea, on the shortest route between the Suez channel and Central

Europe, Italy is the second largest manufacturing country in Europe, leading in technological innovation and equipped with high quality ports, road and rail networks. These features make Italy the ideal southern gateway to continental Europe and for the trade routes between Europe and China (Tria 2019).

Concerning the opportunities for Italian ports, after the failure Taranto, Naples and Gioia Tauro, the People's Republic of China looks with interest to Genoa, Savona and Trieste. Trieste in particular seems to have real potential, thanks to its free customs zone and its connections to Central Europe, destined to be further increased in 2025 when the Brenner tunnel will become operational, linking the main urban centres and ports of Scandinavia and Northern Germany to the industrial centres of southern Germany, Austria and northern Italy (Sisto and Pellizzari 2018). Trieste was also recognised, in July 2017, as a free international port (meaning extra-territorial customs), which is unique in Europe. Together with the cooperation agreement for the development of intermodal logistics areas signed with the river port of Duisburg, which the Chinese maps indicate as the terminal port of the new Terrestrial Silk Road, Trieste aims to play a leading role in the Maritime Silk Route (Deganutti 2017). Italy is therefore a strategic country in the Chinese project for the Mediterranean area. This is confirmed by the maps that indicate Venice as the European terminal port of the Maritime Silk Route and also by the fact that, to date, the ports of Trieste, Genoa and Venice could in fact allow Chinese goods to reach the heart of Europe more quickly than the Piraeus port and would also have greater possibilities in terms of logistics, depth of the seabed, speed of customs procedures and excellent road and rail connections (Spalletta 2017). Italy's possibilities depend on improving its infrastructures: if this does not happen, the goods will be sent from Piraeus to the heart of Europe through Hungary and Serbia. Italy's opportunities within the BRI project are not limited to the port of Trieste. They also involve other important infrastructures and locations:

- Genoa, Savona-Vado and La Spezia: These three ports together formed the *Ligurian Port Alliance*. In the Voltri Terminal Europa, Chinese maxi cranes have been in operation since 2016, managing ships of 20 thousand teu. In 2016 in Vado Ligure, COSCO and Hong Kong *Qingdao Port International Development* acquired respectively 40 and 9.9% of the new *container terminal* port under construction. The remaining 50.1% is owned by the Danish Apm Terminals-Maersk. COSCO and Qingdao invested 70.5 million euros in total, 53 million from COSCO and 17.5 million from Quingdao. Beginning operations in 2018, the semi-automated container terminal port is expected to be able to move 900 thousand teu a year and accommodate several 19–20 teu container ships
- The two most recent projects in which Beijing is investing in Italy concern the Silk Road and collaboration in the urbanisation sector:
- From autumn of 2017, the small town of Mortara in the Pavia province has become the terminal of convoys arriving directly from China, taking about 18 days compared to 60 by sea. Mortara, thanks to the 87-million investment of the Banca del Monte di Pavia Foundation and thanks also to the partnership with the giant Changjiu Logistic, created a logistics hub of over 700,000 sq. m, which in just

a few years has become one of the *top ten* hubs for the inter modal iron-rubber exchange, with over 50 thousand containers transiting each year. The town, located in a strategic area between the European corridors of Lisbon-Kiev and Genoa-Rotterdam, also close to the motorways to Milan, Bologna and Turin, is ready to receive the trains that will depart directly from Chengdu, the capital of the Sichuan province, located 11 thousand kilometres away. The goods, once arrived in the heart of the Po Valley, will be transferred on to the trucks and in a few hours they will arrive in central Italy. The Mortara loading and unloading dock is capable of accommodating freight trains up to 750 m long and 60 containers (Sasso 2017).
- In the Municipality of Pula, near Cagliari, the Huawei Company opened a joint innovation centre with the Centre for Advanced Studies, Research and Development in Sardinia, with the aim to develop research projects on *smart & safe cities* and to improve the connectivity on a metropolitan scale.

However, the modernisation of Italian ports has not only had an impact on the Mediterranean equilibrium, but also creates possible competition with the ports of Northern Europe (Hamburg, Rotterdam and Antwerp), worried about the possibility that the Mediterranean area could become the *hub* of China's traffic into the EU. The Mediterranean area, and Italy in particular, are therefore in a position to play a decisive role in the BRI, on the condition of adequate political answers and infrastructural circumstances. It is also essential that all ports are connected to the railway and motorway network to optimise total transport capacity. For this reason it will be necessary to strengthen the connection hubs with the national railway system. And once these investments have been made, the system must be able to support the new demand for transit to and from China.

The opportunities offered by the Belt and Road Initiative will certainly bring challenges and risks that should not be underestimated with them. The corridors will pass through Africa, Asia and Europe, exposing states and companies involved to political, credit and security risks.

Although there are many strategic and security challenges yet to be overcome in view of the effective implementation of the entire project, in light of the data available so far, the strategic importance that active participation in the Belt and Road has for each country which is included in the scope described by the initiative is undeniable,. It is therefore desirable for Italy to have a diplomatic mobilisation to make agreements with China, in order to avoid the danger of isolation from the trade routes that will be established in the years to come.

In this context, developing a strategic role for Italy within the New Silk Road is a major challenge facing the Italian political and economic system. The Belt and Road Initiative not only offers the possibility of opening the doors to new markets in Asia, but also of reducing commercial costs and creating a more important international role for Italy.

Despite the economic weaknesses and a burdensome debt that strongly limits investments, the return of the centrality of the Mediterranean in international trade and the prospect of carrying out the important function of commercial hub is an opportunity that Italy cannot miss in order to revive its economy (Ragusa 2019).

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Different Viewpoints on Political, Socioeconomic, Cultural and Ecological Impacts of the New Silk Road

Environmental Risks, Challenges and Opportunities Along the African Belt and Road Initiative

Fernando Jorge Portela Martins Ascensão

African Belt and Road Initiative

Africa is home to wild animal species, some of them iconic megafauna, and extraordinary landscapes with little human occupation; is a dream vacation destination and scenery of amazing wildlife documentaries. However, Africa is more than picturesque, it is also a continent where human development indices remain at a low level. For example, African countries occupy 41 of the 50 countries with lowest Human Development Index, and none is present in the top 50 (United Nations Development Programme 2018).

One of the major problems plaguing Africa's development is the lack of connectivity between cities, between rural and urban areas, and between people and opportunities (World Bank 2014). Africa's road network is still far short of estimated needs, characterized by a lack of regional links, and those that exist are mostly unpaved and in poor condition due to lack of maintenance (African Development Bank 2011). Moreover, railway transport system, which is essential for both freight and passenger transport, is even more poorly interconnected than the roads, since different rail gauges do not allow cross-border network connectivity and usage of the same rolling stock between neighboring countries. However, it is believed that constructing, rehabilitating, and maintaining reliable and efficient regional infrastructures act as a catalyst for development, by bringing down the time and thereby the costs of cross-border trade and transport, which in turn foster the creation of new jobs and opportunities, and are therefore essential to human wellbeing, as underlined by the United Nations' Sustainable Development Goals. The biggest gains accrue to the most isolated and resource-deprived regions.

In this regard, China is playing a central role in the development of Africa, being one of the largest trading partners with African countries, particularly within the

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China's Belt and Road Initiative. Most of the Chinese investments are centered in the transportation and energy sectors, aiming to promote the desired massive development of trade routes between and within African regions and the world. The paradigmatic example of the envisioned new economic corridors is the *Lamu Port–South Sudan–Ethiopia Transport corridor* (LAPSSET), a multibillion-dollar flagship project under the Kenya Vision 2030 National Development Policy plan. Its core infrastructures include a new deep seaport in Lamu, new highways, railways and pipelines connecting Kenya, South Sudan, and Ethiopia, oil refineries, a 1000 MW coal plant also in Lamu, three resort cities, three airports and the most powerful hydroelectric power station, along the river Tana. Altogether, and only considering the straight-line distances between localities, the LAPSSET will add over 2,250 km of highways, 2,360 km of railways and 2,160 km of pipelines, together with multiple service roads and the necessary power-line grid to distribute the energy along the LAPSSET corridor (www.lapsset.go.ke). It is estimated that such huge development will cost US$ 25 billion, in great extent financed by the Chinese EximBank (Breuer 2018; Farooq et al. 2018).

Other examples of African BRI include the 1,315 km Kano-Lagos railway line in Nigeria, over 4,000 km railways in Angola, 560 km Belinga-Santa Clara railway in Gabon, 172 km railway in Libya and 430 km rail in Mauritania, among others (Breuer 2018; Farooq et al. 2018). More generally, China and African Union signed a memorandum of understanding during the last Forum on China-Africa Cooperation (FOCAC) on cross-continental infrastructure development, which will certainly foster the building of new highways, railway and high-speed train networks, seaports and airports, to accomplish the long-wished goal of connecting all African capitals (Fig. 10.1). Envisaged more than 40 years ago by the United Nations Economic Commission for Africa (UNECA), the Trans-African Highway system is part of the Programme for Infrastructure Development in Africa (PIDA), a network of highways intended to connect all corners of Africa from north to south, east and west. The ambitious plan, first proposed in 1971, is aimed at boosting internal trade on the continent by building transportation infrastructures across Africa, that would collectively measure nearly 60,000 km of roads and railways.

The expansion of transportation infrastructures, seaports and airports, as well of power-lines and other linear infrastructures, will foster the increasing development and industries, improving the connectivity between human settlements and main trade hubs. Concurrently, there will be an increasing demand of energy to supply to new industries and homes, alongside with the conversion of vast areas for agriculture to feed a growing population, the intensification of extraction of natural resources, both as part of new industries and of classic activities as mining. In turn, increasing development will certainly contribute to the growth of urban areas, which will again demand more energy and need more infrastructures.

The downside, however, is that despite the expected benefits for human well-being and economic development, the feedback development boosted by the BRI may come with a high toll for the environment in Africa. In the following sections, I briefly discuss how these major development drivers may become threats to Africa's unique biodiversity and identify some challenges and opportunities toward the sustainable coexistence between development and conservation.

Linear Infrastructures as Drivers of Biodiversity Changes

Linear infrastructures, including roads, railways, power-lines, pipelines and fences are responsible for a number of direct and indirect impacts on biodiversity, where the negative effects often outweigh any positive outcomes (Forman and Alexander 1998; Forman et al. 2003; Van der Ree et al. 2015; Borda-de-Água et al. 2017).

Direct Impacts

The most visible and perhaps the most pernicious direct impact is the mortality due to animal-vehicle collisions. Throughout the world several studies have reported striking mortality rates for numerous species. For example, over two million mammals are estimated to be road-killed every year solely in Brazil (González-Suárez et al. 2018), and the annual bird mortality in the United States is estimated to range from 12 to 64 Mio. on power lines (Loss et al. 2013). However, such studies are uncommon in Africa and given the exceptional biodiversity of this continent, particularly the megafauna of central Africa and their vast migrations (Wilkie et al. 2000), there is still scarce information on how wildlife population will respond to the new linear infrastructures and increasing traffic volumes.

One thing is certain, a high number of animal collisions involving numerous species, from invertebrates to mega-mammals, is to be expected. This has been demonstrated by research carried out around the world and also in Africa (Drews 1995; Hayward et al. 2010; Bullock et al. 2011; Collinson et al. 2015, 2019; Nyirenda et al. 2017). However, given the huge body mass of numerous mammal species inhabiting different African regions, many collisions may unfortunately result in human injuries. Such dramatic events will come along with a high cost for the economy, for example with the expected delays on train schedules as well vehicle repair and insurances (Huijser et al. 2009). Likewise, despite the lack of studies in Africa, it is also expected that the power-lines will represent a serious mortality source for flying animals, some of which will cause blackouts with the inevitable costs for the people and companies (Maricato et al. 2016).

On the other hand, studies on the responses of different animal species to roads, including African elephants and other large mammals, have reported disparate patterns of responses across species and regions, ranging from intentional use of roads for displacements, thus being subject to higher roadkill risk, to roads functioning as important barriers or filters for animal movement, with animals avoiding its proximity or suffering from significant physiological stress (Blake et al. 2008; Vanthomme et al. 2013; Lunde et al. 2016; Mulero-Pázmány et al. 2016; Hägerling and Ebersole

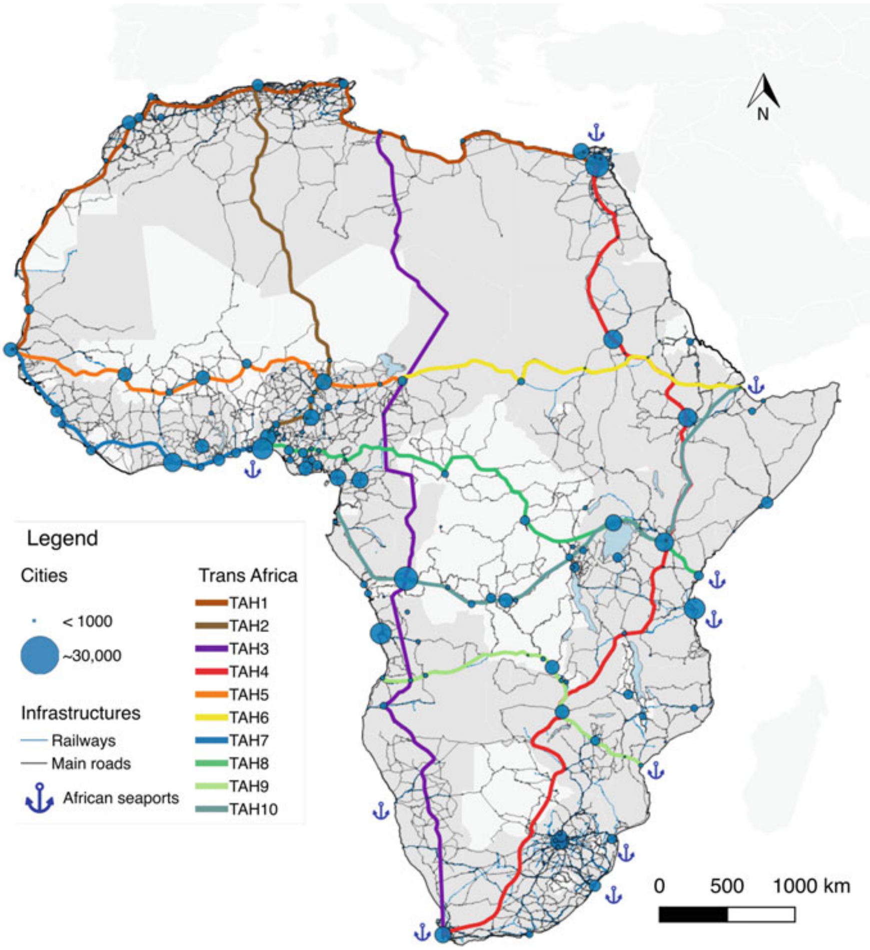

Fig. 10.1 Location of the Trans-Africa Highways (TAH) across the continent, linking major cities (blue circles, size proportional to the number of inhabitants) in different countries. In its majority, this network is not built yet, excepting the TAH5, between Dakar in Senegal and N'Djamena in Chad. Existing main roads and railways are also presented, together with main seaports

2017). For example, in Congo Basin, roads outside protected areas (which are not protected from hunting) are a formidable barrier to movement for the African elephant, while roads inside protected areas are not (Blake et al. 2008). Other direct impacts resulting from linear infrastructure development include habitat loss, edge effects, pollution (emissions, noise, lights), physical disturbance (e.g. on soils and hydrology), and the spread of non-native species (Forman and Alexander 1998; Van der Ree et al. 2015; Borda-de-Água et al. 2017).

Fences may also represent significant barriers for the daily and seasonal animal movement, with severe implications for the persistence of populations, especially for migratory species. From the human perspective, fencing may provide social, economic and even conservation benefits, including optimizing grazing by controlling the timing and duration of landscape use by large herbivores, reduce human-wildlife conflicts, and control for disease spreading (Boone and Hobbs 2004). However, fencing transportation infrastructures to avoid animal-vehicle collisions will also have tremendous negative implications for wildlife and human wellbeing in the African context. East Africa is home of the last massive migration by large mammals, involving millions of wildebeest, zebras and Thomson's gazelle, among others (Fig. 10.2). Increasing fencing on African landscapes will further truncate the migratory routes, entangle or electrocute animals, and excise important resources needed by these large mammals, with consequent impacts for their predators and all trophic chain. In fact, in areas where fences have hampered large-mammal migrations, notably Etosha National Park in Namibia and Kgalagadi Transfrontier Park in Botswana, the ecosystem has collapsed to a less diverse and productive state (Spinage 1992; Boone and Hobbs 2004).

One well-known example is the Serengeti Highway, aimed to cross the northern region of the Serengeti protected area, breaking the link between the wet-season grazing area of the Serengeti Plains to the dry-season feeding grounds in the Maasai Mara Nature Reserve, Kenya (Caro et al. 2014). An intense debate is ongoing regarding the social, economic and environmental costs and benefits of this road to the region

Fig. 10.2 Large herbivores join in large groups involving thousands of animals, moving in mobs in search of new pastures. The number and size of these migrations make coexistence with traffic (cars and trains) a major challenge, and the elevation of transport routes is probably the most feasible solution © David Wong, Vancouver

(Dobson et al. 2010; Homewood et al. 2010; Holdo et al. 2011; Fyumagwa et al. 2013; Hopcraft et al. 2015). Worryingly, simulations suggest that a barrier to migration as the Serengeti Highway (even more if fenced) could cause the wildebeest population to decline by about one-third due to lack of access to foraging areas (Holdo et al. 2011). Unsurprisingly, a Chinese company won the contract for the construction of this road, connecting Arusha to Musoma. And yet, this is just one of many highways bisecting the migration routes of the megafauna across African landscapes, many of which (co)financed or being built by Chinese banks and companies.

Indirect Impacts

Linear infrastructures and particularly roads may also promote a panoply of indirect negative impacts on biodiversity, namely illegal logging, poaching, mining, or urban encroachment (Wilkie et al. 2000; Laurance et al. 2008, 2009; Ali et al. 2015; Bebbington et al. 2018). These indirect impacts may inflict even higher impacts on biodiversity than direct ones. There is surmount evidence that roads cutting intact forest areas lead to illegal logging and deforestation (Laurance et al. 2009). For example, ca. 5% of deforestation in Amazon occurs within five kilometer of a road or one kilometer of a navigable river (Barber et al. 2014). Likewise, new and improved roads are likely to increasing poaching and illegal trade (Laurance et al. 2006), a major conservation problem throughout Africa (Wasser et al. 2015; Wilkie et al. 2016; Cerling et al. 2016; van Velden et al. 2018), as well to boost the urban growth (Vermeiren et al. 2012).

Perhaps the most serious indirect threat resulting from the massive development of BRI infrastructures in Africa is the emergence of new mining areas, particularly illegal ones (Edwards et al. 2014). Africa has ca. 30% of the earth's remaining mineral resources, and almost all countries in sub-Saharan Africa are rich in mineral reserves, much needed for a rapidly expanding economy like China. Africa has vast deposits of oil and natural gas, uranium, iron ore, aluminum, coal, manganese (used in steelmaking), cobalt, coltan (used in the production of cell phones and tablets), copper, phosphates, and of course diamonds and gold, among others (Taylor et al. 2009; African Natural Resources Center 2016). Paradoxically, only a small part of these resources was extracted, and large parts of the continent remains geologically unexplored. The African BRI will certainly be designed following the major deposits of mineral resources, and this may represent a major threat not only for the environment and biodiversity, but also for local people. For example, illegal gold mining results in the spread of gold ore-related heavy metals to nature, such as arsenic, lead, cyanide or mercury (Edwards et al. 2014); and people living in the neighborhood of an artisanal cobalt mine in DR Congo had much higher levels of cobalt in their urine and blood (Nkulu et al. 2018).

Also worryingly, but less noticeable, illegal sand mining is destroying pristine areas and represents a major threat for the livelihoods of several communities across Africa. According to the United Nations Environment Programme (UNEP), it is estimated that ca. 40 billion tons of sand are processed worldwide every year. In fact, sand and gravel are the most extracted material group in the world, exceeding fossil fuels and biomass (Torres et al. 2017). It is a key component of cellphones and microchips, and most importantly constitute the bulk of primary materials used in construction and transport infrastructures—e.g. each kilometer of highway built requires ca. 30,000 tons of sand. However, together with coal, natural gas and oil, sand is a non-renewable resource, it is not renewed as quickly as people remove it, requiring constant extraction and destruction. China itself has recently experienced the dramatic consequences of intensive and illegal sand mining, leading to the decline of the largest freshwater lake, the Poyang Lake, and the Yangtze River basin, impacting water availability for people and habitat for biodiversity (Lai et al. 2014; Chen 2017). However, despite its in-house damages, Chinese companies show no signs of slowing their activity abroad.

Overall, all biodiversity and particularly the large mammals are under increasing pressure with the expansion of roads and other infrastructures associated development across the African continent under the BRI (Lahm et al. 1998; Sitati et al. 2003; Laurance et al. 2008, 2015; Blake et al. 2008; Vanthomme et al. 2013; Maisels et al. 2013). This is even more alarming if we consider that many development corridors are expected to have major impacts on existing Protected Areas. Recent studies report that over 2,200 existing nature reserves are to be bisected by linear infrastructures or could experience a significant deterioration in their ecological integrity and connectivity, as well as increased urban encroachment, including World Heritage Sites, Ramsar Wetlands, and UNESCO Man and Biosphere Reserves (Laurance et al. 2015; Sloan et al. 2017).

Unpredicted Costs

The investment in infrastructures for economic growth and prosperity does not always consider all costs, particularly those that are not immediately perceived in excel spreadsheets. The most noticeable are those related to human injuries and vehicle damage resulting from collisions with large mammals. However, many other impacts (direct and indirect) of transport infrastructures have less obvious costs. They can cause cascading negative effects on biodiversity which ultimately are the human populations paying the highest price. For example, many mammalian species have critical influences on the structure and functioning of African natural ecosystems and provide important services such as biological pest control in human-dominated landscapes (Malhi et al. 2016). In one study, researchers experimentally removed the large grazing mammals from a fenced area and recorded the succession of cascading effects, beginning with the doubling in abundance of a small grazing mammal, the pouched mouse (*Saccostomus mearnsi*), which in turn attracted venomous snakes such as the olive hissing snake (*Psammophis mossambicus*), reduced seedlings of the dominant tree (*Acacia drepanolobium*), led to an increase in abundance of fleas, which potentially increased the risk of transmission of flea-borne pathogens (Keesing and Young 2014). Similar disruptive cascading effects are to be expected with changes in the communities, for example when migratory routes are hampered by linear infrastructures.

Likewise, West African rainforests currently provide food, fuel, fibre and a range of ecosystem services for over 200 Mio. people. However, deforestation due to logging and agricultural expansion leads to significant losses of forest species and their services (Norris et al. 2010; Searchinger et al. 2015). On the other hand, the decline of megafauna will have a significant impact in tourism revenues. As of 2014, tourism contributed to 8.5% of Africa's gross domestic product, according to the United Nations trade arm, generating 7.1% of all jobs (UNCTAD 2017). Wildebeest migrations and other large mammals are important focus of attention of tourists and thus contribute significantly to national economies. It is estimated that poaching of elephants represent losses of US$25 Mio. per year for African countries (Naidoo et al. 2016). Hence, any loss of wildlife migrations, or their habitats, could undermine key tourism products with significant impacts on national economies.

Transportation infrastructures themselves may carry significant and unpredicted costs (Collier et al. 2015). According to Dulac (2013), the global cumulative expenditure on transport infrastructure may reach US$ 45 trillion by 2050, representing ca. 0.7% of global GDP. When combined with reconstruction and upgrade costs, annual operation and maintenance spending, global transport spending on transportation infrastructures is expected to reach nearly US$ 120 trillion by 2050, or an unweighted average of roughly US$ 3 trillion per year over the next 40 years. This equates to 2% of projected global GDP to 2050. Moreover, building transportation infrastructures on inadequate areas, as floodplains or steep terrain, may cost billions of dollars in maintenance (Alamgir et al. 2017; Laurance and Arrea 2017). More broadly speaking, the massive development and expansion of transportation infrastructures and industries will require increasing amounts of energy, and there are serious concerns that the promotion of BRI fossil fuel investments (especially coal plants) could lock African countries into fossil fuel dependency for the coming decades and hamper them from reaching their nationally determined contribution carbon targets as established under the Paris Agreement on Climate Change (Gallagher and Qi 2018; Zhou et al. 2018; Ascensão et al. 2018).

Perhaps the main unforeseen cost associated to the African BRI, will be the lack of gains by local communities, as shown in other regions of the globe (Bebbington et al. 2018). For example, despite the overall expansion of the extractives sector and the rise in commodity exports, the conversion of growth into poverty reduction in Africa is much slower than in the rest of the developing world. People living in Africa's resource rich countries are three percent less literate, have shorter life expectancy by 4.5 years, and have higher rates of malnutrition among women and children, compared to other countries in the region (Chuhan-Pole et al. 2017). Hence, despite such richness, few African people have access or benefit from it. Likewise, transportation infrastructures may have negative impacts on Indigenous Peoples, include the loss of land, territories and resources, displacement, increased conflicts, alteration of traditional livelihoods systems, industrial land conversion, and consequently the collapse of cultures and traditions (Edwards et al. 2014; Starkey and Hine 2014). Hence, the infrastructures may also come with a high toll for the economies and people, and therefore a rigorous cost–benefit analysis should precede its construction.

Challenges of the African BRI

The main challenges that China and host African countries face under the BRI is the low environmental responsibility that Chinese companies operating overseas are demanded to obey. As of 2017, the only policy document focusing on reducing the environmental impacts is the 'Guidelines on Environmental Protection in Overseas Investment and Cooperation', issued in 2013 (Gallagher and Qi 2018). Its goal is to guide Chinese companies in identifying and preempting environmental risks in a timely manner and actively fulfill their social responsibility in environmental protection. To facilitate the implementation of these Guidelines, a second official document was published, in April 2017 entitled 'Guiding Opinions on Promoting Green Belt and Road', which put forward more detailed suggestions for enterprises to embrace their corporate social responsibilities. Therein, Chinese companies engaging in overseas projects are encouraged to release annual environmental performance reports, to adopt low-carbon and energy-saving materials and techniques, and to step up efforts in the development and application of major technologies to address climate change, among other measures. However, both the Guidelines Guiding Options are voluntary in nature, and furthermore there are no penalties for non-compliance with these official documents (Gallagher and Qi 2018). More recently, during the second Belt and Road Forum for International Cooperation (April 2019), the Chinese president Xi Jinping and the accompanying BRI progress report, stressed China's commitment to environmental sustainability. At the time of writing, it is too early to gauge commitment to that will, but it is also true that most of China's investment in the energy sector has been in fossil fuel projects (Zhou et al. 2018).

On the other hand, China's foreign investment is ruled by the "no strings attached" approach, meaning African governments can manage their own affairs without political and presumably without environmental interference by China. This is a contrasting approach when compared to projects sponsored by Western governments and development agencies, which tend to include policies on anticorruption, transparency, and competitive bidding, but which also take a long time to investigate the financial viability of the projects. These 'constraints' often delay the delivery of the projects, which makes Chinese assistance an attractive alternative for African governments committed to providing new infrastructures. Symptomatic, the Chinese President Xi Jinping declaration "Toward an Even Stronger China-Africa Community with a Shared Future" in the Forum on China-Africa Cooperation (FOCAC) briefly mention the Environment as concern but referred no conditions to the fulfilling the investments in Africa.

Another major challenge is the unfortunately recognized African poor governance (Assa 2018). Poor governance contributes to poor elections, which, among other things, produce the domino effect of undermining institutions, justice and equality of opportunity in Africa. Importantly, it may skip or shorten some key steps in assessing the sustainability of the plans and projects, with the consequent risks to the environment and human populations. Using two indexes that reflect the governance health of various countries around the world, it is possible to conjecture about the intrinsic risks to the environment under China's investments in some countries. The indexes are the TRACE **Bribery Risk** Matrix (www.traceinternational.org/trace-matrix), which measures the business bribery risk in 200 countries, and where the overall country risk score is a combined and weighted score of four domains—Business Interactions with Government, Anti-bribery Deterrence and Enforcement, Government and Civil Service Transparency and Capacity for Civil Society Oversight. This index uses a scale of 0 to 100 where 0 represents high risk and higher levels stand for low bribery risk countries. The second index, the **Corruption Perceptions Index** (www.transparency.org/cpi), scores countries on how corrupt their public sectors are seen to be. This index ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, also uses a scale of 0 to 100 but in this one 0 is highly corrupt and 100 is very clean.

In Fig. 10.3 it is plotted the relation of the two indexes, per global region (Eastern Europe, Western Europe, Northern Africa, Sub-Saharan Africa, Asia, Middle east, Oceania, Latin America and Northern America), where crosses represent each region. The cross intersections are the mean values, and the size of the horizontal and vertical lines stand for the standard deviation of each index (across countries of each region). North America and Western Europe were scored as having low bribery risk and low corruption perceptions (top left in Fig. 10.3), while the worst performing regions were Northern Africa and Sub-Saharan Africa (bottom-right, Fig. 10.3). The symbols in the plot are the relative position for the African countries (one symbol per country), and the shape of the symbols stands for countries belonging to BRI (circles) or not belonging (triangles). Finally, the size of the symbols represents the relative amount of Chinese investment, where larger symbols stand for higher investment. As we can see, Chinese investment under the African BRI is very high in countries with high risks of bribery and corruption. Therefore, the chances of poor infrastructure planning are significant, namely of its routing, design and mitigation, which could have huge negative implications on biodiversity. For example, there is evidence that the cost of road development is higher in countries with higher levels of corruption (Collier et al. 2015). Interestingly, China and African countries launched in the FOCAC last year the African Anti-Corruption Year, pledging to take it as an opportunity to jointly fight corruption and promote integrity. This gives some hope on a brighter future for conservation.

Opportunities Under the African BRI

The African BRI, if properly planned and built, can become an opportunity for the environment. By raising country and regions' income, governments have more budget to invest in education, which can help reduce environmental damage, namely

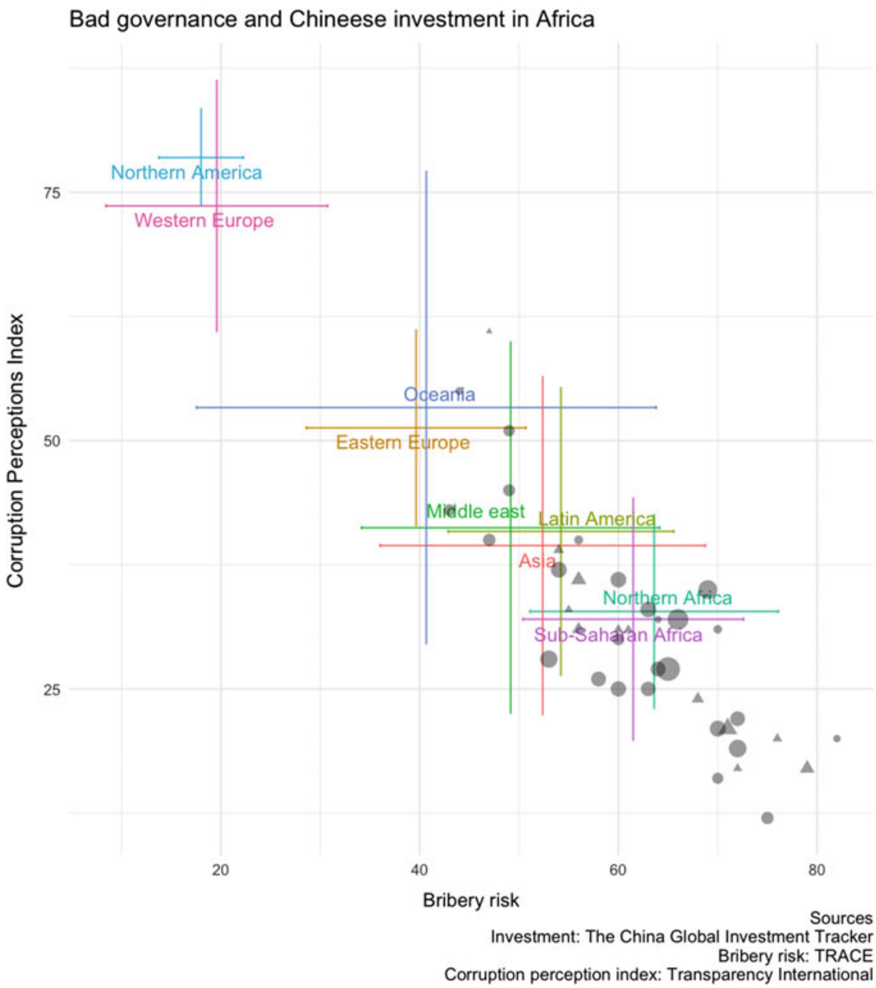

Fig. 10.3 Relation between Bribery Risk and Corruption Perceptions Indexes, per global region, depicted as crosses (9 regions). Cross intersections are the mean values, and the size of the horizontal and vertical lines stand for the standard deviation of each index (across countries of each region). The symbols in grey are the relative position for the African countries (one symbol per country), and the shape of the symbols stands for countries belonging to BRI (circles) or not belonging (triangles). The size of the symbols represents the relative amount of Chinese investment, where larger symbols stand for higher investment

deforestation, by providing better jobs, free people from the subsistence economy, and teach about the negative consequences of unsustainable forest use; whereas lack of development may actually increase pressure on forests to meet the basic needs of the human population (Jha and Bawa 2006). On the other hand, diversifying sources of income can help reducing the economic and social instabilities that plague nations largely dependent on just a few natural resources or commodities for export revenue, the so-called 'resource curse', whereby resource-rich economies show poor economic growth performance (Edwards et al. 2014). Also, most of Africa's agriculture is relatively unproductive and vast areas are exploited for meager returns. Improved transport networks promoted by the BRI could increase small farmers' access to fertilizers, and other farming practices, and reduce transport costs and wastage, thus improving farm profitability (Faye et al. 2004). Under this scenario, Africa's food production could rise significantly without a major expansion of the area under cultivation, to the benefit of biodiversity (Phalan et al. 2011).

The Green financing of African BRI projects and plans is also an opportunity for the finance sector, contributing to the sustainable development by mitigating negative environmental impacts of infrastructure and investing in natural capital. The green financing is a process in which the financing is conditioned to the comply of best environmental practices in infrastructure planning, design, construction, and operation (Kirchherr et al. 2018). As so, the spread of new infrastructures could be confined to areas where they are most required, avoiding environmentally important areas (Laurance and Balmford 2013). Following WWF recommendations, BRI actors should follow three sustainable investment principles to help decision-making: (i) only invest in sustainable infrastructures—i.e. those that integrates environmental, social and governance aspects in the planning, building and operating phases—in compliance with environmental regulations, best practice planning approaches, strong stakeholder involvement, transparency and monitoring of impacts; (ii) aim to invest only in future-proofed environmentally friendly infrastructure; (iii) only invest in assets outside or not negatively impacting natural habitats with a critical role for the ecosystem (Kirchherr et al. 2018).

For these opportunities to be successfully attained, some critical directions should be considered by all key players involved in the BRI. In particular, BRI should invest in local people, exhort environmental scientists to become involved in decision making processes, rely on carbon-trading initiatives, and provide a pan-continental zoning project to map areas that should remain free from infrastructures (Laurance and Balmford 2013; Caro et al. 2014). As so, the African BRI could improve the growth of the economies, aiding Africa's structural transformation and inclusive green growth, and to advance the Sustainable Development Goals, particularly in the land-locked countries where the majority of the population live in rural communities.

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International Rivers, Flowing on the Belt and Road: Threats and Strategies for Shared Water Resources

Run Wang and Run Liu

Introduction

On December 9, 2014 the first conference of the scientific committee of the Research Center for Ecology and Environment of Central Asia (CEECA) was held in Shenzhen, China. Thirty-one members of this committee attended the conference, including those coming from Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan and China. The main topic for discussion was how to set up a network and start scientific cooperation related to water and environmental issues in Central Asia. In the same year of 2014, the established CEECA, which belongs to the Chinese Academy of Sciences, started to act as the platform and research base for the improvement of communication and scientific cooperation between China and the countries in Central Asia. The establishment of CEECA also aims to achieve sustainable development in the aforementioned area. Between 2015 and 2016, CEECA set up its three sub-centres in Kazakhstan, Kyrgyzstan and Tajikistan respectively. All these sub-centres were established through officially diplomatic and legal ways with their own office areas, labs, field stations and employees paid by Chinese sponsors. Now there are at least 34 local employees in total working at the three sub-centres.

CEECA, as one of the projects echoing China's "Belt and Road Initiative" in the scientific research area, now has its farthest experimental station on the "Silk Road" 3,000 kms away from the border of western China. "It's an attempt of new cooperation mode, which combines civil cooperation with international cooperation, social sciences with natural sciences, and basic researches with practical researches. This will be a move of mutual advantages and mutual development," said CHEN Xi, director of CEECA, also the director of the Xinjiang Institute of Ecology and

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Geography (XIEG) of the Chinese Academy of Sciences, which is located in Urumuqi, capital of China's Xinjiang Uygur Autonomous Region (Chinese Academy of Science 2016).

Xinjiang experienced massive immigration from other parts of China since 1949. Under the strong ideology of "opening up wasteland" large areas of pastureland and wetlands have been converted to cropland. This process has increased the competition over scarce water resources and created problems for many traditional oasis settlements, which are increasingly facing issues of water shortage and water pollution. The water issue has always been one of the key problems in the development of this Chinese Central Asia area. Also, in fact, this problem has always been an international issue, previously with the former USSR, now with its adjacent countries Kazakhstan and Kyrgyzstan.

International Rivers, Flowing on the "Belt and Road": Part of Central Asia

The "Belt and Road Initiative" (BRI) or "One Belt, One Road" (OBOR), is comprised of the "21st Century Maritime Silk Road" and the "Silk Road Economic Belt" together. As planned, the initiative includes six international "corridors". These include; (1) "The new Eurasia Land Bridge", (2) "The China-Mongolia-Russia Economic Corridor", (3) "China-Central Asia-West Asia Economic Corridor", (4) "China-Indochina Peninsular Economic Corridor", (5) "China-Pakistan Economic Corridor", (6) "Bangladesh-China-India-Myanmar Economic Corridor". No matter what is the main purpose of each corridor, the rivers, which cross country borders, especially in corridors (3), (4), (5) and (6), play a decisive role in the success of the corridor.

Internationally shared watercourses face a variety of challenges—ranging from ecosystem destruction through infrastructure development to biodiversity loss, from pollution intrusion to wetland destruction, and from navigation accidents to the over-exploitation of fish stocks. All such modifications affect riparian populations and states by altering irrigation and agriculture, fisheries and aquaculture or navigation opportunities. In the future, climate change will further increase flood and drought challenges as well as other water-related risks for riparian populations and states (Schmeier 2013). In fact, tackling the complicated diplomatic affairs in the construction of planned corridors, China cannot evade the problems that come with internationally shared watercourses. These watercourses include famous rivers such as the Lancang (Mekong), the Yarlung (Brahmaputra), the Nu (Salween) Rivers, along with less well-known rivers in the Chinese Xinjiang region, such as Ili, Aksu-Tarim (Saryjaz) and Irtysh River.

The Aksu, also known as the Saryjaz River, is a transboundary river in the Xinjiang Uyghur Autonomous Region in China and Ak-Suu District of Issyk Kul Province of Kyrgyzstan. The Aksu River is the only one of the Tarim's source rivers to run throughout the year; the Ili flows from the Ili Kazakh Autonomous Prefecture of Xinjiang in China to the Almaty Region in Kazakhstan; The Irtysh's source lies in the Mongolian Altai in Dzungaria, the northern part of Xinjiang, China which is close to the border with Mongolia. The Irtysh's main tributaries include the Tobol River, Demyanka River and the Ishim River and it is the main tributary of the Ob River. The Ob-Irtysh system forms a major drainage basin in Asia, encompassing most of Western Siberia and the Altai Mountains.

So far there has been no severe conflict between China and Kyrgyzstan or Kazakhstan in terms of river water problems. However, potential tension over water exists because of issues related to water usage in the individual countries.

Additionally, climate change brings more uncertainty on this issue. The Tarim River is the longest inland river in China, with an annual flow of four to six billion cubic metres. The river historically terminated at Lop Nur, but today it reaches no further than Taitema Lake before drying out. Its basin is home to nearly 10 million Uyghur and other ethnic minorities. Due to the agricultural development, especially the cotton plantation in the Tarim Basin, the question of how to deal with water distribution in the upper and lower reaches of the river has been the main task of the local water administration there. Since the mid-1990s, due to the large scale of oil exploitation in the basin and due to the policy of water flowing to the Taitema Lake and maintaining the green condition of the oases in the lower reaches, the conflict over water utilisation between the upper and lower reaches has become more serious.

As mentioned above, the Saryjaz, which has its roots at the Semënov glacier in the Central Tian Shan mountains of Kyrgyzstan, brings more than 60% of the total amount of water to the Tarim River. According to the regional hydrography scale, the river systems in Kyrgyzstan are comprised of the Aral Sea basin (76.5% of the territory), the Tarim river basin (12.4%), the inner basin of the Issyk-Kul lake (10.8%) and the Balkash basin (0.3%).

In the case of Kyrgyzstan, it could be considered that its hydrographic systems at the level of large watersheds are separated by orography that differ geographically and hydrologically from each other. The total average annual volume of river flow equals to 52 km^3/year, a significant amount of which (75–80%) goes to contiguous countries such as Kazakhstan, China, Tajikistan, Turkmenistan, and Uzbekistan. The quota of water intake inside Kyrgyzstan in the Syrdarya river basin was 4.03 km^3, while the rest 86% of the total 29.8 km^3 were provided as freshwater for irrigation to Uzbekistan, Tajikistan and Kazakhstan. In the Amudarya river basin it was 0.2 km^3 from 1.98 km^3 (5.2%) flow forming in the territory of Kyrgyzstan. The Shu (3.84 km^3) and Talas (1.72 km^3) rivers are almost equally divided between Kyrgyzstan and Kazakhstan. The Karkyra river (0.37 km^3) flows into Kazakhstan. The runoff of the Tarim Basin (6.99 km^3) where the Saryjaz, Uzengu-Kuush, Ak-Sai, and Kyzyl-Suu (eastern) territories are located in Kyrgyzstan is completely drained to China (Abuduwaili et al. 2019).

In terms of the transboundary river between China and Kazakhstan, the Ili River provides 78.2% of the surface inflow to the Balkash lake, which is located in the southeast of Kazakhstan, in the lowest western part of the Balkash–Alakol depression, and in the border of three administrative regions of Kazakhstan, Karagandy, Zhambyl, and Almaty. Starting from the Tianshan in China, with a total length of 1,439 km, a drainage area of 152,000 km^2, and an annual flow of 22.8 km^3, the Ili plays the main role in the water balance of the Balkash lake. It runs for 637 km through China and it is also important for the regional development of Northern Xinjiang.

Irrespective of whether rivers flow to or from China, climate change will bring more uncertainty on this water issue, because it can cause great variations in the amount and quality of available water resources in the Central Asia area. From the second half of the nineteenth century to the present day, the global temperature has risen by between 0.3º and 0.6º Celsius, and these changes have also affected Central Asia. This temperature rise has essentially contributed to the reduction of the area covered by glaciers in Tianshan, where the main water reserves are generated. In Kyrgyzstan, 4% of its territory is covered by glaciers; and such areas are estimated to be reduced by between 30 and 40% if temperatures continue to rise. In general, the impact of global warming means a drastic decrease in water resources and the water volume of rivers. There are estimates suggesting that the two main rivers of the region, Amu Darya and Syr Darya, will lose, respectively, between 10 and 15%, and between 6 and 10%, of their volume (Ángel and Martín 2017). Also, glaciers in the Hindu Kush Himalayan region could lose over a third of their volume by 2100 even if the world manages to keep global warming below 1.5 °C, according to a recent report by the International Centre for Integrated Mountain Development (ICIMOD). If the global average temperature hits 2 °C, then 49% of the volume of these glaciers will be lost (Ahmad 2019). This region, which is known as Asia's water tower, is the source of ten major rivers, including the Brahmaputra, Ganges, Indus, Mekong, Yellow River and Yangtze. The Himalayan and Tibetan Plateau has already become three times warmer than the global average. Since the 1970s, 15% of the ice has disappeared.

Cooperation with Kyrgyzstan and Kazakhstan on River Issues

Since the independence of Kyrgyzstan and Kazakhstan from the USSR in 1991, significant agreements have been reached between China and these two countries, who are cooperating under the guidance of the "Shanghai Cooperation Organisation" (SCO). China was one of the first countries in the world to establish diplomatic relations with the five Central Asian republics. Between 1992 and 1994, all the Central Asian presidents visited China. SCO, previously called the Shanghai Five group, reflecting its original membership of five nations was founded on 26 April 1996. Since then, the organisation has expanded its membership to eight countries, with the addition of Uzbekistan, followed by India and Pakistan joining the SCO as full members on 9 June 2017 at a summit in Astana. The SCO's final statements regarding water resources have always reflected the Central Asian countries' aim to collaborate, but there have been no specific measures within the sphere of the organisation. The fact that water has constantly been the discussion topic of the SCO summits of heads of state makes the cooperative development of the organisation more difficult (Ángel and Martín 2017).

Before the OBOR Strategy, as member countries of the SCO, China and Kazakhstan had already signed some agreements related to water resources in terms of information exchange and implementation of joint studies. However, there has been limited personal contact and scientific exchange, and there are still many questions that remain to be resolved between both countries. Regarding the hydrological data and information exchange in the agreements, basic information about items, amount, duration and the conditions for exchanges was provided, but there was no detailed information about the data or how to implement the exchange. In terms of water allocation, principles were outlined, but no policy for rational water resource utilisation between the countries was drawn up. Additionally, no agreement on water allocation along transboundary rivers has been reached (Qui 2013). Therefore, talks on water resources and the Ili River remained sidelined, and negotiations on water were usually carried out within the framework of "normal politics", which led to greater competition for water among countries and even within each single country.

In relation to the Saryjaz between China and Kyrgyzstan, the problem looks "simple", because there has been no large scale water utilisation project to date in Kyrgyzstan, and in China, the Aksu (also known as the Tarim) has been regarded as the "mother river of Southern Xinjiang", and has almost never been mentioned as an international river, even in the planning of the watershed development.

The lack of scientific research about the rivers shared between China and Kyrgyzstan and China and Kazakhstan before the OBOR strategy was evident at a scientific conference held in Urumqi, Xinjiang in 2006. The conference was convened by a research project which was financially supported by the Volkswagen Foundation with the title of "Water shortage and water utilization conflicts in the Central Asia". Although there were many topics discussed at the conference, such as the influence of climate change on glacier melting and the urgency of initiating a bilateral cooperation about the water problem in this area, no more than three delegates from Central Asian countries were present.

Opportunity and Challenge Under the OBOR Strategy

The establishment of the research centre CEECA undoubtedly paved a new way to open discussion and promote a better understanding of the international river issue. Considering its current situation in terms of overseas employee scale, the amount of experimental stations and investment in the research programmes, it is clear that under the OBOR strategy China intends to play a much more active role in dealing with the country's resource issue with its neighbouring countries. Just as Saudi Arabia sits over immense reserves of oil and is a critical international supplier, China controls vast transnational water resources, giving it significant, even if latent, clout over the states to which rivers flow from its territory. As the hub of Asia, China shares

Table 11.1 Major rivers flowing out of Chinese territory to other countries

River system	Flowing destination	Average annual Runoff volume (km^3)	Length (km)
Amur	Russia	340.8	4370
Brahmaputra	India	165.4	2840
Indus	India	207	2900
Salween (Nu)	Myanmar	68.9	3200
Mekong (Lancang)	Laos, Vietnam and Myanmar	74	4180
Red River (Yuan)	Vietnam	48.4	1280
Ili	Kazakhstan	22.8	1236
Irtysh	Kazakhstan	10.8	4248
Tumen	North Korea and Russia	8.5	525

Source Self compiled online data, 2019

land borders with fourteen states, and thirteen of these countries are its co-riparians (Table 11.1). Besides the water share issue in Central Asia, China is now facing such problems with its neighboring countries:Pakistan, India and Bangladesh. The main water share problems are in the Indus river and Brahmaputra; and between China and Myanmar, Cambodia as well as Vietnam there are problems in the Mekong river, Salween, etc.

A study of "The Himalayan Climate and Water Atlas: Impact of Climate Change on Water Resources in Five of Asia's Major River Basins" clearly proposed that the climate would continue to change across the involved region in the coming years, with great spatial variability; glaciers would continue to shrink massively, which affects the communities living in the mountain regions the most; and changes in temperature and precipitation would lead to increases of flood and drought, which will also have influences on agriculture, water resources, and health in the Hindu Kush–Himalayas (HKH) (White et al. 2014). In relation to the climate change issue, China is playing an increasingly active role in the international negotiations. Since the US withdrew from the Paris agreement, China should facilitate the reestablishment of shared responsibilities on global climate, which means shifting from G2 to C5 in an active manner internationally.

Water has been increasingly turned into a divisive issue and at the same time become a cause for competition and discord among countries in Asia. This growing water issue also threatens Asia's economic growth and sociopolitical stability. In fact, international water disputes have already become a widespread issue of concern. As Brahma Chellaney said in his book "Water, peace, and war: confronting the global water crisis", China, the director of Asia's water taps, should play a cooperative leadership role in Asia using the strength of its unique riparian position. "Rather than making water an increasingly contentious issue in its relations with neighbours and thereby foster low-intensity water conflicts or overt tensions, China has the option to set an example by investing in building institutionalised water sharing and other cooperation arrangements that would fill the diplomatic vacuum currently characterizing its water relations with neighboring states" (Chellaney 2013: 242). Within the framework of OBOR, China must be more active on the issue of water in the future.

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Possible Ecological and Economic Challenges for Ghana's "Bauxite for Infrastructure" Deal

Sebastian Purwins

Introduction

The so-called resource for infrastructure deals are understood as loans (mostly for infrastructure projects) that are repaid with revenue from exploiting natural resources. The first of this kind of deal between Ghana and China was the construction of the Bui Dam in 2007. Both countries agreed on a Cocoa sales agreement of 40,000 tons for 17 years as a repayment for the construction of the dam (Konijn 2014). While this project came at a time when Ghana had many problems with energy shortcuts, Owusu et al. (2018) have pointed out that livelihood systems have been severely disrupted since then. In general, these *"resource for infrastructure"* deals have been criticised for leading to certain economic as well as ecological risks for the host country. However, it is also recognised that they enable the financing and development of the infrastructure that African countries critically need.

In 2018, China and Ghana entered a new *"resource for infrastructure"* swap that gained public attention: the Sinohydro deal. This agreement is controversial, because the repayment requires the development of the bauxite industry and, therefore, further extraction.

This paper outlines the challenges that Ghana is facing while becoming increasingly embedded in a "*China-based globalization*" (Kanungo 2017) by looking at the example of the Sinohydro deal and the bauxite extraction situation. The results are based on the analysis of media reports and political documents. In addition, mainly informal interviews with ministry's as well as group interviews with a protesting NGO during fieldwork in 2018 and 2019 has been used to interpret the case.

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The Belt and Road Initiative

Over the past decades, the People's Republic of China has become *the workbench of the world* in a capitalist global economy. Its economic growth, however, is largely based on China's exports. The country mainly exports broadcast products (television, radio broadcasting, antenna, digital, wireless, FM, AM, Bluetooth, microwave) and imports oil, integrated circuits and iron ore. For a sustainable stabilisation of the still strongly-growing national economy, the country depends on raw materials for production and on new markets for its consumer goods. Following the 2008 financial crisis, the Chinese government responded to the decline in GDP with a stimulus package of over US$586 billion (Schmalz and Ebenau 2011). The central bank eased lending and cut the prime rate by 1.8%. Furthermore, export taxes were reduced and household goods such as televisions, refrigerators and cell phones were subsidised in rural areas (Schüller 2009). In addition, in 2013, the Chinese government started its project *One Belt, One Road* (often referred to as the *New Silk Road*) to open up new markets and expand infrastructure. Since it is not just *one* but several economic corridors, as of 2016 the phrase Belt and Road Initiative (BRI) has become more common. The BRI pursues the goal of connecting economic areas and is structured geographically along various land corridors and sea lanes (The Maritime Silk Road). This newly developed infrastructure is expected to increase intercontinental trade. The BRI reflects China's economic as well as political rise and is, as Bijian (2017, n.d.) argues, *"a strong driver and important symbol of the new phase of economic globalization."*

Despite some international criticism of the BRI, the project has gained a growing interest from African governments. This, for example, became clear in September 2018, when 51 high-ranking representatives and presidents of African states took part in the Forum on China-Africa Cooperation in Beijing. However, only 27 showed up one week later at the UN General Assembly. Thus, Africa plays a special role, as the continent on the one hand is regarded as rich in raw materials and on the other hand has been inadequately developed as a market so far. While the coastal regions of East Africa have been important junctions between Asia and Europe for several years, China has recently been promoting the development of new deepwater ports in West Africa, such as Libreville (Gabon), Tema (Ghana) and Dakar (Senegal). Africa is also an important end user of China's industrial overcapacities, particularly coal, cement, steel, glass, shipbuilding, and aluminium, for use in BRI infrastructure projects.

Ghana and the BRI

China and Ghana have maintained political relations since the independence of the African country, and economic cooperation has recently been strengthened, with China becoming an important trading partner in recent years. In June 2017, the People's Republic of China and the Republic of Ghana entered into a US$10 billion deal, which stipulates that China will participate in the development of an integrated bauxite-aluminium industry in Ghana and invest heavily in infrastructure development. In addition to the construction of schools and hospitals, this agreement includes the expansion of roads and railway lines as well as the expansion of the deepwater port at Tema (Oxford Business Group 2018). Finally, in September 2018, the two countries signed a *Memorandum of Understanding* on further cooperation under the Belt and Road Initiative. In this context, an agreement was signed between Ghana and the Chinese company Sinohydro. Sinohydro is investing US$2 billion in infrastructure development and will receive refined bauxite for 15 years in return. In addition, Ghana is committed to expanding bauxite mining activities and to building refineries within the next three years (Kpodo 2018). Furthermore, the Asian Infrastructure Investment Bank announced in December 2018 that Ghana's membership application was approved (AIIB 2018). The bank largely funds projects within the framework of the BRI; this is another example of Ghana becoming increasingly embedded in China based globalisation.

Ghana's Bauxite

Bauxite is an aluminium ore found mainly in a belt north and south of the equator, and is the most important raw material for the production of aluminium. In the tropics, bauxite is stored in horizontal layers a few metres below the surface of the earth. These layers are mixed with other different clay minerals, iron oxides and titanium oxides, which must first be washed out for further processing. Bauxite is heated in sodium hydroxide solution; iron-rich residue (red mud) is filtered. The aluminium oxide remaining after this process, known as the Bayer process, is melted at about 1,000 °C and reduced to metallic aluminium (Knierzinger 2016). The states of Guinea, Ghana and Sierra Leone are home to the most important bauxite mining areas in Africa. In 2014, Guinea, the fourth largest producer in the world, produced 17.3 Mio. tons of bauxite, Sierra Leone 1.16 Mio. tons, and Ghana about 837,000 tons (USGS 2016).

In 1914, the British geologist Sir Albert Kitson discovered bauxite in Ghana. Already in 1917, he presented the first plans for an integrated bauxite-aluminium industry. In the years of independence, the project was increasingly pursued. Disagreements with Western investors and a coup against the president led to circumstances in which the project was only partially realised. In the following decades, a highly fragmented supply chain continued to exist until today: Ghana exports bauxite, imports alumina (mainly from Brazil and Jamaica), continues to process the alumina and in turn exports aluminium. What made economic sense for the companies at that time turned out to be of little benefit to the state (Hart 1977). The lack of energy supply for the smelter along with a railway network in need of renovation meant that Western companies gradually withdrew from this sector (Knierzinger 2018). Although the Republic of Ghana has extensive bauxite reserves, the bauxite-aluminium industry has historically not been very significant. In addition to known

Fig. 12.1 Ghana Bauxite

sites, bauxite is mined only in a mine near the city of Awaso (see Fig. 12.1). Since 2011, the only bauxite mine has been owned by the Chinese company Bosai Mineral Group. While bauxite was mainly exported to Europe and North America in the years 2008–2011, this changed fundamentally from 2011 onwards. In 2016, Ghana exported 100% of its subsidised bauxite to China. In the same year, the People's Republic acquired 60% of the world's bauxite.

The Sinohydro Deal

At the very centre of attention of the current Chinese engagement in Ghana is the Commercial Agreement between the Government of Ghana and the Sinohydro Corporation Limited. The Agreement manages the financing of US$500 Mio. for the construction of priority road infrastructure projects. These road projects are framed under the Master Project Support Agreement, which lists the exact scope and cost of the infrastructure projects. The Agreement points out that these infrastructure projects will enhance the movements of goods and people. The bauxite itself appears as part of the section *Repayment by the Government of Ghana*. The contract outlines that the Government of Ghana "*shall make payments for the Sinohydro Arranged Project Financing out of receipts from the transfer of refined Bauxite (Alumina or Aluminium) to its strategic partner (Offtaker).*" (Master Project Support Agreement 2018, p. 4). The Agreement states that Ghana has to provide bauxite that is refined at least to the level of alumina. At the same time, China is already very well positioned in this sector. The only firm that is active in bauxite mining is the Ghana Bauxite

Company Ltd., and in recent times China has become Ghana's main trading partner concerning bauxite. However, possible dependencies that could arise from this situation will only be observable in the future.

The Sinohydro Deal between the government of Ghana and and the Sinohydro Corporation does not specify where the bauxite should be mined. In order to keep up with repayments, on the one hand Ghana needs to expand the bauxite industry, on the other hand it is in conflict with the local population. The direct conflict is therefore not carried out by the Chinese company, but by the government, which has manoeuvred itself into this situation. However, there is a large bauxite deposit at the Atewa Range, where this dilemma has occurred. In the following, the social and ecological consequences of mining at the Atewa Range will be pointed out.

Bauxite Mining at the Atewa Forest Reserve

One largely undeveloped bauxite site is the Atewa Range near the city of Kibi. The area is characterised by a series of plateaus, which are remnants of a Tertiary peneplain (McCullough et al. 2007). Since 1926, the range has been protected as a forest reserve (McCullough et al. 2007) and is known to constitute the largest and most intact patch of upland evergreen forest in Ghana. In fact, it is one of only two reserves in Ghana with upland evergreen forest. Therefore, the reserve became one of Ghana's 30 Globally Significant Biodiversity Areas (GSBAs) in 1999 (Ayivor and Gordon 2012). Additionally, the Atewa Forest is an important watershed from where three important rivers, namely the Densu, Ayensu and Birim, take their sources. Gold mining is already taking place close to the border of the forest; additionally, the illegal small-scale gold mining in the reserve is an increasing problem for the forestry commission. No concessions have been given out so far for bauxite mining in the forest.

Bauxite is extracted extensively in open-pit mining, resulting in large-scale degradation and pollution. A study by the Netherlands Environmental Assessment Agency (Meijer et al. 2018), modelling land use change concluded that more than 50% of forest would be threatened by deforestation. In addition, by-products, known as red mud, could lead to further environmental issues. Local environmental organisations fear that traces of this red mud could enter the rivers. The corrosive caustic soda contained in the mud would be hazardous to the fauna and to humans. This is particularly problematic in light of the fact that the Densu River provides water to the metropolitan region of Accra. As a result, local NGOs mobilised demonstrations and a petition to the government to declare the forest as a National Park.

Social-Economic Risks for Ghana

The expected impact of bauxite mining is not limited to a social-ecological local level. Also on an economic scale, some risks need to be pointed out. In 2013 and 2014, as world commodity prices declined sharply, Ghana's GDP contracted from US$47.81 billion in 2013 to US$38.62 billion in 2014 (Jones 2016). At the same time, its debt increased, as the country had to borrow more capital. In terms of GDP, debt grew from 47.9% in 2012 to 73.4% in 2016 (Jones 2016). In 2015, the International Monetary Fund (IMF) called for deleveraging, as commodity markets would stabilise again. However, the debt in 2017 was 73%—and rising. As a result, the IMF extended its loans to Ghana for another year. Given the high level of debt and declining revenues from the export of raw materials, the state also has little money available for infrastructure measures. To counter rising debt, the government is seeking higher tax revenues through more economic growth and finds an interested partner in China, who can finance these projects. China is gaining access to resources in Africa, and African states are receiving infrastructure that they themselves could hardly afford to finance. The hope of African states is to stimulate economic development to enable them to repay their debts. Since the end of 2017, however, the IMF has increasingly been warning of growing debt in Africa. Thus, according to Van Eyssen (2018), there is a double debt trap for African states, by China on the one hand and Western institutions on the other.

Discussion

Several projects and investments along with the BRI can promote social and economic development but at the same time increase habitat loss, the overexploitation of resources and the degradation of surrounding landscapes. The case of bauxite mining at Atewa Forest presents itself as such a dilemma. On the one hand, the government is willing to establish an industry which creates needed jobs and welfare. On the other hand, the local communities are no longer willing to sacrifice the forest for economic development. However, Ascensão et al. (2018, p. 207) argue, *"if not properly addressed, the negative environmental impacts of the BRI are likely to disproportionately affect the world's poor."* Against the background of these risks, Ghana's government has nevertheless agreed to an exchange of raw materials for infrastructure. Hart (1977, p. 22) once described Ghana's Bauxite as *"the country's most useful resource."* However, from a political ecology point of view the questions arise, for *whom* it will be a useful resource. The success of the Belt and Road Initiative will depend on whether the vast investments will not only provide the needed infrastructure for economic growth, but also at the same time create development opportunities for communities on the local level.

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The Digital Silk Road: Upgrading the “16+1” Cooperation?

Kerry Brown and Anna Burjanadze

The Context of the BRI—Connectivity

The Belt and Road Initiative (BRI) has become the signature foreign policy idea of the Xi Jinping administration. In many ways, it typifies the triptych of issues at the heart of the Xi era: it is part of a grand narrative of renaissance and restoration of Chinese power after a century of humiliation, with 2021 marking the first Centennial Goal when the Communist Party celebrates its hundredth anniversary in power; secondly, it appeals to the emotions of the Chinese people in reminding them that their country is now, for the first time in modern history, a truly globally powerful one, with an initiative like the BRI to manifest that influence and power over the rest of the world; finally, it operates as a grand metaphor for the illusiveness of Chinese power, and its almost abstract, spectral quality. The New Silk Road, as the idea originally appeared in 2013, became One Belt, One Road in 2014, and the BRI in 2015. The Belt and Road are both symbols of Chinese influence, but with a looseness that resists easy categorization.

The 2015 government White Paper on the Belt and Road stressed one aspect in particular, and that was the importance of connectivity within the idea. As the PRC has become economically more prominent, this need for it to explain to a wider world what its intentions are has become more urgent. In that sense, the BRI gives ideas about the architecture of Chinese global influence—through people to people links, through building infrastructure, through developing finance links with the outside world, through increasing cultural links, and finally through building up IT and technological linkages. These are meant to create a new kind of international power, facilitating rather than asserting, resisting dominance and hegemony and broadly

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ensuring that China does not become exposed as a new super power burdened with the same responsibilities as the US, and framed as a competitor to the world's sole super power (NDRC 2015).

Digital connectivity, the BRI as a virtual rather than a physical space, is a concept rich in suggestiveness. But even more than the physical BRI, this is an amorphous and hard to pin down entity. It is wise therefore to look at the ways in which digital and internet are viewed within China to get some purchase on how they then are being expanded and developed outwards.

Digitalization of the BRI

Until now, Chinese scholars within the PRC when talking about cyberspace and the Internet have mainly conceptualized it as a place where there are two actors—state and companies. Within this domestic Chinese discourse, state censorship as a form of control and regulation, which has been something focused on in much external reportage about this issue, has not been a dominant theme. Instead, Chinese academic circles see the domestic cyberspace as one rich in opportunity and "indigenous innovation", a place where China has internet sovereignty, and one where the country can display economic and technological prowess, and where the regulations and boundaries of the physical world, particularly outside China, which are so well established (and, in Chinese views, so loaded against China) are not so inhibiting (Zhao 2010).

Despite this great opportunity, however, some Chinese authors argue that after the 2008 global economic crises things within this space became more contentious. The virtuous and harmonious relationship between state and corporate in the PRC started to experience tensions. Government internet policy created inhibitions on companies wanted to develop and experiment (Hong 2017). These Information and Communication Technologies (ICTs) have increasingly occupied a central position in China's national development and economic reestablishment in the era of Xi Jinping leadership meaning state interest has also increased significantly. This raises the question as to how the shift in domestic policy with greater state involvement and control in China impacts externally? After all, the cyber space is a largely boundaryless one. Therefore, as the Chinese state in the Xi era gets more closely involved, that has an impact not just domestically, but globally, on a shared common space.

In order to investigate this phenomenon and its impact more deeply, we need to delve into the Chinese government's policy discourse as it has developed about digital issues since 2008, and particularly since the Xi era started in 2012–2013. These relate directly to the emerging concept of the BRI. Four major aspects for the creation of the Digital Silk Road can be identified: to assist with the global expansion of Chinese firms, to reduce industrial overcapacity, to facilitate renminbi internalization and to create a China dominated Transnational Network Infrastructure (TNI).

In 2016, the Chinese government's top industrial priority was to reduce excess industrial capacity, a problem that is particularly conspicuous in energy intensive and polluting industries (Xinhua 2015). The oversupply of products, such as steel and coal, resulted in a decline in profits in Chinese industry, and led to distortions in the global market causing a knock-on effect on China's international relations (Guardian 2016). In 2013, the State Council issued a document to address the problem of industrial oversupply. According to the report, the oversupply issue can be resolved by the active expansion of the external market (State Council 2013). Therefore, the BRI holds an important role in tackling this problem by facilitating the export of Chinese goods and surplus materials through the expansion of trade networks and transnational manufacturing (Cai 2017). This at least gives one of the motivations for an idea like the BRI and what its domestic causes are.

This has been compounded by the fact that the economic crisis of 2008 created a significant decline in the global market's demand for the export-orientated ICT sector. Low-wages and labor-repressing models resulted in a low consumption market in China (where consumption as a proportion of GDP has remained consistently at a third, one of the lowest rates in the world). By the end of 2015, overcapacity in the optical fiber and cable industry reached more than 50%, creating an urgent need for external markets (Zhou et al. 2015). The telecommunications industry was listed among the top 13 major sectors that needed urgent international industrial cooperation (State Council 2015).

ICT products and services are an integral part of many modern infrastructures; therefore, the overcapacity issue cannot be resolved without the support of a digital service and equipment. ICT products and services generally cover all types of technology (data, voice, video, etc.) that will store, manipulate, transmit or receive information electronically in a digital form. For example, personal computers, digital television, email, robots, satellite systems and so on. Around $3.67 million was spent on the ICT service for the BRI's railway project connecting Laos and China (Xinhua 2017a). Both digital and nondigital infrastructure projects, such as high-speed railways, airports, and oil pipelines, all rely on ICT products to complete the integration into the system (Zhao 2015).

To cut down on the growing oversupply of steel in China, trading companies have opened online platforms that are able to directly connect buyers and sellers and eliminate excessive inventory. As an example, China's major state-owned metals and minerals trading company *China Minmetals Corporation* signed a partnership with the internet behemoth Alibaba to form an online business platform for steel trading (Spegele and Abkowitz 2016). Another large business-to-business online platform Zhaogang.com plans to expand its steel sales networks across the BRI route, assisting Chinese companies to find demand for its excess steel capacity (Zhao 2017).

Another notable strategic project is the expanding cooperation between the transnational network infrastructure (TNI) and the Digital Silk Road. The telegraph cable networks that carried military and diplomatic secrets in the past and nowadays' terrestrial cables and satellite links, they all represent the transnational network infrastructure. China is expected to establish its own transnational network systems (TNS) through submarine and satellite links alongside the BRI countries. Telecom infrastructure is a part of the TNI, therefore China's three large state-owned operators—China Telecom, China Mobile, and China Unicom—have united to create a submarine cable that will connect Southeast Asia, the Middle East and West Europe

(Lee 2017). In addition, China is expanding its global network system with fiber-optic cables to interconnect Asia. The Huawei equipped project unites China and Pakistan with fiber-optic cables—at a wider level it will also serve to connect Pakistan, China, Central Asia and Europe (Xu 2016). Broadly speaking, the TNS will improve data security. However, the large costs associated with its maintenance cannot be overlooked and this will negatively impact the ability of the Chinese carriers to generate a return on their investment. Another challenge is the PRC's leverage over the network operators. This means the Chinese carriers are limited in their ability to respond to market demand, and subsequently placed under transnational market pressure (Rolland 2015).

Along with Telecommunications, the internalization of renminbi is listed as one of the top priorities (and falls under one of the connectivities mentioned in the 2015 White Paper on BRI mentioned above—that of developing a BRI-related finance sector). It is expected the BRI will accelerate the global use of the Chinese currency through international transactions and infrastructure investments—currently this runs at far lower levels than other currencies like the US dollar. The financial dimension of the Digital Silk Road is exemplified by a Cross-border Interbank Payment System (CIPS) that smooths global circulation of the renminbi and helps China mitigate surveillance risks and enter a global system of international clearing. The Chinese based data company, IZP Technologies, has already created a cross-border network that allows the BRI countries to exchange directly between renminbi and their local currencies, thus bypassing the US dollar. Since 2015, the company provides its services to Lithuanian, Belgian and Saudi Arabian central banks (Rolland 2017). This aspect of the BRI addresses the concerns expressed sine 2009 by figures like former Governor of the People's Bank of China, Zhou Xiaochuan, who complained that a global system so dependent on the US dollar gave the US a huge advantage that was distorting to the interests of other economies, particularly that of China.

All of these issues help us to understand the domestic pressures and structural issues within the PRC over 2008 to 2017 that resulted in a rationale for an idea like the BRI that could seek solutions to some of China's internal economic problems by building a new kind of relationship with the outside world, and in particular the region China is geographically located in. It also shows why the ICT sector was of particular importance in this, and why it was therefore factored into the BRI so significantly—both as a source of potential good quality future growth, and as a way of China being able to embed RMB currency more in the international system in a low risk and incremental way.

Digital Road and the "16+1" Initiative

China's interest in the European part of the BRI is exemplified by the "16+1" initiative. The initiative is a cooperative framework between the PRC, and the 11 European Union (EU) Member States and 5 Balkan countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia) in the fields of investment, finance, service, transport and education.

China has prioritized three areas for economic cooperation with these partners: infrastructure, high technologies, and green technologies. The region itself is a favorable investment destination for China, and the cost of labour is considered to be the decisive factor for that. According to Eurostat (Eurostat 2019), unit labour costs are cheaper in Bulgaria and Romania than in Hungary, the Czech Republic and Poland. Nevertheless, Hungary, Poland and the Czech Republic received more interest from Chinese investors than Bulgaria and other members. This tendency could be explained in terms of the size of population: Poland and Romania are the biggest markets (EU 2018).

China has already planned to include the digital element into the original BRI and the “16+1” is an essential part of it. This is made more compelling by the fact that it mirrors the European Commission Digital Economy and Society Index (DESI) which summarizes thirty relevant indicators on Europe’s digital performance and tracks the evolution of EU Member States across five main dimensions: Connectivity, Human Capital, Use of Internet, Integration of Digital Technology, Digital Public Services (See Fig. 13.1).

The DESI overall index is based on the average of the five main dimensions and is weighted according to the preference of the user. The chart illustrates that although Northern and Scandinavian Europe scores well, it is Eastern Europe that lags behind and which shows the most potential for development. Denmark, Sweden, Finland, Holland, Belgium and Estonia score ahead of the curve. However, the key nations, members of the “16+1” that are expected to be on board with 5G and digital technologies, score poorly. Countries such as Hungary, Slovakia, the Czech Republic, Italy, Greece, Poland and Romania perform behind the curve. The findings show that members of the “16+1” initiative require significantly more of Chinese investment. Following this thought, China’s interest in CEEC can be explained by its geographic

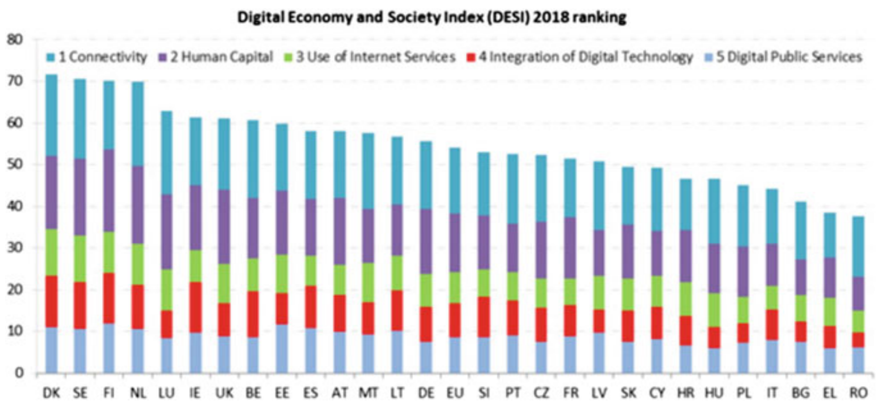

Fig. 13.1 Digital Economy and Society Index (DESI) (2018) ranking *Source* Digital Economy and Society Index (DESI) 2018 ranking. European Commission Digital Scoreboard

location and logistic potential, potential trade benefits with Eastern and Western Europe. In that sense, the 16 are predominantly a digital opportunity for the PRC and for its new suite of high value, but relatively competitive priced technologies.

Digitalization is already high on Chinese and European agendas. The question we should be asking is not “how”, therefore, but “what” digitalization means for Europe and whether it has the same conceptual understanding of this as the PRC. Do they share the same language of cyber space and the digital economy and world? And, more importantly, are their views of the security dimension of this issue aligned? This is an area there is almost daily, perpetual change, making it hard to keep up with developments. That makes the challenge of China and the EU, and Europe, and the 16 all working within similar frameworks even more challenging. eGovernment in Estonia is an example of such modernization: simplification of public services which makes information more accessible and reduces waiting times for the average citizen. However, this requires additional investment and a new strategy to bring online services to approximately 60% of EU citizens. The EU-China 5G agreement, together with research and innovation program Horizon 2020, requires preparation and accommodation of the European market. Smart cities, manufacturing, Internet of Things and smart homes are expected to function in Europe by 2025. Yet, today almost 99% of equipment is not connected to the Internet. China’s policy of ‘Internet Plus’ and control over the internet also creates challenges for European technology companies based in China. The ‘Great Firewall of China’ and sensitive aspects of PRC’s domestic politics may require European companies to find a substitute for existing models of cooperation.

Potential economic benefits certainly create an agenda for future evaluation of a Beijing-centric Digital Silk Road. After all, one of the great shared challenges now is how to get access to the emerging middle-class economy in the PRC, and how to enjoy some of the fruits of innovation spending and the innovation economy in the PRC. China’s BRI related investment in digital infrastructure addresses the large deficit in CEEC, and for others—it speaks to these issues of how the world can best relate to a modernizing China that now offers things for the outside world. Export-orientated ICT sector is also one the main goals of China’ s digitalization strategy towards Europe. Table 13.1 provides a short overview of ICT readiness for a subset of the “16+1” countries.

The question however is how deep this strategic alignment might be before security and political issues emerge—the involvement, as alluded to at the start of this article, of the Chinese government in the ICT sector in the PRC, and the lack of a common legal and regulatory language between the EU, and the PRC in this area.

There are plenty of opportunities however, and so this issue of digitalization being a major feature of the BRI in CEEC and elsewhere is not going to go away. The ICT Development Index (IDI) published by International Telecommunication Union (ITU) shows that Estonia has the highest value in the region in terms of ICT readiness whereas Albania has the lowest. Outdated technology as well as lack of telecom infrastructure remain the dominant reasons for a low ICT readiness. Table 13.1 indicates regional disproportionality in regards to ICT development and

Table 13.1 IDI rankings and values, central and Eastern Europe region, IDI 2017

Economy	Regional rank 2017	Global rank 2017	IDI 2017
Estonia	11	17	Aug-14
Slovenia	22	33	Jul-38
Latvia	23	35	Jul-26
Croatia	24	36	Jul-24
Lithuania	26	41	Jul-19
Czech Republic	27	43	Jul-16
Slovakia	29	46	Jun-07
Hungary	31	48	Jun-93
Poland	32	49	Jun-89
Bulgaria	33	50	Jun-86
Serbia	34	55	Jun-61
Romania	35	58	Jun-48
Montenegro	36	61	Jun-44
TFYR Macedonia	38	69	Jan-06
Bosnia and Herzegovina	39	83	May-39
Albania	40	89	May-14

Source Measuring the Information Society Report (2017). ITU

unreadiness of majority of the "16+1" partners to keep up with the new Chinese technologies.

Maybe one way of handling this set of issues is to look at soft and then harder areas of engagement, and strategically focus on the latter. A greater commercial benefit from digitalization under the BRI in the soft area could be derived from the e-commerce opportunities. Challenges, such as lack of digital infrastructure, can potentially be overcome under the guidance of Chinese e-commerce service providers—JD.com and Alibaba. Cooperation among the BRI countries helped e-commerce giants, such as JD.com, to increase their sales due to new products being made available for consumers. It is in this sort of area that Chinese partners certainly have capacity. Furthermore, the cooperation positively impacted the shipping sector and made it easier to deliver across the continents. For example, the China-Europe rail cuts the transportation time of auto items from Germany to southwest China by almost a half (Xinhua 2017b).

Any potential economic benefits come with strategic implications, however, and until these are resolved in a common legal and regulatory framework it is hard to see the BRI developing to its maximum capacity in the CEEC. First, inter-continental data exchange may result in increased electronic surveillance by Beijing. Second, China's strategy to replace the US's Global Positioning System (GPS) with the BeiDou system could have national security implications for the BRI countries. The BeiDou system will be based on China's own military tracking requirements. Third, the new China dominated digital e-commerce market across the BRI countries could create another area for the US-China contest. The US private sector is currently dominated by e-commerce giants such as Amazon and eBay. However, bounded to Beijing's investments, the BRI countries will find themselves at a crossroads between two contesting players. Expanding its influence, Chinese firms will have an opportunity to grow in size and compete with the US e-commerce industry. The variety of digital information and data along with the global e-commerce market division could create an additional mechanism for strategic control and maintenance. As with so many aspects of Beijing's interactions with the wider world, and of the BRI, in the end despite all of the practical advantages that the PRC and its new capacities offers, the world lacks a shared understanding of regulation and legality and this therefore inhibits full co-operation. This is to the disadvantage of the PRC as much as to its partners. Once more we need to reflect on how politics, as in almost every other area, dominates the virtual world too. In that since, digital space is no different from non-digital space.

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A Musical Journey Along the Silk Road—Encounter, Discovery and Change

Ma Li

Introduction

If you look at the relationship between the Silk Road and music, you will see an exchange and handing down of the traditions of mankind that has lasted more than 2,000 years. This exchange of goods, ideas, technologies, musical instruments and musical concepts etc. brought the previously firmly established identities, cultural ideas and ways of life together on a continuous journey. Without this exchange, innovative encounters between different cultures could not have been used profitably. The changes that followed affected almost all spheres of public life. It was probably no coincidence that the first encounters took place in trade and peripheral areas of culture or in manageable regional circles, which experienced the mutual openness necessary for further development. The Silk Road thus offered a transnational and dynamic cultural space in which new possibilities of cultural encounter and mutual evaluation were almost inevitable. This was particularly evident in the field of music. On the one hand, music as a non-verbal means of communication shows us the colourful and astonishing variety of instrumental and vocal performances and productions on the Silk Road. On the other hand, the Silk Road is dominated by a glocal form of expression that merges regionality and globalisation into sound. Through the encounter with foreign countries, music discovers new horizons to expand itself.

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A Musical Journey of Intercultural Encounters

Music and "music making" as a means of communication have connected China, Central Asia and Europe both historically and in the present, leading to intercultural encounters and mutual influence.

Between the seventh and tenth centuries, when the Carolingians ruled over large parts of Western Europe, the Tang Dynasty represented the "golden" era in China (Tietze 1980; Gernet 1979; Ebrey 1996). Politics brought the Middle Kingdom to a dynamic upswing in both economy and culture. While China's sphere of influence spread over much of Asia, it also absorbed many foreign cultural elements. Technology and trade developed and flourished. China grew to become the largest state in the world between the middle of the 7th and the middle of the eighth century and the commerce on the Silk Road reached its peak. In addition to students, monks and soldiers, foreign merchants settled in trading centres and port cities. Coveted silk and precious porcelain were transported from China through Central Asia to Europe via the Silk Road. In return, new spices, clothing, art, music, etc. came to China from abroad. The integration of all these processes made China a true melting pot of cultures. The resulting transformation and remarkable growth changed the lifestyle of the Chinese.

Their political and cultural self-confidence was strong. This was expressed by the fact that more than ten thousand musicians were permanently employed at the Emperor's court. In the various dance and folk music ensembles, native instruments, such as the zither (*guzheng*), the flute (*dizi*) and the mouth organ *(sheng*), were combined with imported instruments from Persia and Central Asia, such as the two-stringed fiddle (*erhu*), the double-reeded horn (*suona*) and the short-necked lute (*pipa*). Domestic and foreign musical forms interacted, with the construction of musical instruments influenced by each new mutual experience. In addition to its own orchestras, China entertained various orchestras of distant areas such as Tibet, India and South-east Asia. China received many new stimuli and innovations from Central Asia, particularly through Buddhism. This resulted in an early example of "world music. The entertainment music of the Tang Dynasty consisted largely of foreign contributions. China's music institutions, schools, organisational practices and musical instruments spread to Korea, Japan and Vietnam. "All this remains evidence of how intercultural links have always been important for musical innovation and acculturation" (Baumann 2006a, p. 12).

Along with Christianity, Christian missionaries brought European music, music theory and musical instruments with them on the Silk Road. In 1583, for the first time, the Jesuit priest Matteo Ricci (1552–1610) introduced a harpsichord to the imperial court. He also wrote eight lyrics in Chinese, which proved to be very successful. In 1751, the French missionary Joseph Marie Amiot (1718–1793) was invited to Beijing by Emperor Qianlong, who himself played European instruments/was adept at playing European musical instruments. Following his interaction with the Chinese opera style, Amiot created a musical adaptation of his thirteen Catholic chants in the Chinese language. Through "indigenisation" or "localisation", the Western Christian music transformed to become the testimony of a "Sino-Christian" encounter. Amiot also had a keen interest in Chinese music, philosophy, medicine, etc. From 1754, he sent increasing numbers of essays on Chinese music theory, the notation system, certain melodies, dances and also different Chinese instruments from Beijing to Paris. Following these exchanges, the eighteenth century saw a great interest in Chinese culture in Europe. Chinese goods and styles came into fashion. This lively exchange proves that the historic Silk Road connected China and Europe as partners complementing each other. "The never-ending productivity in this area shows that musical forms are not self-contained, but often come from the encounter and also from the dialogue with others" (Geiger 2014, p. 7).

From the twentieth century, the western musical influences in China became more and more important. Western music schools, mass media such as gramophone, radio and TV, as well as Western training methods were playing an increasingly prominent role in modern China, bringing Western education systems into conflict with the Chinese oral traditions. Today, more European orchestral instruments are produced in Asia than in Europe, just as more Chinese study European musical instruments than the traditional ones. Catholic church music in China was also influenced by combining European wind and string instruments with Chinese traditional instruments in order to create a common sound. After the Cultural Revolution, modern Western music such as jazz, electronic music, Latin American dances, rock, pop, etc. conquered the Chinese music markets. Korean and Japanese pop rock also found its place in China. The diverse types and forms of music created China's own form of "world music", which particularly affected the metaphors and imagination of the rediscovered Silk Road theme. Today, Asian pop groups are extremely popular and well-known all over the world. Each group specialises in a musical field—C-pop, K-pop or J-pop—competing in both national and international competitions. Numerous small and large theatres, orchestras and music ensembles are now combining traditional and modern music elements, developing a rich variety of crossover, transcultural fusion styles and directly referring to the Silk Road metaphors (Baumann 2018, p. 127).

A Musical Journey to the Glocalised World

Diversity and hybrid forms characterise the cultural space of the Silk Road. Due to the mutual encounters and influences, different traditions and cultures have created an "in between" space on the Silk Road, where the combination of local, regional, national and globalisation processes produces a kind of "glocalisation". The term "glocalisation" appeared for the first time in the fields of sociology and politics. (Robertson 1998, pp. 192–220). The art term refers to the interactions that are intentionally or necessarily developed between global and regional/local actions (Schubert et al. 2016, p. 139). "The local and the global have coalesced into the "glocal" of networked interactions" (Baumann 2001, p. 225). In music, Korea, Japan, Vietnam, Indonesia and the islands of Java and Bali took over the pentatonic tonal systems primarily from China, making the anhemitonic pentatonic scales a defining cultural and aesthetic feature of East Asia. In Japan, court music (*gakaku*) is generally divided into two styles; namely the music of the left (*tagaku*), which dates back to Old China, and music of the right (*komaku*), which came to Japan via Korea. With Islamisation, music flourished around the cities of Baghdad, Damascus, Cairo and Cordoba, and for about 1,000 years, the Arabic-Persian tonality and music system has also spread along the Silk Road. Today, globalisation processes are accelerated by modern communication technology, increasing economic trade, international tourism and consumer laws. “The local and the global became twinned, forming the ‘glocal’ aspects of networked interactions” (Baumann 2001, p. 225). This process no longer understands cultural and even ethnic identity on the basis of a single interpretive background, but rather compels discussion of the extent to which fundamentally different, historically evolved forms of understanding hermeneutics can be related to one another. A hermeneutic of the second degree must be developed to interpret traditional hermeneutic horizons in their mutual contrast, as well as in their possible context of understanding. Horizon merging is the central terminology of the philosophical hermeneutics of H. G. Gadamer (Gadamer 1960, p. 309.). “Understanding” refers to the process of merging mutually overlapping and influencing cultural horizons. The clash of different cultures demands a new culture of mutual understanding. On a theoretical level, this problem of possible horizon mergers or horizon discrepancies has barely been acknowledged so far (Bucher 2000, 118). On the practical level of the music industry, exciting examples of these cultural blends succeed, for example, under the umbrella term “World Music”. Market interests indirectly sponsor scientific interest. In the music industry, the category of “world music” was introduced to mass media in 1987 as a targeted marketing strategy. It combines music elements from different traditional, ethnic, local and urban styles with, in particular, rock, pop and soul. Inspired by Western rock and pop music, Chinese pop musicians sought their own Chinese way—a kind of sinicised pop rock music, a blend of Chinese elements using traditional Chinese instruments and styles, as evidenced by the *Twelve Girls Band* and many others. In the area of professional composition, composers tried to fuse the different musical cultures, creating a new style of music. One example, highly regarded in Europe, is Tan Dun, a Chinese composer and recipient of numerous international music awards. Exploring Christian spirituality, his works such as *Water Passion after St. Matthew* (2000) show a new transcultural direction that is neither specifically Christian, nor specifically Western or specifically Chinese, but rather combines all these sources. Analysing Tan’s works *Water Passion after St. Matthew* and his first opera *Marco Polo* (1999), Christian Utz sees “an intensification of the play with different styles and cultures, a concentrated interweaving of various levels and layers, making it impossible to make out their individual components” (Utz 2002: 460). In May 2019, Tan Dun premiered his new work, *Buddha Passion* in Dresden. In this piece, Buddhist mantra, Chinese poetry, Mongolian overtone singing techniques, Chinese, Sanskrit and dance from the ancient Silk Road encounter contemporary Western compositional techniques and a western orchestra, thus providing the best possible example of transculturality.

One may say that Chinese pentatonic and heptatonic scales, local musical language, and the Western compositional technique liberated “Chinese music from traditional formal thinking” (Geiger 2009, p. 124), so that local, regional, and national thinking became global.

Many music ensembles today are composed of musicians from different ethnic backgrounds. For example: In 2000, the cellist Yo-Yo Ma organised a Silk Road project. Together with 24 musicians from the Orient, Occident, Africa, Latin America and Asia, he founded *The Silk Road Ensemble* and travelled from Venice through Istanbul, Central Asia, China and Mongolia. In 2001, the ensemble released a CD called *Silk Road Journeys. When Strangers Meet*. It shows a kind of world music that comes from different local and ethnic cultures and merges through editing or improvisation. The musicians “create new sounds and performance practices based on traditional sounds, but at the same time they go beyond the narrow limits of their own traditional worlds of imagination. They want to break out of the containers of self-cultural consciousness and find a balance between the multiple differences of individual enculturations and the intercultural-socialized-other, ultimately in the process of transcultural design, in a cross-border coexistence, the musical world as a whole new and different experience” (Baumann 2015, p. 42). Local diversity is reinterpreted in the global discourse and gains a new value (Baumann 2001, p. 218). In the text accompanying the CD, Yo-Yo Ma talks about what happens when the musicians meet: “Developing trust, learning from each other and finding a common language that enables them to become creatively active together.”[1] A Chinese member of the ensemble, Wu Man, thinks that the ensemble’s music does not belong to either West or East, but to the globe. Her opinion also corresponds to the idea of the “New Silk Road” project: The regional connectedness that the cultural space of the Silk Road stands for continues to be important for the development of the economic potential of individual countries.

The close connection of the local, regional, national and transnational aspects with the globalisation of the world is also apparent in musical events such as music festivals “that express this traditional diversity of different cultures […]. [They] provide an optimal space for multicultural encounters in practice and also for the experience of others and oneself” (Baumann 2001, p. 224). Founded in 2005, the *Shanghai Jazz Festival* is now one of the biggest music festivals in China and the second largest music festival in Asia. This festival brings together world music, jazz, ethno pop, hip-hop, electronic music and other genres as well as ensembles from around the world and local Chinese groups performing on various stages. Since the “New Silk Road” project attracted the attention of the Chinese, such international music festivals are growing rapidly throughout the country, as evidenced by the *Beijing Pop Festival* (2005), the *Strawberry Music Festival* (2009), the *Chinese—ASEAN Music Festival* (2012), the *Shenzhen The Belt and Road* music festival (2017) and so on. Almost every major city in China has music festivals, especially in summer and autumn, where local, regional and international music ensembles play side-by-side.

[1] Yo-Yo Ma & The Silk Road Ensemble, Silk Road Journeys. When Strangers Meet. Producer: Steven Epstein, Sony (2001).

Ethnic music, traditional folk music, folk and roots, world music, pop music and dance, etc. all have their own place on large or small stages. Thanks to these music festivals, various regional music styles, previously independent of each other, come together. The diverse programme of these festivals not only broadens the musicians' horizons towards each other, but also those of the visitors. Music festivals have also had a positive effect on regional tourism and economic growth, as evidenced by the expansion of hotels and restaurants, infrastructure and public transport. Some music festivals are also labelled as the main attraction of the given place, such as the *Zhangbei Music Festival* in North China. In some cities, such as Xi'an, Dunhuang and Ulmuqi, all of which are located on the original Silk Road, Silk Road-themed cultural events take place. In a music festival, global openness and local focus are networked in a complementary way. China is now witnessing a kind of renaissance of the Silk Road.

A Musical Journey to a Sustainable Intercultural Competence

The economic journey to the new modern West, as Xi Jingping announced in September 2013, involves developing the Chinese strategy of a New Silk Road, starting from Central Asia and South Asia, going through the Middle East, including the Caspian Sea, and Turkey, up to Ukraine and Central Europe. Not only should their historical role models be examined, but also the forms of cultural encounter. The musical communication experience from the Silk Road shows that economic exchange must be accompanied by cultural measures, which help promote and affirm the intercultural coexistence. As proven by the musical journeys of Tan Dun and Yo-Yo Ma with his Silk Road Ensemble, the Silk Road goes hand in hand with an increasingly transnational consciousness. As part of their musical journeys of discovery, this shows a process of constant engagement with the unknown as well as the transformation of the self.

A cultural exchange should not be designed as a one-way street, but as a multi-lane highway. In recent decades, German-speaking countries, i.e. Germany, Austria and Switzerland, have been chosen by the Chinese as the most popular travel destinations. German culture, landscape, drinks and especially music are very popular with the Chinese. Going to concerts, opera houses and music festivals such as the *Salzburg Festival*, *Open Air Munich*, *Tanz & Folk Fest Rudolstadt* is considered a highlight for Chinese tourists. Along with taking part in music courses or music events in Europe, it has become very important for Chinese students to learn to play European musical instruments. For the Chinese, this is not just education, but also reflects their middle class social status.

On the other hand, more and more Germans travel to China. Typically, after tasting Peking duck, they visit a Chinese tea house with a traditional Chinese musical performance. In this way, the journey conveys more than boring theory, it also promotes a better understanding of each other, gained through personal experience. An increasing number of Chinese tourists are putting European cities or regions to the test. Likewise, the Chinese tourists also face their own challenge: The conflict between the self and the other on both sides "creates a return, a relocalisation of what is considered important. On the other hand, it also widens the horizons with regard to supraregional, transnational and also transcultural awareness" (Baumann 2006b, p. 422).

From Germany to China and from China to Germany, concrete conceptual meetings and talks (short presentations) should also take place locally in the respective country. It would be ideal if a group made up equally of German and Chinese travellers would travel together through Germany and, the following year, through China. As Hans Küng notes, the goal is a respectable sharing of information, a mutual challenge and two-sided transformation and, ultimately, a sustainable intercultural competence (Küng 1998, p. 18).

Conclusion

This article discusses the role of the Silk Road in the development of music and "music making". It has been shown that the Silk Road has furthered the music exchange between nations and therefore enabled a cultural dialogue. In the era of globalisation, the western music influence in China and in Asian countries in general has become even more noticeable. While Western music schools and mass media have gained popularity in China, the music from other countries (J-Pop, K-Pop) has also found its place there. Many Asian music bands are now very popular all over the world, so the music exchange nowadays is becoming more or less mutual. Because of the phenomenon of "glocalisation" many music bands today are composed of musicians of different ethnic backgrounds. This helps musicians to learn from each other, and to come up with new creative findings. The close connection of the local, regional, national and transnational aspects with the globalisation of the world is also apparent in musical events such as music festivals. People have started to travel to the other countries solely for the purpose of visiting such a festival. This is seen as a great opportunity to broaden the musical and cultural horizons.

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Opportunities and Challenges of BRI for German SMEs: Analyses and Recommendations Based on a Cross-Cultural View

Wei Manske-Wang

Status Quo: BRI Can Be Understood as China's Long-Term Strategy to Come Back to and Remain at the Centre Stage as a Considerable Global Player

It began with the economic catch up of the People's Republic of China (P.R.C) from 1978, when China officially started the "reform and opening policy". Deng Xiaoping took over the lead from Mao Zedong, who founded P.R.C 1949. After the first 30 years' industrialization efforts of Mao's government, China's GDP ranked the 10th in the world (Classora 1978) and 80% of the Chinese population was still living in poverty (Ravallion and Chen 2007). Based on a deep personal conviction, Deng turned governance focus from radical political battles to sheer economic incentives. The decisive thing he did was to transform a rigorous planned economy into a competitive, market-oriented system based on the model of Singapore. In 2018, China celebrated its 40-year reform, which has borne clear economic success.

The status quo clearly demonstrates that China has grown at an incredible speed of nearly 10% p.a. over the last four decades of the "reform and opening policy". In 2017, China's nominal GDP was 64% of that of the United States in comparison to 6.5% in 1978. At a speed of approximately 6% p.a. China will be predicted to become the world's largest economy around 2025–2030 (Woetzel et al. 2018). Currently China is already the largest manufacturer and market worldwide.

Since 1978, China has politically followed the rule of "Tao Guang Yang Hui"—keep a cool head and maintain a low profile, never take the lead, but aim to do something big. Under this principle, China has changed both itself and the world. There is no doubt that economic strength leads to political self-confidence and ambitions. Ever since China became the second biggest economy in 2010, it has more and more indicated its interest in playing a greater role in creating a new global

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order. It is temporally in line with the shift of the national leadership to Xi Jinping in 2012/2013.

The original idea of the Belt and Road was initiated by Xi Jinping in autumn 2013. The progress of the BRI in the past five years, together with the establishment of the China-initiated Asian Infrastructure Investment Bank (AIIB) in December 2015, as the first of global joint institutions[1] with majority capital share of developing countries,[2] can be marked as a milestone of China's promotion as a new global leader: "China has entered a new era where it should take centre stage in the world" (Xi Jinping 19th CCP congress 2017).

Essentially, the BRI is based on China's historical, geopolitical and marketing considerations. Through their own understanding and experience, most Chinese people believe in being open and networking, as the "Opium Wars"[3] in the mid-nineteenth century had clearly shown that "shut door policy" before it only results in backwardness and disadvantages, while the present "reform and opening policy" is bringing about advances. In order to reduce the influence of the USA on its doorstep, China is systematically working on its leading position in the Asia Pacific and African region. To connect the huge landscape and less populated regions, China sees possibilities in building infrastructures and bilateral or multilateral partnership. Consistent with this thought, the ancient Silk Road, which linked China with the West in carrying goods and ideas two thousand years ago (Britannica, the silk road), is a brilliant brand in terms of international connectivity. In today's globalized world, BRI can be simply understood as the New Silk Road.

With the strategy of BRI, or New Silk Road, the initiator China is actively moving to the centre stage, while USA could be obliged to reduce their strategic power in Pacific region. Germany, the most important European country in the Western alliance, on the other geographic end of the BRI route, has a good chance to play an important role in the new global order.

A Different Germany Meets a Different China: "Industry 4.0" Versus "Made in China 2025"

The German economy is well known for its excellent industry sector. It began early with the First Industrial Revolution (1IR), which was from 1760 to 1840 with the development of steam-powered factories. The Second Industrial Revolution (2IR)

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[1] Both "International Monetary Fund (IMF)" and "World Bank" were created at an international conference convened in United States in July 1944, with the goal to establish a framework for economic cooperation and development that would lead to a more stable and prosperous global economy. *Source* IMF/World Bank.

[2] China: 30.34% (voting 26.06%); India: 8.52%; Russia: 7.5%; Germany 4.1%. *Source* https://www.yidaiyilu.gov.cn/.

[3] The first Opium War (1839–1842) was fought between China and Britain, and the second Opium War (1856–1860) was fought by Britain and France against China. After the defeat, China was forced to tolerate the unequal opium trade. *Source* Britannica, Silk Road.

took place in the late nineteenth century, used electric power to create mass production and manufacturing. Germany experienced the 2IR in time and developed successfully into a strong industrial nation, which is distinguished by its manufacturing base in automobile and machinery. China by comparison, as a traditional agrarian society missed out on both the 1IR and 2IR because of the long war times (refer to "Opium wars" in Sect. 1). After its foundation in 1949, the P.R.C gradually set up a comprehensive manufacturing base, most of it at a primitive level. But China caught up on the Third Industrial Revolution (3IR), which started into digitization during the 1980s. After joining WTO in 2001, China developed into a workbench of the world. The trade statistics between Germany and China confirm the growing closer relationship and show an increasing dependency developed over last decades. In 2016, China unseated the US as Germany's largest trading partner; and Germany is China's biggest trading partner in the EU (Atlas, trade balance).

The world is now facing the Fourth Industrial Revolution (4IR), which is fundamentally different from the previous three. It is marked by emerging technology breakthroughs in a number of fields like artificial intelligence (Britannica, the fourth industrial revolution). As German government launched "Industry 4.0" in 2011 to leverage "smart factories" in promoting data exchange in manufacturing technologies, the Chinese State Council set up "Made in China 2025" four years later. The Center for Strategic and International Studies (CSIS) describes it as an "initiative for the comprehensive revaluation of Chinese industry" inspired by German "Industry 4.0" (CSIS 2015). In the medium term, China intends to play a leading role in ten key sectors (see Fig. 15.1). By 2049, the 100th anniversary of the P.R.C, China wants to be the technological world leader (State Council 2015).

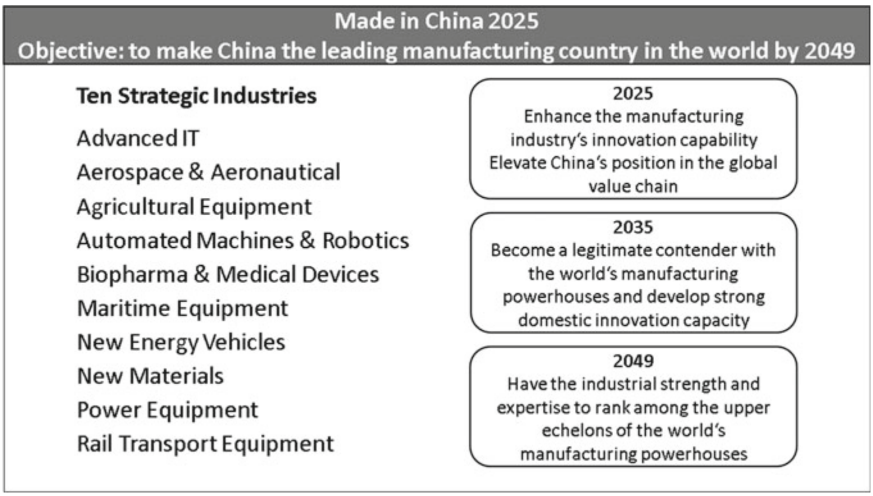

Fig. 15.1 Policy outline of "Made in China 2025". *Source* State Council of the People's Republic of China, 2015. Own composition by the author

As an important national transformation project for the industrial restructuring, "Made in China 2025" is an attempt to increase the domestic share in some core industries, which are largely dominated by foreign traditional industrial companies. This development not only influences the framework conditions for foreign involvement in China, but also fundamentally changes the competitive situation on the world market through new Chinese competitors. To restructure the cheap value chain into technology leading manufacture, more takeovers in the sectors of "Made in China 2025" can be observed in Germany. A very famous one was the Kuka[4] deal by Midea Group in 2016. China's relationship to Germany seems to be at a turning point from complementary to competitive one. "Made in China 2025" is increasingly regarded as competition against the "Industry 4.0" by German industry. In April 2019, the Council of the EU approved very quickly a new framework. "With the new investment screening framework, we are now much better equipped to ensure that investments coming from countries outside the EU actually benefit our interests", said president Juncker (European Commission 2019).

In the age of 4IR, German industry is now meeting a different China, a country that is changing from a workbench to a competitor. In the new energy vehicle industry, the first Chinese companies were founded in 2013, and now there are around 500, which were supported by the government. "Germany must adapt very quickly to E-mobility. This is the future technology of the Chinese" said Frank Sieren (Focus 2019). Chinese digital giants are poised to unleash a new category of digital disruptions powered by their digital ecosystems. China leads currently in key segments such as E-commerce and On-demand services. Chinese companies are extremely good at building (digital) platforms, such as "WeChat", an all-in-one app and omni-service platform on smartphone used by one billion users, domestic and abroad, every day to organize their entire lives. "We are facing an exciting experiment. On the one hand there is the good old German regulatory ideal; on the other hand there is China with its active innovation and industrial policy" as Bofinger said (FAZ 12.08.2017).

New Strategy for German SMEs to China Should Be Considered

As we learned about China's progress and prediction of its global centre position in the first section, and the complementary to more competitive but close relationship between German and Chinese industry in the second section, the question is how should German SMEs face the new rising Chinese competitors? Part of the geopolitical tension is therefore the result of tensions between companies in both countries.

[4]Kuka operates internationally for automotive industry and general industry. Midea Group was founded in 1968 in Guangdong/China. Kuka signed investor agreement with Midea and recommended acceptance of the offer, Midea became 95% majority shareholder of Kuka. 06.2016. *Source* https://www.kuka.com/en-de/investor-relations/takeover-offer-mideamecca.

The BRI seems to empower Chinese industry with tailwind. A lot of German "hidden champions" have been established in the period of 2IR/3IR and most of them are globally successful up to now. In order to remain competitive, they must transform themselves into "connected manufacturers" right now. In 2018, none of the ten largest tech companies was based in Germany/Europe; the market is dominated by large platforms in the USA and China (Dometeit et al. 2019). In Germany, there is also the fear of being left behind by new technologies. What position should German industry, especially SMEs, take towards BRI?

China-Competence in German SMEs is Insufficient

Due to the significantly increasing impact of China for German enterprises, SMEs should be subject to continuous monitoring and adaptation to the company's own strategic decisions. The current situation is that German SMEs know little about China. Besides large physical distance, Germany and China are culturally even more far apart.

In a research paper "China kennen, China können" (Stepan et al. 2018), most of the business communities that were interviewed believe that there is a much lower competence of the German to China than vice versa. The author's experiences in German SMEs are that managers are not familiar enough with China, or sometimes misjudge information and come to wrong strategic conclusions. The critical point is: Understanding of national political and economic systems is essential, but not sufficient—"If systems of information are not understood, communication breaks down. Business fails" (Hall 1976).

Challenging Cross-Cultural Understanding

National culture is defined as "Shared understanding that comes from the combination of beliefs, values, attitudes, and behaviors that have provided the foundation for the heritage of a country" (Rugman and Collinson 2009). Culture, how people understand and make sense of their world, is hidden behind but much more important to our understanding of global partners. Cross-culture identifies similarities and differences across communication styles, attitude towards conflicts, decision making style and social behaviors. Regarding BRI, a deep understanding of local preferences and cultural differences can be decisive.

Chinese Culture Differs Strongly with German Culture

As a so-called ancient civilization, China's culture is 5,000 years old. The Chinese mainstream society consists of a mix of Confucianism (Confucius: 551—479 B.C.), Daoism (Laotse: sixth century B.C.) and Buddhism (Siddhartha sixth–fourth century B.C. India/Nepal), the last one came through Silk Road from India to China 67 A.D. in Han Dynasty. Although transformed over time, it is still the substance of learning, the source of values, and the social code of the Chinese people. "Holistic" and "Dynamic" describe Chinese from the understanding of environmental complexity and wholeness; traditional Chinese medicine is a good example to reflect this kind of holistic thinking. "Dynamic" as the DNA of Chinese culture makes Chinese agile and flexible at any time. The first Chinese book, "Yi Jing"—Book of Changes, talked already in the twelfth century B.C. about "changes" of environment. The lifelong learning of Confucius can be seen as answer to solve problems in the holistic and dynamic complexity. That's why "trial and error" as corporate culture—try it out and then correct it, can be found in lots of Chinese companies. The positive basic attitude towards new things is implemented in China comparatively quickly in business. On the contrary, German companies are based on structure and rule, and prefer a factual behaviour- and process-oriented working style. Unlike philosophical discussion in China, Germans like to look for something specific and precise.

Edward. T. Hall confirmed in his research another big difference; he called Chinese culture "high context" and German culture "low context". High context culture establishes social trust first, personal relations and goodwill are valued; agreements emphasize trust and negotiations are slow and ritualistic. Low context culture is to get down to business first, expertise and performance are valued; agreements emphasize specific, legalistic contact and negotiations must be as efficient as possible (Hall 1976).

The Chinese philosopher Gu Hongming summarized his research findings as follows: "In fact, in order to understand the real Chinaman and the Chinese civilization, a man must be deep, broad and simple, for the three characteristics of the Chinese character and the Chinese civilization are: depth, broadness and simplicity.... The Germans again cannot understand the real Chinaman and the Chinese civilization because the Germans, especially the educated Germans, as a rule, are deep, broad, but not simple" (Gu 1922).

The Chinese Social System Also Differs from the German System

China is such a big country and it is not easy to be understood from outside. It is important to know where it comes from. "It cannot be that an economic system with market economy elements can unfold in a politically authoritarian system." Obviously, China practices this to an extent. "Rather, there are two varieties of capitalism:

liberal capitalism versus partially state-controlled capitalism" (Hirn 2018). Different from the liberal capitalism propagated in the western countries, where individuals are favored, Chinese followed Confucianism with a centralized system based on collective behavior. Because of collective attitude of Chinese culture, a majority of Chinese welcome the "Social Credit System". In principle, the population would often not even understand why Germans have such great reservations about the protection of privacy.

Understanding China's BRI from the View of Chinese

Based on the collective attitude, Chinese are good at networking and understand BRI as an inclusive connecting platform of various countries, as "WeChat" for example does. BRI is definitely more than a pure trillion USD projects to fill the world's infrastructure investment shortfall. "Make trade, not war" underline the security motivation of China. Although "connectivity of infrastructure" is most cited approach in regard to BRI, "closer people-to-people ties"[5] is much more challenging. The most difficult thing is to deal with 65 participant countries, 57 of which are Islamic countries (Belt and Road Portal, profiles).

For China, stronger connections to the world (BRI) are a critical but essential element of the productivity-driven growth model. Networking is also the prerequisite for 4IR and probably the industry's most important cost killer. Going global can help China's companies grow and boost productivity by gaining access to new markets, tapping new sources of talent and strategic assets, and creating competitive pressure in domestic industries (Woetzel et al. 2018).

The future we are facing is getting faster and more complex, networked technology and various interfaces change organizational processes. Complexity requires greater collaboration and new processes. China is consciously working on a new international order, which should be different from the old one led by the USA. The BRI is China's century strategy. It will probably take generations to move on.

Conclusion and Advices for German SMEs to Get Involved

Re-imagining global ties will make companies more innovative and competitive. For its numerous infrastructure projects BRI can be a tremendous opportunity for local companies and it increasingly needs technical services from abroad. Although German SMEs are currently focusing primarily on the risks, they should focus on winning together, rather than losing separately. That means, as China has operated a platform, German SMEs shall get involved and offer products for it. "It is certainly

[5]Five-pronged approach: policy coordination; connectivity of infrastructure; unimpeded trade; financial integration; and closer people-to-people ties. *Source* https://www.yidaiyilu.gov.cn/.

true that the largest number of tenders go to Chinese companies. But it doesn't have to stay that way: Germany can still score points with its know-how and its medium-sized companies, but that's a certain window of opportunity we may not have to that extent in five or ten years" (Pilny 2019). It will be important for German SMEs to be open minded, if they want to join multilateral cooperation and gain benefits.

At the World Economic Forum in Davos 2019, the vice president of China Mr. Wang Qishan emphasized: "We need to make the pie bigger as we look for ways to distribute it more fairly, development (making pie bigger) is the solution for imbalance." German Chancellor Ms. Angela Merkel said in her speech: "A global architecture will only work if we are fundamentally capable of compromise… we should think along with the interests of others." Cooperation is the way without alternatives, only if German SMEs take part in, can they play their part in shaping the new global architecture along the BRI.

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Tourism Perspectives

The Silk Road: Unlocking the Tourism Potential Through Collaboration

Alla Peresolova

Introduction

The Silk Road is often referred to as the greatest and oldest trading development route in the history of mankind. It is certainly the best known historical route. It is seen as the first route that linked the great civilisations of the East and West. It not only brought silk and its associated technologies from the East but was a conduit of people, goods, ideas, beliefs and inventions, many of which had a greater impact on Western civilisation than silk. The Silk Road was far more than just a collection of trade routes; it symbolised the multiple benefits arising from cultural exchange. As a result, countless historic and cultural sites remain along the network of famous routes. Today these routes or "heritage corridors", as they have been identified by the United Nations Educational, Scientific and Cultural Organization (UNESCO) (Williams 2014), as well as their shared intangible heritage create incredible opportunities for tourism. These opportunities have recently been reinforced by three important factors: the historic inscription of a 5,000 km stretch of the Silk Road into the World Heritage List in 2014 (UNWTO 2014), the rise of the transnational thematic routes as a tourism phenomenon (UNWTO & ETC 2017) and the growing attention to tourism within the unprecedented Belt and Road Initiative of the Chinese Government (Keju 2019).

Origins and Milestones

The concept of a Silk Road tourism project was first raised at the General Assembly of the World Tourism Organization (UNWTO) in Indonesia in 1993. Encouraged

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by renewed interest in the Silk Road—for cultural exchange, trade and tourism—UNWTO decided to revive the ancient routes as a tourism concept, uniting three continents once more in a project encompassing thousands of kilometres.

In 1994, the Samarkand Declaration on Silk Road Tourism was adopted by the 19 countries attending the First International Silk Road Meeting in Samarkand, Republic of Uzbekistan, calling for " […] a peaceful and fruitful rebirth of these legendary routes as one of the world's richest cultural tourism destinations […]" (UNWTO 1994, p. 1).

In the years that followed, UNWTO, UNESCO, the United Nations Development Programme (UNDP) and other entities collaborated on a series of meetings, training seminars and promotional activities that helped raise the profile of the Silk Road as a tourism concept, and we can certainly see the legacy of this today.

Although ground-breaking work to develop the Silk Road this way dates back to the 1990s, it was only when it was re-launched with establishing a dedicated Silk Road Programme within UNWTO in 2010 that the actual initiative developed in growth and speed.

The reasons for this are primarily of a structural nature: with the Silk Road already widely known due to its cultural and historical significance, and with the tourism assets of participating Member States at hand, what proved primordial was a platform capable of channelling the diverse ideas and interests, and a clear-cut strategy on how to develop and implement short-, medium- and long-term objectives and goals.

Supported by a task force group in which all major stakeholders were integrated—Member State representatives, UNWTO Affiliate Members, educational institutions, etc. —a Silk Road Action Plan was developed building upon widespread input, and consolidating common values, objectives and visions.

A clear-cut strategy co-developed by its members and endorsed during Silk Road meetings, along with the publication of relevant data, studies and similar, created a collaborative atmosphere and stimulated a change in mentality in which the benefits of joint action were acknowledged.

The UNWTO Silk Road Programme has evolved as a unique collaborative platform that aims to develop sustainable and internationally competitive tourism along the historic Silk Road routes. It aims to maximise the benefits of tourism development for local Silk Road communities and public/private tourism stakeholders, while stimulating investment and promoting the conservation of the route's natural and cultural heritage.

As mentioned earlier, the work of the programme is carried out through the series of comprehensive action plans (UNWTO 2016), launched at the annual meetings of the Silk Road Ministers held at International Travel Trade Show Berlin (ITB). With relevant input submitted by participating countries and stakeholders, the document contains an overview of the overall aims and projects currently being implemented by the Silk Road Programme. As outlined in the document, the work of the Silk Road Programme is structured along three key areas of work: (i) marketing and promotion, (ii) capacity building and destination management, and (iii) travel facilitation. Thanks to strategically formulated common goals and persistent work at different levels with a wide range of stakeholders, the Silk Road Programme has established a series of successful global annual events, collaborative tourism projects and joint activities, and successfully built a world-renowned brand.[1] A TripAdvisor report, in cooperation with UNWTO, shows that eight in ten travellers have heard of it (TripAdvisor 2016).

The Western Silk Road vs. the Classic Silk Road

Taking into consideration the complexity of the Silk Road network of countries, UNWTO has identified three key Silk Road sections for its targeted activities—Classic, Western and Maritime.

Knowledge of the Silk Road and its tourism assets have traditionally focused on an area ranging from China through Central Asia to Istanbul in Turkey. The term "Classic Silk Road" is associated with this traditional vision of the historic routes, which has been reinforced over time, mainly due to academic research, and the portrayal of the Silk Road in historical films and travel media. Even modern tourism marketing campaigns tend to build exclusively on classical Silk Road elements. To differentiate from this traditional approach, with the financial support of the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG Grow) of the European Commission (EC), during the second half of 2016 UNWTO launched the Western Silk Road Tourism Development Initiative focused on the development and diversification of the western link of the Silk Road. With the tangible and intangible Silk Road heritage as its unifying theme, the initiative aimed to strengthen the tourism offer of the countries located along the western link of the Silk Road and support the involved tourism stakeholders through a transnational strategy of several interlinking steps. One of the tangible outcomes of this work was the research (UNWTO & EU n.d.) on the tourism potential of the Western Silk Road. Apart from assessing the strengths, weaknesses and opportunities of the Western Silk Road, the research, the first of its kind in assessing the European Silk Road as a cohesive unit, contains information on individual Western Silk Road destinations, studies existing usages of the Silk Road identity, studies tangible and intangible heritage connections available throughout Europe, and provides a detailed analysis of how the Western Silk Road could function as a tourism route and brand, including potentially supportive management structures. The study also provides recommendations on how to potentially develop a marketing campaign focused on the rapidly growing Chinese market.

As a part of this initiative, two capacity-building workshops (the first in Alexandroupolis [Greece] in April 2017 and the second in Sofia [Bulgaria] in June 2017), were highly successful in mobilising support and raising awareness for the Western Silk Road, which also included the development of the Western Silk Road Roadmap (UNWTO 2018). Of a practical nature, and based on common interests and needs, the roadmap contains a common development path applicable to all interested stakeholders and unlocks immense opportunities for future transnational cooperation.

[1]Detailed information is available on the UNWTO Silk Road Programme official website https://www.unwto.org/silk-road.

Transnational Routes—Challenges and Benefits

Recently the tourism industry has been witnessing the rapid emergence of transnational routes as a tourism phenomenon, "driven by the market expectations, which are in turn driven by the expectations of new generations of travellers" (UNWTO & ETC 2017, p. 181). As stated in the *Handbook on Marketing Transnational Tourism Themes and* Routes—a publication from the UNWTO in cooperation with the European Travel Commission (ETC), transnational routes will continue to grow and will be structured according to themes based on experiences, emotions and values. It will bring a major change in the way tourism is planned (UNWTO & ETC 2017).

Whether they are locally focused or, as is the case with the Silk Road, span across three continents, the development of routes requires a high level of organisational skill, plenty of nerves and a diplomatic nature.

Building partnerships takes time and can be hindered sometimes by changes in government personnel or changes in local tourism strategies. In the case of the UNWTO Silk Road Programme, it is the role of the Silk Road Task Force to manage these issues and bring stability to the implementation of the Silk Road Action Plan.

Ongoing issues, which are inevitable for such an ambitious and large scale project, include among others: (i) consistent engagement of both public and private sectors across the Silk Road and coherence of all levels from top to bottom; and (ii) differing levels of tourism industry development and quality of tourism services on the ground, which risk damaging the brand.

Such transnational products are very powerful, but raise many challenges of an administrative nature, such as a change of government along with its priorities, differing models for the governance of tourism, differing modes of funding, and in general, the partners' regional or national priorities, which may not include transnational cooperation; as well as challenges of a cultural nature, including different working practices, language, and/or levels of experience and expertise in one area or another.

Regardless of these challenges, the creation of transnational networks can bring significant benefits to all the partners involved ranging from a stronger capacity to attract a high level of interest from consumers and the media to developing mutually beneficial tourism flows and joint capacity-building schemes encouraging the development of new skills among tourism operators and tourist guides, including at the grass-roots level.[2]

[2]Best practice examples of such capacity building schemes by UNWTO can be found at https://www.unwto.org/project/first-ever-silk-road-training-course-heritage-guides-taking-place-khiva-uzbekistan; https://www.unwto.org/project/unwto-silk-road-training-and-capacity-building-programme and https://www.unwto.org/project/ehlunwto-silk-road-strategy-challenge-2012.

The Silk Road and the Belt and Road Initiative (BRI)

In terms of modern trade, the Silk Road is receiving renewed international attention. Forbes International recognised The Silk Road as "one of the world's most powerful brands, perhaps even bigger than Disney or Coca-Cola" (Simpfendorfer 2015).

It is high on the political agenda internationally thanks to the global Belt and Road Initiative of the Chinese Government—an initiative of unprecedented magnitude. The increasing strength of the Chinese economy and the desire to build an economic bridge between the East and West has resulted in the development of one of the biggest international development and cooperation projects of modern times. Though it is mainly focused on creating a trade and investment commercial infrastructure, tourism is gaining more attention as a driver of people-to-people exchange facilitating mutual understanding and cooperation. (Belt and Road News 2019).

As stated in Deloitte's report, at this still launching phase of the BRI, "typically, the initial focus is on building infrastructure for transport, energy resources and telecommunications, which is followed by investment in manufacturing and trade, with parallel or subsequent areas including mining, international finance, culture, media and tourism" (Deloitte 2018).

There is a common understanding that as the New Silk Road develops, the tourism potential along its whole length will also increase and create opportunities to reach new audiences and open up previously lesser-known destinations. This provides an exciting incentive for the development of the Classic, Western and Maritime sections of the Silk Road to create a tourism brand in its own right. This will demand a new partnership mechanism put into place in the tourism industry globally through strong engagement of international organisations, especially UNWTO and UNESCO, with long-term consolidated work on the Silk Road tourism and heritage.

There have been numerous high level meetings to discuss the potential of the BRI for the tourism industry. The first one—the First Tourism Ministerial Meeting on the Silk Road Economic Belt—was organised by UNWTO within the framework of the *7th UNWTO International Meeting on Silk Road Tourism,* held in Xi'an, Shaanxi Province, China in June 2015 (UNWTO 2015). This milestone event brought Ministers from Europe, Asia and the Middle East together to discuss key issues facing tourism development along the Silk Road Economic Belt. It was followed by numerous bilateral conferences and forums held by the countries looking to get their share of the fast-growing high-spending Chinese outbound tourism (Silk Road Conference 2018). A significant number of Silk Road-branded and BRI and tourism-related events and activities were celebrated over the recent years, ranging from 2018 EU-China Year, bilateral years of tourism, newly established Silk Road Fairs and Forums to an integration project in the sphere of tourism "Tourist Belt of the Silk Road", announced by the Eurasian Economic Cooperation Organization at the Cities Forum of Mayors of the countries of the Silk Road, July 2018 in Astana, the capital of the Republic of Kazakhstan ("International Initiative" 2018).

According to the Secretary-General of the Beijing-based World Tourism Cities Federation, China is expected to send 150 million visitors to Belt and Road cities and countries over the next five years. Likewise, China aims to attract 85 million tourists from these areas. (Yang 2017).

As the Belt and Road Initiative is very new for a project of such magnitude and there is an understandable lack of in-depth research and data as to its tourism-related infrastructure, tourism product development and tourism flows increase fuelled by the BRI, it is too premature to assess its implications for the tourism industry—globally, regionally and locally.

Given the importance of the BRI key component—The 21st Century Maritime Silk Road—which can play a crucial role in the development of the maritime infrastructure throughout Asia and the Pacific in the coming years, UNWTO pioneered the first ever research in this area which resulted in the recently released publication "The 21st Century Maritime Silk Road—Tourism Opportunities and Impacts" (UNWTO 2019).

This report investigates the overall impacts of the Maritime Silk Road on tourism and assesses the tourism potential of Maritime Silk Road thematic routes across Asia and beyond. The report shows that cruise tourism, targeted investments in decayed maritime infrastructure and the reutilisation of ancient port cities can reinvigorate available heritage, support local communities and help diversify a country's tourism sector.

Its overall message concludes that potential for tourism clearly exists based on peaceful exchange, regional integration, shared heritage and cultural enrichment. Infrastructure developments linked to the 21st Century Maritime Silk Road are also likely to have a significant impact in terms of the geography of tourism, the scale of the industry and its tourism product offering. Established as well as new tourism markets and destinations will become more accessible.

The case studies presented from within and outside the study region illustrate the wide variety of tourism products and tourism management issues that can arise as part of the 21st Century Maritime Silk Road. Building on a rich cultural heritage and the attractiveness of coast and sea, many tourism opportunities exist. The report also highlights the importance of properly protecting maritime, architectural and archaeological heritage as a means to attract tourists. Additionally, it illustrates the potential for countries and regions to work together to build tourism products such as trail routes, museums and heritage-based attractions, and raises many sustainability issues—i.e., about the increased future levels of visitation by cruise ship passengers to UNESCO World Heritage Sites, which will present challenges for destination management and should be addressed.

The report contains valuable insights as to the significant business opportunities which will arise from accommodation, restaurants and food, and shopping developments around ports as trade and tourism increases.

The 21st Century Maritime Silk Road links overland Silk Road initiatives with key ports and airports, and thereby presents a new framework for tourist routes themed around our maritime heritage as well as connecting to UNESCO serial properties spread out over different locations. All these create new opportunities for the interested governments and private businesses to work together in many directions, i.e., to make full use of their existing maritime heritage through themed routes, to develop

MICE (Meetings, Incentives, Conferences and Events), cruise and events tourism at port cities. The report also discusses the economic impacts from tourism as ports develop along the 21st Century Maritime Silk Road, which are likely to be positive and will include, among others, increased visitor numbers and expenditure to Maritime Silk Road destinations, increased excursion visits and expenditure from cruise tourism visitors and crews, increased accommodation occupancy and visits to heritage sites, festivals and other tourist facilities, and is likely to provide a major source of employment in the region.

The report also outlines many lessons from history regarding the social, cultural and environmental impacts of maritime trade on destinations, which over time are likely to be significant as tourism brings new business opportunities, new investors and traders, new residents and rising property prices, creating environmental risks, etc.

This ground-breaking report undeniably lays the ground for creating further tourism intelligence concerning the implications of the BRI for Silk Road tourism.

Overall Conclusion

Five years is not a great period of time in historical terms to assess the implications of the BRI for the tourism industry. There is an urgent need for multi-sectoral research, comparable data collection and monitoring concerning the on-going or planned tourism-related BRI projects, multi-lateral cooperation plans and tourism infrastructure and product development. It is a common belief that the countries located along the historic Silk Road routes will benefit from a BRI-favourable framework on condition that an integrated and sustainable approach to development of the Belt and Road Initiative is implemented, which will facilitate tourism growth. The Silk Road will continue to grow in vitality, driven by the new market demands and the new areas of collaboration between destinations and private sector stakeholders that will open up relating to the BRI.

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Cross-Border Tourism in the Southern Caucasus—The Silk Road as a Facilitator for Joint Products

Hannes Thees and Arne Schuhbert

Cross-Border Tourism as a Strategic Question

The rise of the Belt and Road Initiative (BRI), as a global project that affects various parts of society, sheds light on the Ancient Silk Road (ASR). The term "Silk Road" refers subsequently to the entity of BRI and ASR. Although the Ancient Silk Road is often utilized as a frame for the latest infrastructure projects of the BRI, it also reveals the wide-ranging cultural dimension of the underlying transnational and even global cooperation between states.

Against this background, the Chinese investments in infrastructure may partially promote connectivity and increase trade, but local effort is necessary to participate in terms of economic development. A relevant factor for local participation is the development of local service industries, or more specifically, tourism (Pechlaner et al. 2019). The specialties of tourism in this context lie with the likelihood of regional connections and economic diversification or with providing cultural exchange (Timothy 2001).

Such tourism development concerning the BRI affects internal issues as well as international or cross-border relations. First, internal factors must be considered, such as strategic positioning, accessibility, factor and demand conditions, competition, education, financial resources, etc. Secondly, tourism is embedded in international relations to source markets and transnational activities, such as joint products or joint positioning (e.g. Benelux states or Southern Caucasus), cross-border tourism and visa procedures (Ritchie and Crouch 2005, 15–32, 102). The subsequent book section concentrates on the interface between the internal factors and the cross-border tourism activities. The research question focuses on the following:

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What are some current obstacles in cross-border tourism in the Southern Caucasus and how can the Silk Road help in assessing these obstacles in order to support tourism development within this region?

The Southern Caucasus is located between the Black Sea and the Caspian Sea and therefore holds a strategic position within the BRI, as it is at the crossroad between Europe (Turkey) and Central Asia (Uzbekistan, Kazakhstan) and links the north (Russia) with the south (Iran). Within the last decade, tourism has been an emerging branch in the countries of Georgia, Armenia and Azerbaijan. Small in spatial size, these countries rely on cooperation and joint projects in tourism.

By addressing the above research question, section two elaborates on theoretical concepts related to opportunities and challenges in cross-border cooperation. The authors base their field research on two data sources, namely on qualitative interviews in Georgia and Azerbaijan and on a workshop for cross-border tourism development between Georgia and Azerbaijan (Sect. 3). The results (Sect. 4) reveal the combination of internal factors and cross-border tourism that leads to the outlook (Sect. 5).

Opportunities and Challenges of Cross-Border Cooperation

Tourism is one of the main reasons why people cross borders, besides migration or work-related travel. Within tourism, borders provide an interesting field of research, as they reflect both attraction points and barriers. Borders are often understood as political borders, such as administrative borders, that exist on all regional scales: borders between municipalities, cities, regions or nations (Timothy 2001, 1–10). In a period of globalization, where the rise of a borderless world is predicted through the enormous flows of capital, global communication systems and the interconnectivity of markets (Hageman et al. 2004), international travel and tourism is reaching new records and is estimated to reach 1.8 billion international tourist arrivals in 2030 (UNWTO 2017a).

As the number of tourist arrivals shows, a great share of tourism is cross-border by nature. Therefore, the definition of international tourists relates to their act of crossing a state border or entering the territory of another state other than the place of residence for at least one overnight stay (UNWTO 2019). Borders between states function as barriers to control flows of people and goods or as gateways to facilitate cross-border relationships and interchanges (Sofield 2006, 102–103; Hageman et al. 2004, 2). Furthermore, borders demark the differences between states and communities, between "us" and "them," between centers and peripheries or between ethnicities and cultures. Often, cross-border communities have dynamic relationships (Sofield 2006, 102–103) with their cross-border regions (or borderlands), which are the meeting points of two or more communities in close proximity to an international border; both are affected in their economic and social lives (Weidenfeld 2013, 192; Trippl 2010, 151).

In tourism, borders are not only relevant in relation to political or physical borders, but also in terms of characteristics that classify them as rituals or even as attractions that serve a historic function, such as the Berlin Wall or the Great Wall (Sofield 2006, 112; Wachowiak 2016, 2). In terms of route tourism across borders, mental journeys or network patterns gain attention (Majdoub 2010, 30) and are rooted in symbolic-constructivist and behavioral approaches (Thimm and Seepold 2016, 46). Against this background, geographic borders can be one of the main objects of a tourist's attention, as they contain border features (or icons), including flags, fences, and highway welcome signs and customs buildings. The second relevant point of discussion for tourism relates to the various attraction points within countries that foster travel motivation, such as shopping, gambling, prostitution, drinking, and international parks and enclaves (Weidenfeld 2013, 198; Timothy 2016, 10). Although people are fascinated by borders and their specific stories, borders are also barriers to travel—be it fences or immigration and customs policies. In addition, psychological barriers, such as opposing political ideologies, different languages and other factors may create a kind of nervousness or apprehension. Nevertheless, an important part of border crossings relates to transit, where borders are simply overflown to travel to other destinations (Wachowiak 2016, 2).

To enable the crossing of borders easily and feasibly is one of the strategic and political considerations of a state, from protectionism that involves a restrictive visa policy to the other extreme of international openness that provides visa-free entry. If the latter is achieved, possible benefits of cross-border tourism include:

- the creation of an atmosphere of peace and intercultural dialogue,
- joint development and shared joint success,
- reliable partnership and friendship,
- increased living conditions of local communities in the target cross-border regions and
- support of "people-to-people" actions and rapprochement between local populations (EaPTC 2019).

A central benefit of cross-border tourism lies with its ability to improve economic development, as peripheral borderlands are often included in tourists' routes and activities, which generates additional revenue. This also raises questions as to how to market a border region and how to arrange cooperation between neighboring states (Wachowiak 2016, 2). When offering a multi destination trip, cooperation between neighboring countries is needed to satisfy the tourists' desire to travel efficiently (Tosun et al. 2005, 7). Cooperation in tourism is necessary to create a true experience within a journey, which is made possible by the inclusion of many autonomous service providers in "production" (e.g. Damayanti et al. 2013, 141; Pechlaner et al. 2014, 5). In order to discuss cross-border tourism, different degrees of interaction across borderlands or between neighboring countries need to be recognized (see Fig. 17.1):

Although cross-border tourism is institutionalized or supported through political openness, there are still differences between countries regarding their cultural settings (language, religion, role of trust), political direction (visa-conditions, safety and

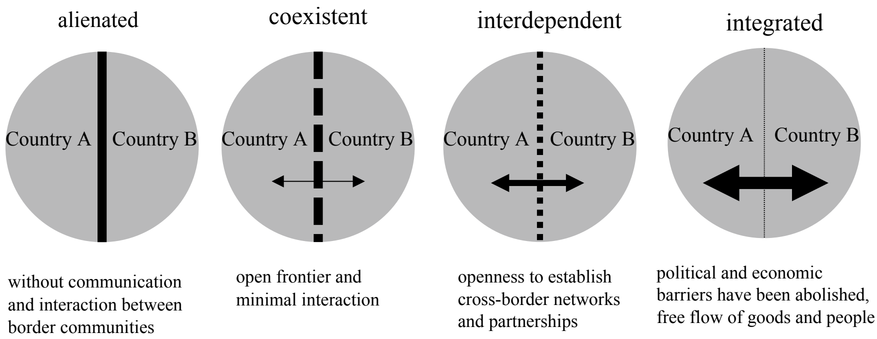

Fig. 17.1 Types of borderlands. *Source* Adopted from Martinez (1994, 3)

security, political sensitivity and aversion, regulations) or economic development (business orientation, quality and quantity of production factors, competitiveness, professional education) (Ritchie and Crouch 2005). Besides these substantial issues, practical obstacles for establishing joint activities in cross-border tourism depend upon other factors, such as type and scale of tourism, structure of the international tourism system, power relations among parties in the industry, the ability and willingness of destination countries to cooperate with each other, a country's level of development, socio-political, cultural and economic structures in destinations and generating countries, and the degree of political stability in the destination region (for categories on destination competitiveness, see: Ritchie and Crouch 2005; Tosun et al. 2005, 6). In addition, several authors identified the following obstacles:

- lack of financial resources
- lack of experience in cross-border cooperative strategies and structure of the international tourism system,
- low level of complementarities in industrial structures and
- weak orientation regarding the needs of the local economy (Trippl 2010, 156; Tosun et al. 2005, 16; Sofield 2006, 106; Hall 2005, 246).

Methodology and Cross-Border Tourism in Southern Caucasus

The Southern Caucasus (Azerbaijan, Armenia, Georgia) (see Fig. 17.2) holds an interesting geographical position along the Silk Road and tourism within the region is affected by the varied topography, ranging from sun and sea tourism to mountain tourism and skiing.

Fig. 17.2 The Southern Caucasus

Moreover, all three countries have manifold natural and religious heritages. Given the growth of visitor arrivals to this area, tourism development has been prioritized within the last years and visa conditions have relaxed. The bilateral history between Armenia, Georgia and Azerbaijan has witnessed several political upheavals and conflicts, which still limit access to certain areas and inhibit border crossings (Atilgan 2018). Nevertheless, tourism in the Southern Caucasus increases the economic growth of the area, for example in Georgia, where the tourism sector reaches a share of 7.1% of the national GDP. Table 17.1 shows exemplary indicators of infrastructure development and international openness, which are central to joint product development and cross-border tourism.

The field research in Georgia and Azerbaijan helps to understand the local impact of the BRI and to figure out the potentials and obstacles of cross-border tourism between the neighboring states. To achieve biased research, in 2017 and 2018, 30 interviews with tourism experts and officials were collected in both countries. The sample consists of three interviewees of employees who work for incoming agencies, six of those who work in the field of local education and research advisory, four who work at DMOs or within the regional government, two who work as foreign tour

Table 17.1 Tourism in the Southern Caucasus

	Georgia	Armenia	Azerbaijan
Int. tourists arrivals in 2017	2,281,971	1,191,910	1,921,925
Travel &Tourism industry GDP in 2017	US $966.3 million, 7.1% of GDP	US $383.1 million, 3.8% of GDP	US $1,504.9 million, 2.8% of GDP
TTCI ranking (136 countries)	70	84	71
Air transport infrastructure	90	88	77
Ground and port infrastructure	63	88	49
Tourist service infrastructure	70	74	89
International Openness	66	95	77
Destination Management	Georgian National Tourism Administration	Armenian Tourism Association	Azerbaijan Tourism Board, Azerbaijan State Tourism Agency

Source Data from World Economic Forum (2018): TTCI (Travel and Tourism Competitiveness Index)

operators, four who work as local service providers, and two hotel managers, seven international experts and three from other economic sectors.

The interview statements were analyzed through the method of GABEK and its semi-automated steps, which allow for the coding, structuring and presenting of the interview data, which is rooted in the original statements. The results are characterized by the most important keywords and their frequency (see Table 17.2). The interview questions aim to explore potential benefits of the BRI for tourism as well as the need for governmental measures to handle challenges in this international context.

Table 17.2 Major keywords in the qualitative study

Hotels	356	Employees	186	Development	151	Tourists	134
Azerbaijan	352	Georgia	185	Countries	142	People	133
Silk Road	227	BRI	166	China	141	Region	126
Tourism	196	Challenges	158	Importance	135		

Source Own elaboration, 2018

Results: Promoters of Cross-Border Tourism in Southern Caucasus

The subsequent section summarizes some of the research results of the field research in Georgia and Azerbaijan and discusses strategic considerations, the importance of cultural understanding, conflicts and cross-border facilitation, joint product development, internal capacities and local participation.

In general, the interviewees claim that the South Caucasian countries need to be analyzed in a broader geographical setting that also involves Turkey, Russia, Turkmenistan and Kazakhstan. Within this framework, Georgia and Azerbaijan are appreciated on account of their important strategic geographical positions and are considered crossroads between Asia and Europe: "*Well, Georgia was traditionally one of the spots of the silk road. Georgia is located at the crossroad between Europe and Asia and an important transit country. (Hl2)*". The BRI may improve economic development, especially for economic hubs at crossroads, and also delivers infrastructure, which could increase the connectivity and mobility in the case of tourism. As mentioned by the interviewees, the Silk Road could provide an additional topic for tourists' experiences in the Southern Caucasus, due to authentic traces of the Ancient Silk Road in the region: *So, imagine that this is going to be completely different perspective for tourists. The one thing, you just travel all around the country, you hear the history, but we can introduce completely different experience (Ap3).* Against this background, the interviewees highlight the importance of cooperation across the nations in the Southern Caucasus in attracting international travelers: "*It's very usual, that tour operators sell two or three Caucasus-countries (Kd4).*" To put the focus back on cross-border tourism, Fig. 17.3 shows the major keywords and relations that evolved throughout the GABEK analysis of the interview statements.

(a) Cultural understanding

One of the major issues in cross-border tourism identified throughout the study is the necessity of a cultural understanding that recognizes the histories and the specialties of the countries along the Silk Road. It has been stressed that the Silk Road in the Southern Caucasus relies on cooperation with neighboring countries, such as Turkey, Iran or Kazakhstan, which is essential in providing a decent experience: "*People see the different cultures, from the Caspian Sea through Step regions of Azerbaijan. In Azerbaijan they have different cultures, then they have also in Georgia. For them it 's an amazing trip (Ai3).*" In the case of Georgia, the neighboring countries represent the top source markets for tourism. Based on the necessity to cooperate, Silk Road tourism could provide "*the opportunity for the people to talk to each other (Ho6).*" As the countries in the Southern Caucasus witnessed political conflicts, cooperation is still limited through resentments: "*It's just that Armenians and Azeri they hate each other. They talk about each other not in a good way (Ac2).*" In relation to tourism, this complicates border crossings: "*You know that it's not possible to cross the border directly between these countries, so always we have to go* via*Georgia. It's not so easy to cross the borders (Ac2).*" Although there are still resentments,

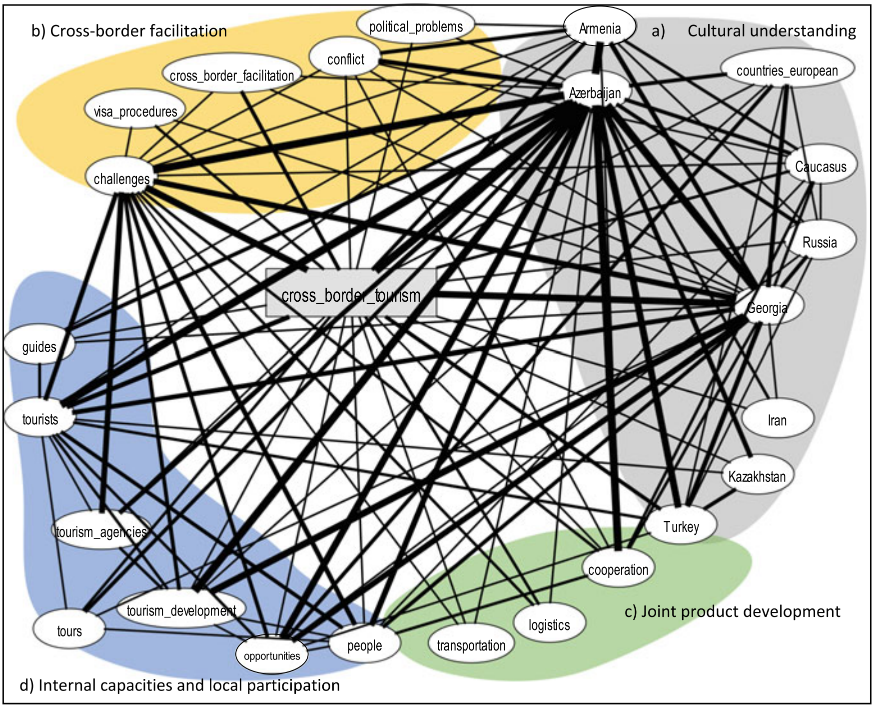

Fig. 17.3 Network graph on cross-border tourism. *Source* Own elaboration

the young generation might overcome these conflicts: "*Especially when you ask the young Armenians and young Azeris they don't have this feeling to hate each other anymore. They would like to cooperate […] (Al9).*"

(b) Conflicts and cross-border facilitation

The local tour operators stress the meaning of transparency and open borders for tourism: "*[…] it would be easier for us to travel and to connect these countries. (Ah7).*" Currently, cars need to be changed at the border and detailed customs procedures need to be fullfiled: "*It's still not so easy. If we travel this silk road, I know people who spent hours just trying to cross the boaders. (Aq4).*" Although first improvemenets were made, due to increased facilitation regarding visa procedures, the interviewees make reference to the promotion of student exchange or business travel. The EU and the Schengen-area are used as a model for the future cooperation: "*like Schengen economic zone, the countries even had political problems, for example, some period of time, but they all blocked and ignored everything for the future, future of the next generation and they are agreed on the one project, have taken the borders (Cr9).*"

(c) Joint product development

Joint tourism products in the Southern Caucasus are perceived to have great potential if neigboring countries, such as Kazakhstan or Russia, are included and if current plans are implemented and specific management capacities and institutions are made available: "*Right now, we are doing it at UNWTO level […] The Silk Road University, and in Uzbekistan The Silk Way Committee. They are really special organizations under the tourism agencies or tourism ministries controlling the situation of Silk Road. (Cz2).*" Another argument for cooperation is the connectivitiy to China and the necessity to create conditions where local companies could benefit from the BRI. A possible measure for joint product development may be workshops, such as the "International Product—Workshop on the Touristic Valuation of the German Heritage in the Southern Caucasus," which has been appreciated: "*It was organized to develop tourism products or cross-border tourism Georgia, Azerbaijan. I think it was quite successful to bring these different people together (Ai6).*" This workshop took place in 2017 in Ganja and especially aimed at developing joint products in cross-border tourism between Georgia and Azerbaijan. As this is a niche topic, it could contribute to cross-border cooperation by issuing a small section of potential topics and by is close relation to local identity, which facilitates the implementation of the single projects. The patrticpants' professions include tour operators, incoming agencies and research institutes from Azerbaijan, Georgia and Germany. One outcome of the workshop is the development and calculation of two routes: "Crossroads in the Eastern Caucasus" as well as "Religions and Kingdoms". All the more, the identified obstacles in route development are matters of local tourism development, such as accesibility of National Parks, lack of trained guides and drivers, the necessitiy to develop a certain suprastructure and to provide a touristic guiding system. In the end, the workshop revealed that cultural complementarities are the most important link for cross-border tourism products and, on the other hand, that competition between service providers hampers cooperation significantly.

In addition, the tempus programs were mentioned as successful projects in transferring knowledge regarding tourism products. Still, the question remains: Who is responsible for cross-border tourism? The interviewees believed the government and the related ministries to be in charge, as tourism needs to be recognized as an economic factor in order to fund the necessary institutions. In opposition to cooperation, competition is of high relevance in cross-border activities, as the destinations mostly operate in equal markets: "*In effect, there is a competition and there will be an even stronger competition among parallel Silk Roads (Kr4).*" On a practical level, the experts from Azerbaijan mentioned Georgia's disadvantage that not enough international airlines operate in the country and that additional international airports are missing.

(d) Internal capacities and local participation

The successful participation in cross-border cooperation also takes the internal capacities and criteria of a country into account, such as:

- Integration of new infrastructure in current infrastructure

- Accessibility through airports and railway networks and visa facilitation
- Provision of a range of accommodation services
- Political associates that take responsibility for tourism development
- Reduction of corruption
- Financial support

Additional important factors include the availability of tour operators and the quantity and quality of accommodation facilities or guides. The latter are viewed as lacking touristic education: "*they [locals] need just a coaching or some examples to see themselves on travel business (Kk3)*" or "*if the people don't really know what to do with their clients, […] then we come up with serious problems (Ay8).*" The sum of these factors promotes local benefits in terms of entrepreneurial opportunities and traveler flows. Accommodation is a central part of the services that create job opportunities for locals: "*accommodations will be provided by locals of course they can benefit from the tourists (Hl7).*" In these terms, a measure often recognized as supporting participation is the development and implementation of local projects: "*Projects help to develop production of handcrafts in different parts. Silk Road Project would be very important for our country. And many people, jobless people, would have job. (Af4).*" On the one hand, the interviewees highlighted the possible links between BRI and tourism development and therefore stress the role of tourism for regional development: "*[…] Because tourism is one of the greatest tool to create jobs in regions now (Bb7).*" On the other hand, the interviewees still see the challenges of increasing prices and the fact that locals do not have the knowledge and experience to recognize business opportunities.

Outlook on Cross-Border Tourism Measures Along the Silk Road

This book section and the conducted field research aims to explore the factors that facilitate or hinder cross-border tourism in the Southern Caucasus. The revitalization of the Ancient Silk Road through the current BRI delivers interesting impulses through infrastructure investments and the possibility for transit countries to rethink their position within the global network of mobility, trade and cultural exchange. For tourism, this means that travelling along the Silk Road could become easier and faster in terms of accessibility and connectivity to various destinations. Moreover, Silk Road tourism could become a tool to provide an alternative to trade along the Silk Road and could become an important factor at the interface of infrastructure, mobility, trade, politics and cultural exchange. In practice, travelling along the Silk Road entails traversing borders and borderlands and thus depends greatly on border crossings. Facilitating cross-border tourism could be the starting point to establish intensive and long-term cooperation between neighboring countries that ideally leads to an integrated borderland, where goods and people are free to flow, and to the abolition of political and economic borders. The case study in the Southern Caucasus identified specific key factors to support cross-border tourism, such as cultural understanding, conflict and cross-border facilitation, joint product development and internal capacities. Within this framework, cross-border tourism could contribute to local entrepreneurship and to benefits from the BRI in terms of local value creation.

Possible supporting factors in establishing a connection to the BRI may include pursuing a strategy of open politics and internationalization, institutionalizing cross-border tourism within transnational destination management companies (Tosun et al. 2005, 5), or following existing projects (e.g. EaPTC 2019). The Ancient Silk Road has been utilized for route tourism in several initiatives—weather on a national scale, such as projects for cross-border tourism between two countries, or even for whole corridors. Supported by the infrastructure investments and projects around the BRI, touristic routes along the Silk Road have gained further attention. The existence of a number of natural and cultural heritages in Central Asia (Thees and Pechlaner 2019) demonstrates the potentials of a possible tourism route along the Silk Road. In order to valorize touristic potential on an international market, it is necessary to cooperate and to establish the topic of the Silk Road across the member countries. The UNWTO Silk Road Programme, which functions as a collaborative platform to maximize the benefits of tourism development for local communities, is just one example of a long-established initiative (UNWTO 2017b).

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Travel Along the New Silk Road: Understanding New Trends in Chinese Outbound Tourism

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As part of China's Belt and Road Initiative, the New Silk Road spans four major civilisations of the Eastern and Western worlds, a region with four of the world's major religions, and three types of economies in developed, developing, and less developed countries. It also connects some of the world's major tourist resources, attractions, and destinations, including nearly 500 natural and cultural heritage sites, which represent 70% of such sites around the world. As China increasingly becomes an important tourist market for many countries along the New Silk Road, all of whose economic cooperation has intensified, the scale of tourism in those nations is expected to expand further. In particular, as China's Ministry of Culture and Tourism announced in 2017, during the period of the Thirteenth Five-Year Plan the country anticipates exporting 150 million tourists and more than US $200 billion in tourism consumption to countries along the New Silk Road (People.com.cn 2017).

For those reasons, it is necessary to clarify aspects of the Chinese outbound tourism market as a new market trend, especially such tourism along the New Silk Road. To that purpose, this chapter presents a study that involved examining both historical statistical data and tourist-generated content regarding this trend. The historical data is mainly from the government or well-known authorities, such as the World Bank, State Statistical Bureau, etc. A comparison analysis method for historical statistical data was used for this research. As for the tourist-generated data, the 50 most-read travel comments were collected from one of the most popular travel websites in China (*Ctrip.com*). Both word frequency analysis and topic clustering methods were used in the analysis in order to understand Chinese tourists' perceptions of different destinations. This chapter thus presents an overview of Chinese outbound tourism in recent years, followed by a shift in focus to the top 10 destinations on the New Silk Road and the emerging behavioural patterns and preferences of the Chinese tourists who travel there.

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Overview of Recent Chinese Outbound Tourism

China's outbound tourism has experienced an upgraded transformation in recent years. Based on official statistics (National Bureau of Statistics of China 2018; World Bank 2018), three major characteristics of Chinese outbound tourism are clear. First, the number of Chinese outbound tourists has steadily increased in recent years, as previous research has attested (Dai et al. 2017). In 2017, Chinese citizens travelled outside China on more than roughly 130 million trips and spent approximately US $115.29 billion, thereby making them part of the largest outbound tourism market in the world. There are several reasons behind the continually growing trend of Chinese outbound tourists. In addition to China's Belt and Road Initiative, the enhancement of Mainland China's International status and swift economic development, the improving quality of life (Kim et al. 2005), flexible visa polices for Chinese tourists, and the problems (e.g. overcrowding, pollution) in domestic destinations (Chen et al. 2019) are the main reasons that lead Chinese people to travel aboard. Second, the total consumption by outbound Chinese tourists has also risen. In 2012, the overseas consumption of Chinese citizens totalled US $102 billion, which surpassed that of US citizens. The continuous increase of China's gross domestic product stands as the most likely reason behind such growth, which has prompted a steady increase in the disposable income of Chinese citizens. According to the World Bank (2018), the total overseas consumption of Chinese citizens has ranked first in the world since 2014, which demonstrates their robust power as consumers abroad. Third, the structure of Chinese consumption in recent years has been transformed, especially in shopping trends that have increasingly diversified and become more personalised. The top five sources of consumption among Chinese tourists are shopping, group tour fees, food & beverages, entrance tickets, and transportation. In particular, shopping remains the top consumption behaviour among Chinese tourists, as supported by previous findings (Meng et al. 2019). At the same time, a shift in the rationale of consumption among Chinese tourists has also occurred, which highlights their increased demand for profoundly local experiences regarding food choices, the exploration of natural sites, outdoor sports, and urban recreation (China Tourism Academy 2018a).

Who Are the Chinese Outbound Tourists?

To better understand Chinese outbound tourists, it is necessary to identify some of their major characteristics. First, they are mostly women. During the past three years, women represented 60% of all Chinese tourists overseas, whereas men accounted for only 40% (China Tourism Academy 2017). Second, by age, those in their thirties continue to form the backbone of China's outbound tourists, given their wealth and abundant time for leisure activities (China Tourism Academy 2017). Moreover, the proportion of senior tourists is expected to rise, which will require additional attention from researchers and industry professionals in the future. Third, most Chinese outbound tourists are from first-tier cities in China, including Shanghai, Beijing, Guangzhou, and Shenzhen. At the same time, the tourism market appears to show a rapid increase in tourists from second- and third-tier cities, including Tianjin, Qingdao, Zhuhai, and Xi'an, whose populations of tourists thus exhibit clear potential for expansion (China Tourism Academy 2014, 2017). Fourth, according to China Tourism Academy (2018c), group travel and independent travel each represented over 40% of all tourism among Chinese tourists in 2017. Beyond that, however, tailored travel experiences have emerged as a new trend in outbound tourism among Chinese tourists, which reflects their desire for high-quality, personalised tourism experiences. Fifth and last, regarding the spread of destinations, places in Asia, especially East Asia (e.g. Thailand, Japan, Singapore, and Vietnam), have been hotspots for Chinese tourists (Lin et al. 2015). Driven by the Belt and Road Initiative, outbound travel from China is becoming more convenient for Chinese citizens, and countries in Europe and North Africa along the New Silk Road, including Morocco, Turkey, and Tunisia, have become so-called "dark horse" destinations in recent years (China Tourism Academy 2018b, c).

The Top 10 Destinations Along the New Silk Road: Chinese Tourists' Behavioural Patterns and Preferences

To elucidate how the Belt and Road Initiative has influenced Chinese outbound tourism, the list of the top 10 destinations along the New Silk Road for Chinese tourists abroad serves as an important indicator of their tourism behaviours. Data from the travel agency Ctrip.com and China Tourism Academy were accessed to determine that list and changes to the ranking of countries therein. For historical statistics, since the Belt and Road Initiative was proposed by the Chinese government in 2015, data from 2013 and 2017 were accessed to allow a comparison of trends in recent years (see Table 18.1).

As Table 18.1 shows, changes in the top destinations for Chinese outbound tourists have occurred due to the expansion of the New Silk Road. On the one hand, the near-monopoly of South East Asian destinations became ever stronger from 2013 to 2017. Thailand and Vietnam remained the most popular destinations for Chinese tourists, for they received 980 and 400 million tourist arrivals, respectively, in 2017, while Singapore, Malaysia, Indonesia, and Cambodia all moved up one or two places in the ranking. In particular, increased rates of Chinese tourist arrivals in Indonesia (174.53%) and Cambodia (296.07%) were among the highest. As a result, South East Asian destinations boosted their share in the Chinese outbound tourism market and improved their reputations as hotspots for Chinese tourists.

On the other hand, European destinations have become less desirable amid fierce tourism competition, even though Russia experienced the greatest growth rate of Chinese tourist arrivals from 2013 to 2017 (306.50%). In fact, most traditional European destinations, including Italy, France, and Germany, dropped by one or two

Table 18.1 Changes in the top 10 destinations along the New Silk Road

Ranking	Country	Chinese tourist arrivals (2013)	Chinese tourist arrivals (2017)	Changes in arrivals rates (2013 to 2017) (%)	Change in ranking (2013 to 2017)
1	Thailand	463.73	980	111.33	0
2	Vietnam	190	400	110.53	0
3	Singapore	173.4	322.7	86.10	+ 1
4	Italy	185.02	307.73	66.32	− 1
5	Malaysia	150	265	76.67	+ 1
6	Indonesia	75	205.9	174.53	+ 2
7	France	170	200	17.65	− 2
8	Germany	87.09	155.57	78.63	− 1
9	Russia	36.9	150	306.50	+ 1
10	Cambodia	30.55	121	296.07	+ 2

Sources China Tourism Academy 2014, 2018b; Ctrip.com 2015.

places in their ranking. In addition, the growth rate of Chinese tourist arrivals in most European destinations was lower than that of their counterparts in South East Asia. For instance, the rate of Chinese arrivals to France increased by only 17.65% during the five-year period and amounted to roughly 200 million in 2017, which was far less than such rates in Thailand and Vietnam. Consequently, the market share of traditional European destinations in the Chinese outbound tourism market decreased from 30.67 to 26.17% from 2013 to 2017.

Aside from those hotspots, countries in South East Europe and North Africa along the New Silk Road, such as Morocco, Turkey, and Tunisia, have become dark horse destinations in recent years due to the development of the Belt and Road Initiative. To better understand Chinese tourist's changing behaviour, we classified popular destinations along the New Silk Road into hotspots and dark horse destinations with reference to the numbers of Chinese tourist arrivals and changes in the rate of their arrivals from 2013 to 2017. Whereas the hotspots include places in South East Asia and traditional European destinations, the dark horse destinations include those areas in North East Africa and South East Europe. In detail, distance from China, flight time and cost, cultural similarity or difference, and overall price level were selected as indicators to illustrate characteristics of the four types of destinations (see Table 18.2). Subsequently, a total of the 50 most read travel notes including travel-related comments and reviews posted by Chinese tourists on one of the most popular travel websites (*Ctrip.com*) were collected. Topic clustering and word frequency analysis were analysed using ROST CM6 software to elucidate their behaviours and preferences regarding different types of destinations (see Fig. 18.1).

Table 18.2 Classification of destinations along the New Silk Road

	Hotspots		Dark horse destinations	
	South-east Asia	Traditional European destinations	North-east Africa	South-east Europe
Distance	Close	Far	Far	Far
Flight time	2–7 h	20–25 h	20–40 h	20–25 h
Flight cost	Low	High	High	Middling
Cultural similarity	Similar	Different	Different	Different
Price level	Low	High	High	Middling

Fig. 18.1 Word clouds of Chinese tourists' perceptions of four types of destinations along the New Silk Road

South East Asia

In the results, the top four sorts of attractions in South East Asia for Chinese tourists were beaches, architectural sites, tourism infrastructure, and restaurants. Most mentioned by the tourists was tourism infrastructure in the region, especially when it afforded convenience. As one tourist described, her decision-making process about selecting accommodations indeed prioritised convenience: “The Eastin Grand Hotel was a great place to stay, with a perfect location. The hotel entrance was directly connected to the BTS [Bangkok Mass Transit System] station. The service was great, and the room was comfortable. The breakfast buffet was very good” (Blogger: Shishixiaofei 2018.02.05). Convenience was also prized for shopping. “When I came to Thailand this time, all of the 7-11s supported WeChat and Alipay, and many shopping malls were supported as well, which was super-convenient” (Blogger: Shishixiaofei 2018.02.05).

The second-most important aspect for Chinese tourists in South East Asia was food (22.67%). Great variety and low cost make South East Asia a culinary paradise for Chinese tourists. As one traveller mentioned, “You can walk all around while eating, which is a great experience” (Blogger: Kongqibeier 2017.11.01). Third was distinctiveness. As a blogger recalled about his travel experience, “The roof of KL [Kuala Lumpur] Sentral is also very distinctive. I don’t remember when I developed a habit of looking up after entering some buildings, but I think it’s a very good habit” (Blogger: Zhangdaqiang 2014.07.09).

Traditional European Destinations

Content analysis revealed that the general perceptions of Chinese tourists about traditional European destinations were positive and that “famous” was the most common term used by them to describe such destinations. One Ctrip.com user wrote that the Louvre is “one of the three major museums in the world. You can’t miss it when you visit Paris” (Blogger: queenquan 2014.07.03).

Based on comments collected from Ctrip.com, European culture and shopping were the two primary focuses of Chinese tourists in traditional European destinations, more than 90% of whom shared their experiences of European culture and their pursuit of seeing famous tourism attractions. In terms of shopping, tourists who wrote on Ctrip.com shared shopping tips, especially about luxury goods and services. As many of them commented, “The main purpose of coming to the opera house with the old Buddha behind it is to go shopping. It’s very convenient indeed. The shopping guides are all Chinese. It’s very convenient to buy things” (Blogger: Aiwenwen 2014.07.09). To meet Chinese tourists’ demand for shopping, merchants in Germany have made arrangements specifically for Chinese tourists by providing Alipay and WeChat Pay in their mobile tour guide services.

Another interesting behavioural pattern among Chinese tourists is the preference for multi-country travel rather than touring only one country. For example, they often combine a trip to Germany with a visit to other countries such as France, Switzerland, Italy and Austria. One of the possible explanations for this is that time and price are the main considerations for many Chinese tourists, therefore they like to visit as many places as possible within a limited time (Raspor et al. 2012; Skivalou and Filippidi 2017).

North East Africa

According to the results of our analysis, local culture attracted the most attention (67.60%) from Chinese tourists in North East Africa, who repeatedly mentioned major tourist attractions such as temples, pyramids, and museums while sharing their travel experience online. In their comments, "mysterious" ranked among the top keywords for North East Africa, and most Chinese tourists were clearly astonished by the exoticism and spectacle of North East African culture. As some bloggers wrote, "Visiting the Valley of the Kings and temples in Luxor: what a mysterious appearance of Egypt that finally came to my eyes" (Blogger: Yelaoshi 2016.06.09), and "People, pay great attention! On the wall of the temple is a mysterious picture! A great God!" (Blogger: Duguhu 2018.10.12).

Wildlife was the second-most popular attraction (32.40%) for Chinese tourists in North East Africa, particularly that provided by national parks and nature reserves. Unlike their Western counterparts, Chinese tourists generally have a strong desire to take photographs, and as one traveller commented, "I have high expectations, but it wasn't easy to find the animals. Sometimes you can't find an animal after an hour or even longer. But I didn't want to miss any opportunity for photographs" (Blogger: Caiweihuang 2015.05.08). Although taking photos of wild animals is difficult, Chinese tourists nevertheless attempt to pursue that enjoyable experience.

South East Europe

Increasingly attracting the attention of Chinese tourists, places in South East Europe have become dark horse destinations. Previous studies have shown that as Chinese tourists have become more experienced, the second-tier destinations began to become popular for them in their search for new and different experiences (Jørgensen et al. 2018). From 2016 to 2017, Macedonia, Montenegro, Bulgaria, Croatia, the Czech Republic, and Hungary all witnessed more than 50% growth in their rates of Chinese visitors. More than any other country in the region, however, Serbia's growth rate increased by 8.66 from 2016 to 2017, largely due to its visa exemption for Chinese citizens (PinChainTourism 2017).

History and culture were the most attractive features for Chinese tourists travelling in South East Europe (96.33%). In fact, 29.76% of keywords in online comments by Chinese tourists related to history and culture. Sarajevo, for example, is famous for its involvement in World War I, while Serbia is renowned for the bombing of the Chinese Embassy in 1999.

The general perceptions of Chinese tourists about South East Europe are that the region is beautiful and enjoyable. As one traveller mentioned, "Surrounded by mountains and rivers, Montenegro is a country with very beautiful natural scenery. We spent two hours traveling around the city" (Blogger: pd****7, 2014.07.20). Another stated, "When you overlook the panoramic view of the chain bridge, it offers another source of magnificent enjoyment" (Blogger: haruxu 2017.10.26).

Overview of Chinese Outbound Tourism Along the New Silk Road

Overall, it can be assumed that in the future, Chinese outbound tourism will continue to grow, especially among citizens from second- and third-tier cities in China. A shift in the rationale for travelling among Chinese tourists can also be expected to occur from the current orientation towards shopping to more diverse, personal reasons. Amid the development of the New Silk Road, China has continuously strengthened its tourism cooperation with countries along the route by implementing visa-free policies and promoting the so-called "Year of China–Kazakhstan Tourism", among other things. The countries along the New Silk Road have become a new force in the Chinese outbound tourism market and offer increasingly diverse destinations for China's tourists. As a result, increasingly more Chinese tourists can be expected to travel along the New Silk Road in the future.

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Potential Spillover Effects of China's Belt and Road Initiative on Chinese Tourism to Australia: A Marketing Perspective

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Introduction

Since 2013, when China unveiled the Belt and Road Initiative (BRI), more than 150 countries have joined the BRI. While Australia is not one of the BRI countries, it is geographically close to Southeast Asian countries which have joined the initiative, particularly Singapore, Malaysia, Thailand and Indonesia. Tourism involves cultural exchange and economic cooperation between China and the BR countries, particularly among China and BR countries from Southeast Asia, for example, Singapore, Malaysia, Thailand and Indonesia.

Over the past few years, the cooperation between China and the BR countries has been accompanied by some remarkable developments in tourism. For example, China's outbound tourists to the BR countries have grown from 15.5 million in 2013 to 27.4 million in 2017 (Si 2019). Thirteen countries along the BR have amended their immigration laws to allow Chinese tourist to obtain visa on arrival or enter their countries visa-free. In 2017, the revenue produced by international tourism was more than US$385 billion for countries located along the BR route, 30% of which were contributed by tourists from mainland China (China Tourism Academy 2018). So far, China has signed 76 official documents to promote bilateral cultural and tourism collaboration with countries along the BR route. These documents, for example the Sino-European cooperation on BRI and Tourism Year Promotions, have facilitated cooperation and exchange between China and some ASEAN and European countries (Xinhuanet 2018; Chan 2019).

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Due to the increasing household wealth and the growing middle class, the number of Chinese outbound tourists continues to grow by a significant rate (the Economist Intelligence Unit 2016; Huang and Wei 2018). In particular, the numbers of Chinese people who choose the BR countries in Southeast Asia including Thailand, Singapore, Malaysia, and Indonesia as outbound travel destinations have increased significantly in the past few years. For example, the number of Chinese outbound tourists in Thailand reached 9.8 million in 2017, an increase of 12% compared to the 2016 figure (China Tourism Academy 2018). As a neighbouring country, Australia is closely engaged with these four BR countries in many areas. Yet, how Australia can benefit from these neighbouring countries' rapid tourism development is to be analysed.

Therefore, this chapter aims to investigate potential spillover effects of BRI on the tourism industry in Australia. Specifically, it explores the opportunities for Australian tourism businesses and government to possibly attract Chinese tourists staying in neighbouring BR countries to expand their trips to Australia. The purpose of BRI is to make China and the BR countries more connected through infrastructure investment, particularly transport infrastructure (China Communications Construction 2017), which will likely enhance tourism development and encourage outbound Chinese tourism to BR countries. Due to Australia's location, there might be immediate tourism spillover effects from its nearest neighbouring BR countries. It is easy and convenient for Chinese tourists to travel to Australia from Southeast Asia and this routing promises to gain in importance due to the BRI. This chapter on how to attract tourists from China via BR countries has practical implications for Australia's tourism development through shedding light on how policy makers, tourism businesses and their stakeholders may generate (indirect) benefits from BRI-induced tourism.

BRI and Its Effects on Tourism in Southeast Asia and Beyond

Chinese outbound tourism has continued its unprecedented growth. Specifically, 142 million Chinese travelled to foreign countries spending more than US$ 258 billion in 2017; China is the largest outbound tourism spending country in the world (UNWTO 2018). Tourism is considered as an important pillar of BRI (Belt and Road Portal 2018). To mention one associated specific initiative, the China Tourism Association established the World Tourism Alliance (WTA) in 2017, aiming at supporting the development of tourism co-operation under the BRI. WTA's members include national tourism associations, influential tourism enterprises, think tanks and research institutions, as well as individuals such as tourism officials and tourism scholars. With the core premise that "tourism makes the world a better place", the WTA aims at developing tourism in a sustainable manner, for poverty reduction, for peace and to strengthen international exchanges in the global tourism industry. WTA has a total of 182 founding members from 38 countries on five continents (the majority of them are BR countries), including China, Singapore, Malaysia, Thailand, Indonesia as well as Australia. Australia’s two WTA members are the Australian Federation of Travel Agents (AFTA) and the Tourism and Transport Forum (TTF) Australia (World Tourism Alliance 2019).

In China, the household income has been increasing since Deng Xiaoping’s Open Door policy was first implemented in 1978. Chinese GDP per capita grew to US$7755 in 2018 and more and more Chinese residents can afford to travel overseas, especially those who have entered into middle class income groups. Figure 19.1 shows the percentage of population with per capita annual disposable income in 2015 with the forecast for 2030. The figure shows that the shares of Chinese people in the high income and upper-middle income brackets are estimated to grow substantially by 2030, while the share of people in the group of low income is likely to decrease by 2030. The growing number of people in the upper middle- and high-income brackets will likely be the main contributors to the outbound tourism of the country (Economist Intelligence Unit 2016).

The rise in household income directly stimulates China’s outbound tourism to foreign countries. With the implementation of BRI, China has currently become a key driving force for the tourism industry in participating BR countries and their surrounding countries. The number of trips made by Chinese tourists to BR countries reached 27 million in 2017, which represents a 77% increase since the BRI was promoted. The number was expected to surpass 85 million by 2020 (People.cn 2019). Tourists from mainland China contributed over 30% to the international tourism revenue in those countries in 2017 (Song et al. 2019).

In order to investigate the effects of BRI on the tourism industry of participating countries, we use Singapore, Malaysia, Thailand, Indonesia and Australia as examples. The current BR countries account for about 70% of global tourism (Belt and Road Portal 2018). As transportation plays a direct and important role in facilitating tourism flows, the rapid development of transportation in the context of the BRI will likely contribute to increase the numbers of Chinese tourists to the BR countries to a peak level during China’s 13th Five-Year Plan period (2016–2020) (China.com.cn 2018).

Figure 19.2 presents the outbound tourism departures from the city of Beijing organised by travel agencies in the first quarter of 2019. It can be seen that the number of such Beijing resident departures to Thailand reached a remarkable 122,815 (nearly 6 times the departures to Australia) in the first quarter of 2019 (Travel China Guide 2019). The number of Beijing resident departures to Malaysia and Singapore is also higher than that to Australia (see Fig. 19.2).

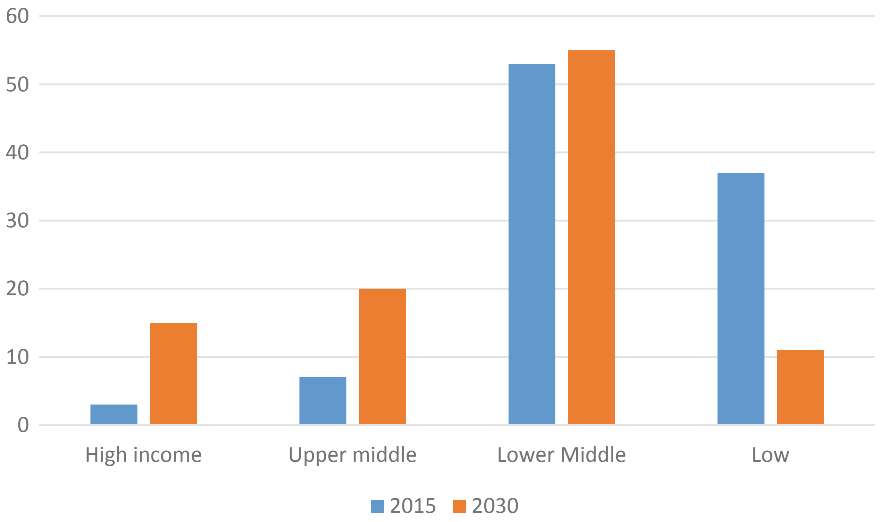

Fig. 19.1 Chinese income brackets (% of population, 2015 prices). *Source* The Economist Intelligence Unit (2016) and South China Morning Post (2016)

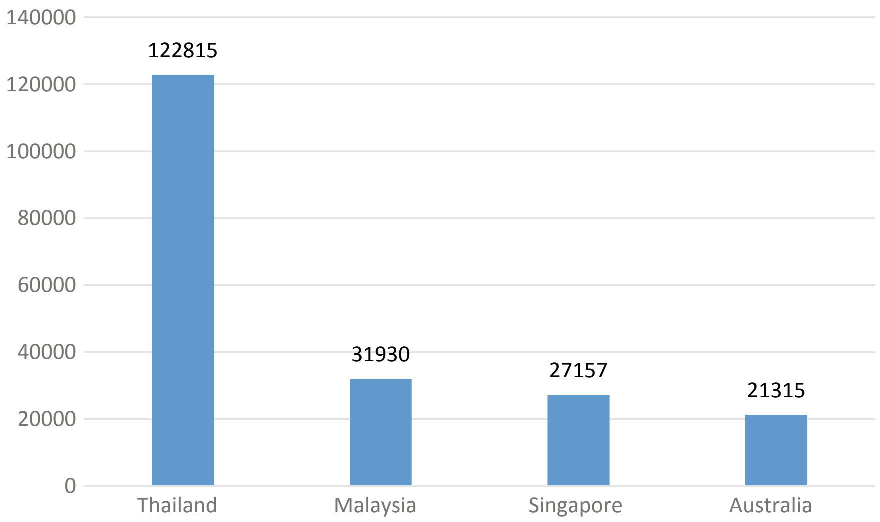

Fig. 19.2 Beijing outbound tourism by travel agencies in the first quarter of 2019. *Source* Travel China Guide (2019)

Table 19.1 Top 16 most important destinations for Chinese outbound tourists in 2016.

Countries (1–8)	BR country?	Countries (9–16)	BR country?
1 Thailand	Yes	9 Vietnam	Yes
2 South Korea	No	10 Philippines	Yes
3 Japan	No	11 Cambodia	Yes
4 Indonesia	Yes	12 Russia	Yes
5 Singapore	Yes	13 Australia	Partial
6 U.S.	No	14 Mauritius	Yes
7 Malaysia	Yes	15 Italy	Yes
8 Maldives	Yes	16 United Arab Emirates	Yes

Source https://news.travel168.net/20170203/43145.html and HKDTC (2019)

Spillover Effects of the BRI on Chinese Tourist Arrivals to Australia

According to the current green book of China tourism, the cooperation between China and BR countries may have contributed to rising tourism exchanges (Song et al. 2019). For example, China's BRI investment in Australia's neighbouring BR countries has increased the number of Chinese companies and business people in these countries, which can result in more visiting business travellers as well as visits of their extended family members and friends. These BRI effects may generate potential spillovers to the economy of Australia. Australia is currently the 13th most visited country by Chinese tourists (see Table 19.1) but is not a BR country. However, some of Australia's neighbouring BR countries rank among the most important destinations for Chinese tourists. This serves a good basis to consider potential spillover effects to Australia. More specifically, we are interested in the marketing potential in BR countries in Southeast Asia, and push- and pull-factors that affect Chinese outbound tourists' tourism destination decision making.

Marketing Potentials in Southeast Asian BR Countries for Australia

With an increasing per capita GDP and growing personal disposable income, Chinese travellers' willingness and ability to spend in foreign holiday destinations are pronounced. It is expected that the number of China outbound trips will reach over 178 million with the total tourism expenditure of about CNY 1.3 trillion by 2022 (Travel China Guide 2019). Chinese tourism to BR countries in Southeast Asia may spill over to the tourism market in Australia through collaborations in the areas of trade, education, cultural exchange, tourism promotion and flight connections. The four BR countries Singapore, Malaysia, Thailand and Indonesia may be turned into hubs for Australia to gain more Chinese tourists. This can be achieved through diversifying promotion strategies, such as cooperation with travel agents and airlines.

The Australian government has been aware of the importance of the Southeast Asian market for Australian tourism and several preliminary efforts have been made. For instance, Western Australia adopted promotion strategies to attract Singaporean tourists to Australia through cooperation with Singapore Airlines and AirAsia (Paddenburg 2019). Aside promotion of cheaper airfares, the Western Australian government has also increased the advertisements to promote its popular attractions and resorts throughout Singapore, covering many public places such as subways and carriages of trains. It has recently been reported that an additional $12 million for international marketing budget will be spent on additional Singapore and Kuala Lumpur initiatives, which is expected to attract 50,000 extra tourists (Paddenburg 2019). These marketing strategies can help to promote Australia to both local residents and the growing numbers of Chinese tourists in Singapore and Malaysia, particularly if the advertisements are designed in both English and Chinese.

Given that Singapore is among the most popular destinations for Chinese tourists, these strategies will have potential to attract their attention and interests. Chinese tourists to Singapore can be considered as potential visitors to Australia and constitute a promising target market for Australia's tourism authorities. Marketing opportunities arise for both travel agencies and Australian government agencies to draw the attention of those Chinese tourists in Singapore. Marketing to Chinese tourists in the Southeast Asian BR countries can create notable synergies with the communications aimed at these countries' residents; it would be well-targeted as it reaches Chinese people who already travelled outside China and it may be relatively easy to implement in operational terms. Thus, trying to attract more Chinese tourists by using these BRI destinations as a bridging hub for tourism promotion can be a smart marketing strategy from an Australian point of view.

Influencing Factors of Chinese Outbound Tourism

A number of factors influence the number of Chinese tourists and their decision making with respect to international tourism destinations. First, accessibility of the destination is a major reason that affects their destination choice (Xia et al. 2018). This includes visa permits and availability and diversity of flights. Xia et al. (2018) found that nearly half of the young Chinese born post-1990s are highly concerned about the visa procedures before they visit Australia. One of the main reasons that leads to the popularity of countries for Chinese tourists is the ease of obtaining visa. Among the top 10 most popular destinations for Chinese tourists during China's National Day holidays in 2018 were nine Southeast Asian countries which have either visa-free or visa-on-arrival policies for Chinese visitors. The implementation of more liberal visa policies has contributed to a strong growth in Chinese visits to these countries.

Second, environmentally related reasons and health concerns increasingly drive Chinese to travel overseas. More and more Chinese residents living in the northern parts of China tend to choose to travel south or even outbound for their autumn and winter holidays, when air pollution and city smog usually become most problematic. Outbound tourism to warmer destinations with clean air and blue skies has emerged as a popular choice for Chinese residents to avoid the side effects of air pollution, particularly for younger generations (Fang et al. 2019; Arlt 2017).

Third, mass media in China significantly influences the prominence of outbound tourism destinations (Hospitality Net 2015). For example, popular tourism reality TV shows may attract the attention of potential tourists, in particular if combined with the appearance of movie or TV host stars, like China's popular movie star Zhang Ziyi and the TV hosts Xie Na and Meng Fei. Tourism has become a hot topic for TV programs in China with millions of fans. For example, "Where Are We Going, Dad?", a Chinese reality tourism TV show on Hunan Television, was filmed in September 2015 in Western Australia (WA), which then helped to attract numerous fans from China to the Australian state. Another popular Chinese reality TV show, "Viva La Romance" (Wife's Romantic Travel), with the movie star Zhang Ziyi, was filmed in January 2019 in Western Australia. Over 1.6 billion Chinese people watched the first season of Viva La Romance (The West 2019). Moreover, Meng Fei, the famous host of "If You Are the One", which is being broadcast on the TV channel SBS Australia, also visited Western Australia in April 2019.

Lessons Learned from Outbound Chinese Tourism to Southeast Asian BR Countries

Southeast Asian countries provide good examples for attracting Chinese tourists successfully. In 2016, over 30 million journeys have taken place between China and Southeast Asian countries (Fes 2017), in particular during China's public holidays such as National Day holiday. While the types of consumption activities of Chinese tourists in these Southeast Asian BR countries are diverse, it is possible to identify spatially homogeneous consumption patterns. For example, Chinese travellers prefer Thailand for recreation and relaxation and are willing to spend on Thai dining and entertainment (Nielsen 2017). Other areas of consumption activities of tourists include local street food, local spas or massages. In addition, Chinese tourists shop for local products, skin care products and food in duty-free stores and convenience stores. Thailand has become the most popular destination of Chinese tourists not only because of its low prices but also because of the Thai government's and Thai tourism authorities' efforts. Chinese tourists appreciate the good public services and facilities, helpful assistance and local festivals (Xinhuanet 2019). Additionally, Thailand's government and tour operators have been improving the country's safety standard for tourists (Chinmaneevong 2019) which can greatly improve Thailand's reputation in China. Success in attracting Chinese tourists is attributed to the government's efforts to connect local Thai tourism companies with the Chinese source market. For example, the Tourism Authority of Thailand (TAT) has organised orientation trips for 50 tourism companies and agents to four Chinese cities with large population and supported promotion of bespoke tour packages in China (Hinsdale 2018).

Singapore is another popular country for Chinese tourists. Singapore's attractions for mainland Chinese leisure travellers are multifaceted, including outdoor activities, shopping in malls and enjoying family holidays with children in theme parks (Siu 2019). Chinese tourists are also attracted by China-friendly payment options, free Wi-Fi connections and reliable mobile phone signal coverage. For example, most supermarkets and local shops in Singapore have now accepted Chinese mobile payment with either Alipay or WeChat. This is also happening in many other Southeast BR countries (Cheng 2019). The success of Singapore in attracting Chinese tourists is largely attributed to the digital development which is compatible with the Chinese market. As suggested in Xia et al. (2018), Chinese tourists are technologically advanced and use various online sources to plan and implement their holidays.

Indonesia also makes its efforts to attract Chinese visitors. The Indonesian government launched an extensive advertising program in top-tier Chinese locations. Moreover, an ambitious plan was under way to expand the number of tourist regions to increase the number of Chinese tourists to Indonesia (Laub and Karmini 2019). The government believes that enhanced tourism infrastructure and increased marketing for scenic spots can attract more visitors; therefore, substantial investment is undertaken to duplicate Bali's development model in new areas, for example the Toba Lake, Seribu Islands and others (Fes 2017). In Malaysia, authorities have been "increasing efforts to close the Thailand gap" through collaborating with China Southern Airlines to improve flight connections between China and Malaysia (Fes 2017, p.1).

The discussed four neighbouring countries of Australia are competing to win Chinese outbound tourism market share and Australia can probably "borrow the East Wind"[1]: It can learn from its neighbouring countries' experiences and strive to attract Chinese tourists not only directly from China but also indirectly by targeting them during their visits to Australia's neighbouring BR countries. BRI has stimulated an increasing tourism movement among the BR countries (China Tourism Academy 2018). By 2017, China has opened 356 international passenger and cargo transport routes with BR countries and China has achieved direct air routes with 43 BR countries, with over 4,200 flights per week (Huang 2017). As a consequence of these developments, more and more Chinese are travelling to the Southeast Asian countries (Ifeng 2017). With more and cheaper flights from China to Southeast Asia, indirectly, convenience of travel between China and Australian cities grows as well.

In 2017, the China-Australia Year of Tourism was declared by the governments of both countries and was also described as the Year of the Two Bears, the panda and the koala, which has contributed to encourage more Chinese airlines to fly into Australia

[1]This is a famous quote from an important strategist in Chinese history, Zhuge Liang of the Shu kingdom, during the Three Kingdoms period.

(Dennis 2016; Webber 2016). Most Chinese leisure tourists prefer to take holidays during the so-called Golden Week in October and the Chinese Lunar Year Break and they are happy to take this chance to enjoy entertainment, shopping and visiting iconic attractions. More and more Chinese are visiting Australia as their holiday destinations and the number reached a historical high in 2018. For example, during the Chinese New Year holiday period in 2018, 226,900 Chinese tourists arrived in Australia, bringing the total of Chinese tourist arrivals in Australia to nearly 1.4 million for the whole year (Scutt 2018). Chinese tourists have been contributing to retail spending on Australian luxury and health products (Scutt 2018). Australian food including different types of seafood and wine also proved to be attractive to Chinese tourists (Pforr and Phau 2018; Volgger et al. 2018). Although the number of Chinese tourist arrivals to Australia keeps growing every year, the even more pronounced Chinese tourism boom to Southeast Asian countries offers additional opportunities. Hence, it is very important to understand potential spillover effects of the BRI on Chinese tourism to Australia.

Recommendations for Tourism Practitioners in Australia

In 2018–2019, over 1.4 million Chinese visited Australia and this made China become the biggest international tourist source country for Australia. More specifically, China was the leading source nation for several Australian states including New South Wales, Victoria, South Australia, Tasmania and the Australian Capital Territory (Australian Bureau of Statistics 2019). In order to sustain this success and continue to attract Chinese tourists to Australia, it is advisable to draw more attention to Chinese visitors to Southeast Asia and to understand the neighbouring countries' tourism dynamics. The Indonesian island of Bali has become a major holiday destination for Chinese tourists, with quickly growing numbers of visitors that overtake the presence of Australian tourists who regard Bali as their backyard (Seminyak Times 2018). There is room for strategies to attract some of the Chinese tourists in Bali to visit Australia before going back to China. As one of its success factors, Indonesia offers free visa to Chinese nationals (Ketut 2019).

Moreover, in 2017, Malaysia attracted over 2.28 million travellers from China recording an increase of 7.4% compared to 2016 (Tourism Malaysia 2018). This increase was accompanied by the Malaysian Government making some efforts to maintain better business ties with China, such as the campaign including "frontliner training, tourism seminars, tour packages advertisement, agents and media inspection tours and social media promotion" (Tourism Malaysia 2016, p. 1). Promoting its landmarks in BRI countries thus increasingly means for Australia to indirectly market to (overseas-travel ready) Chinese visitors as well.

BRI encourages cooperation in the area of sports between the BR countries, which can bring additional opportunities for expanding the tourism market. In 2016, the China National Tourism Administration (CNTA) and the State Sports Administration, jointly issued the first "Guidelines on the vigorous development of sports tourism", which includes a strategy of substantial investments in sports tourism (China.com.cn 2018). In 2017, the State Sports Administration and the CNTA jointly released the BR Sports Tourism Development Action Plan, which encourages collaboration with international partners to promote sports activities to stimulate tourism, such as in the field of martial arts competition. According to the Australian Sports Diplomacy Strategy 2015–2018 (Department of Foreign Affairs and Trade 2019), Australia's investment in sports promotion has delivered an export competency into international markets including China. Against this background, it seems that sport tourism collaboration between Australia and China can be a potential growth area.

Another fast-growing Chinese outbound tourism trend sees an increase in international short-term study tours. The purpose of such study tours is to improve students' self-care ability, promote innovative thinking and practical skills. In 2013, the State Council of China issued "The Outline for National Tourism and Leisure (2013–2020)" (State Council of the P.R.China 2013), which set out the idea of gradually implementing study tours for primary and secondary school students to promote quality education. The Outline also encourages colleges and universities to carry out extra-curricular practice activities through study tours. In 2014, the report "New Situation of Basic Education in China and the Action Plan of Dandelion" (Study Tour Net 2014) defined study tours as a combination of learning and travel experience of students participating in collectively organised out-of-school study activities. Since the publication of the Outline, study tours, such as summer and winter camps, became popular in helping to enhance students' understanding of nature and society. In recent years, many Chinese schools have carried out study tours, particular to BR countries. However, there is a need to construct a good coordination and liability mechanism for a successful study tour. Australian schools and universities are in a good position to benefit from receiving study tour students from China and some pioneering initiatives have already been implemented.

Mutual cooperation and initiatives such as the "China-Australia Year of Tourism" held in 2017 are relevant for generating trust. Mutual visits are essential to foster people-to-people bonds and good collaboration in tourism can facilitate cultural exchange in other areas, such as sports and study tours. Airline cooperation is also needed between and among Australia, Singapore, China, Malaysia Thailand and Indonesia. The convenience of travelling to Southeast Asian countries for Chinese tourists can support attracting Chinese tourists to Australia because they are already half way to Australia. Budget is often not the biggest issue for Chinese due to increasing household wealth; convenience and timing tend to be more critical factors due to the limited holidays.

Conclusions

The BRI links China is establishing with the participating countries have implications for tourism and impact on Chinese outbound tourism flows in particular. Australia's unique position in the Asia–Pacific region may allow it to indirectly benefit from a growth in Chinese visits in neighbouring BR countries, such as Singapore, Thailand, Malaysia and Indonesia. Australia may be able to attract Chinese visitors not only directly from China, but also from the neighbouring BR countries when Chinese tourists are already half way to Australia.

This chapter argues that there may be spillover effects occurring in the context of a redirection of Chinese tourism flows due to BRI which may particularly affect Australia and its neighbouring BR countries. This chapter suggests that factors influencing the ability to benefit from spillovers of Chinese tourist from BR countries include the economic and political relationships between countries, the links between tourism and migration and international education flows (attracting the students and immigrants' families and friends is a relevant dimension), easy accessibility to tourism visa and convenient flights as well as affordable airfares. China is determined to promote the BRI and to encourage the cultural and tourism co-operations with BRI participating countries, which makes it critical for Australia and other countries to study the tourism implications of BRI and see how they can benefit from potential spillovers.

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The New Silk Road in Slovakia: What Does It Mean for Tourism Development?

Jana Kučerová, Tomáš Gajdošík, and Andrea Orelová

Introduction

With rapid economic growth, China has emerged as an important exporter of capital, not only in the form of massive foreign exchange reserves, but also in direct investments. The recent Belt and Road Initiative (BRI) is likely the most important initiative in China's international economic policy that can provide fresh momentum to the growth of Chinese direct investments in the coming decades. Inspired by the ancient Silk Road, the Chinese government launched the BRI with the intention to improve regional connectivity and prompt economic cooperation by investing in infrastructure in countries from Eastern China to Western Europe (Zhai 2018). Given the easing of investment, trade and financial cooperation, reduction of tariff barriers and free trade, all these facts are expected to create a positive-sum game for the BRI member states (Koh and Kwok 2017). Moreover, the economic cooperation and the connection with the ancient Silk Road could be the drivers of tourism development in the BRI countries. As Central and Eastern European (CEE) countries are geographically located between Western Europe and the Asian continent, it is obvious that their role will be significant in building this section of the BRI (Matura 2018). However, so far, the BRI is still a conceptual initiative and far from a well-defined action plan with top-down design.

Although Slovakia has been included in the BRI as one of the 16 Central European countries, this small country in Central Europe is not included among China foreign policy priorities and is the least important for China among all neighbouring countries (Poland, Hungary, Czech Republic, Ukraine and Austria). Slovakia has a long-term negative balance of trade with China. Exports from Slovakia to China—of which cars make up the majority—have been tending towards decline. Slovakia also receives

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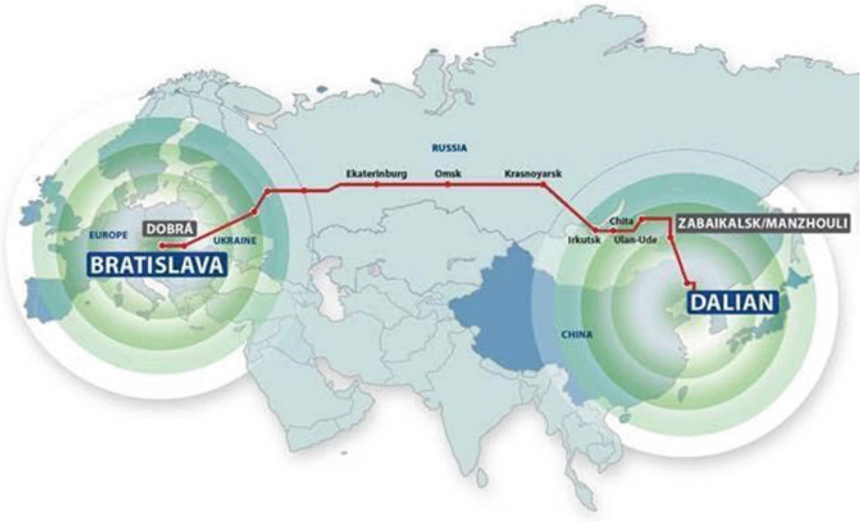

Fig. 20.1 The new Silk Road including Slovakia. *Source* Ministry of Transport and Construction of the Slovak republic

the lowest level of Chinese investments among neighbouring countries (Husenicová et al. 2019).

In the framework of the BRI, Slovakia signed the Memorandum of Understanding in 2015 and has become a member of the "16+1" platform. The Slovak government has approved the "Concept of the development of economic relations with China" strategic document, but the action plan has not been approved so far due to differing political views by ministries on the relationship with China. No other economic projects connected with the BRI in Slovakia have been successfully completed. In 2017, the first pilot train from the Chinese port Dalian to the transhipment yard in Bratislava (Danube River Port) through Russia and Ukraine has proven that this route is fast and secure (Fig. 20.1).

The China Communications and Transport Association had aimed to transport about 500 trains from China through Slovakia in 2018. This ambitious plan was not realised due to the conflict between Russia and Ukraine, and China has selected a more secure, but longer route through Belarus and Poland. Other projects too have failed to be realised, such as the creation of the direct flight line between Slovakia and China, investments into the airport in Bratislava, U.S.Steel in Košice and TV Markíza, as well as Chinese investments into the construction of Slovak highways as PPP projects (public–private partnerships) and investments into the railway infrastructure and water power station on the river Ipeľ (Husenicová et al. 2019). Another problem has been the preference of Chinese companies for acquisitions and infrastructure construction, although most CEE countries initially expected China to invest into green field projects, production facilities and job creation sectors. Chinese green field projects are still lacking, as Chinese companies are eager to build mainly transport infrastructure in the region in order to ease their domestic overcapacity, get rid of their financial capital and to access new markets through mergers and acquisitions (Matura 2018).

Therefore, in the future, it is necessary to evaluate the potential for future cooperation between China and Slovakia more realistically, taking into account not only the economic impact on the country, but also the possible impact on tourism development.

Research Methodology

The goal of the article is to analyse the impact of the BRI on the development of Slovakia, mainly on tourism development. As the project is still in the conceptual phase, qualitative research has been used for analysis. First, the content analysis of media dealing with the BRI in Slovakia in the period from 2016–2019 was conducted. A total of 31 Slovak and foreign articles dealing with this issue, written by politicians as well as by professionals in political science, economy and transport and published in the daily news, were analysed. The second round of research was focused on tourism. The primary research was conducted in December 2018 and January 2019 by means of face-to-face structured interviews with representatives of the public sector—the Ministry of Transport and Construction (responsible for tourism development in Slovakia), the Ministry of Foreign Affairs, and representatives of the National Association of Hotels and Restaurants of the Slovak Republic, (AHaRSR, representing 460 members), the National Association of Information Offices (AICES, representing 56 members), the National Association of Tour Guides (SSSCR, representing 210 members), the Bratislava Tourist Board (BTB, representing 76 members), the Kosice Tourist Board (representing 59 members) and the National Association of Travel Agencies and Tour Operators (SACKA, representing 259 members). The first part of the interview was dedicated to general questions dealing with the BRI and its possible impact on the general development of Slovakia, and the second part was focused more on the impact on tourism development in Slovakia. The recorded interviews were transcribed and used as a source for qualitative analysis.

The analysis was done by the computer-aided qualitative data analysis (CAQDA) process by means of Atlas.ti software. The Word Cruncher Analysis was performed in order to extract the most frequent words used, both in analysed media and interviews. Moreover, the network view of these key words was carried out in order to visualise the findings.

Research Findings

The following section presents the results of the secondary and primary research. The first subsection comprises the results of the secondary research based on media analysis with the objective to discover the main possible benefits and threats of the

BRI for the development of Slovakia. The second subsection presents the primary research results focused on the possible impact of the BRI on tourism development in Slovakia.

Impact of the BRI on the Development of Slovakia

The BRI covers broad areas of development for the included countries. As mentioned in the media, economic development is among the main opportunities it offers (Fig. 20.2). This development is connected with investments, mutual cooperation and infrastructure building. For Slovakia, with a lack of its own financial resources, the BRI provides an opportunity to increase the financial and investment resources offered by the EU. Slovakia is interested in increasing its exports to China and directing foreign investments to increase production of high value goods in regions with high unemployment rates. These are mainly in the eastern and southern areas of Slovakia. Therefore, it is important to bring Slovak food production to a standard where it could be certified and exported to China. The foreign media stress the area of V4 counties (Slovakia, Poland, Hungary and Czech Republic) and the BRI as a source of investments to infrastructure in these four countries, not just in Slovakia.

The main infrastructure projects that could be beneficial for Slovakia are located in the Košice region and in Bratislava. In Eastern Slovakia, the railway transhipment

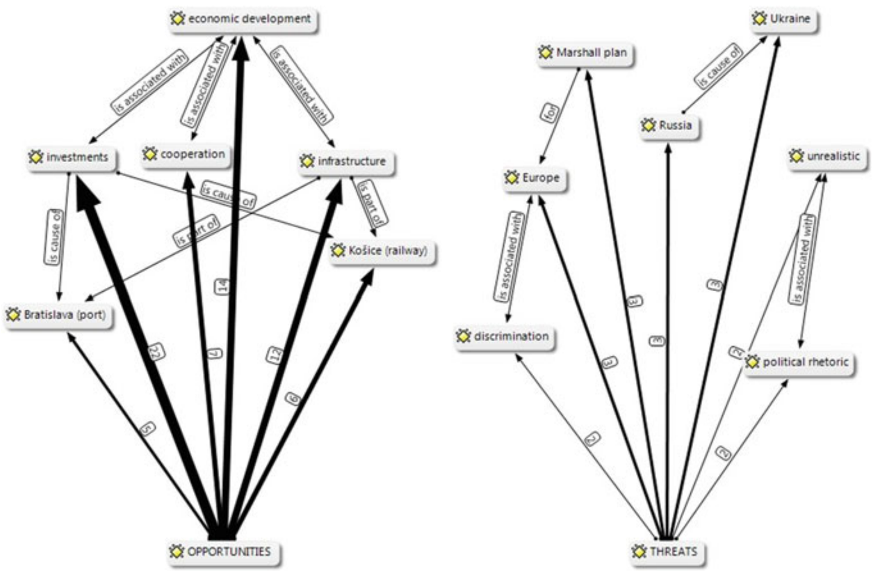

Fig. 20.2 BRI opportunities and threats in Slovakia. *Source* Own processing

station in Čierna nad Tisou (on the Ukrainian border), the terminal station of combined transport in Dobrá, is important as it is necessary to transfer the trains from wide-gauge railway to European railway tracks. If the transport formalities were easier, the trains from China to Slovakia could arrive within eight days.

The other infrastructure projects are located in Bratislava. This city became the 17th European city with direct train connections to China. The Slovak Cruise and Port Company (SPaP) is planning to create an international logistic centre for reloading, transport and storage of goods and providing information to businesses. As the only port in Slovakia, Bratislava port has a three modal container terminal utilised for railway, road and river transport.

However, the BRI initiative also brings threats to countries. The existing conflict between Russia and Ukraine is the major threat connected with the BRI in Slovakia, since the shortest railway route running from China to Central Europe goes through Russia and Ukraine. In spite of the fact that the most suitable railway transhipment station would be by Košice in Slovakia, Russia is planning to build it near Vienna, since Austria is not a member of the NATO.

Additionally, many politicians and experts from political science compare the BRI to the Marshall plan after the Second World War and are afraid of the increasing political impact of China on Europe. Also, the Chinese government has introduced the Support Program for the Development of Ten Industries (China Manufacturing 2025) and in spite of China's political rhetoric, the programme implements non-market instruments, which discriminate against non-Chinese companies. European companies in particular may face great problems in cases of governmental contracts with China. China prefers Chinese companies and European companies must adhere to EU legislation, including the public procurement procedure and the level of state support. The stronger cooperation between China and the EU is also influenced by the existing situation in the EU and by the fact that many EU countries have reservations about human rights, control of investments and the statute of free market economy in China.

The BRI lacks a sufficient economic background. It is, up to now, more about political rhetoric than a realistic action plan. The volume of Chinese foreign direct investment in V4 countries has been, so far, generally very low and is focused mainly on acquisitions and corporate consolidations. Up to now it has not been focused on big infrastructure projects, with the exception of the railway between Belgrade and Budapest.

The Impact of the BRI on Tourism Development in Slovakia

Based on the available data from the Ministry of Transport and Construction of the Slovak Republic (Table 20.1), it can be stated that the number of Chinese tourists in Slovakia is rising steadily. The reason for this growth is mainly the rise of Chinese outbound tourism, as well as the marketing efforts of V4 counties on the Chinese

Table 20.1 Chinese tourists in Slovakia

Indicator/ Year	2013	2014	2015	2016	2017	2018
Number of tourists	15,882	14,390	28,154	41,332	64,346	66,961
Number of overnight stays	24,526	23,073	41,468	56,493	78,713	87,228
Average length of stay	1.50	1.60	1.50	1.40	1.30	1.30
% of total tourists	0.95	0.98	1.64	2.04	2.84	2.96
% of total overnight stays	0.57	0.59	0.93	1.10	1.45	1.53

Source Ministry of Transport and Construction of the Slovak Republic, 2019

market. However, the average length of stay is in decline, indicating that Chinese tourists prefer short trips to multiple destinations.

As the BRI could be the driving force attracting Chinese tourists, the primary research has been focused on its impact on tourism development in Slovakia. The main stakeholders on national and regional levels participated in interviews. In terms of tourism, the BRI is the equivalent of the new Silk Road, which could promote trans-boundary tourism and trade among member states, as well as strategically improve the image of participating countries as tourism destinations. This fact is also expressed in the opinion of the majority of interviewed respondents, who see the Silk Road as the traditional and historical route. The respondents have heard about the BRI, but generally they do not pay too much attention to it. They see it mainly as the transport corridor between Asia and Europe.

Slovakia is not seen as an important player in this project, but due to its suitable geographical location, this country could play a more important role, mainly in the area of railway and river transport. Slovakia is part of the three European rail corridors (RFC5, RFC7 and RFC9) that are suitable for the BRI. Moreover, there are eight combined transport terminals with adequate capacity.

The challenges connected with future cooperation with China are seen mainly in the common attitude of the EU and neighbouring countries to this huge project. Slovakia can benefit from the rising demand of an increasingly wealthier population in China for high quality goods produced in Europe and could export its food (mainly dairy) products and cars. But in any case, it is necessary to elaborate the feasibility study of this project and its real economic, socio-cultural and environmental impact on the country. Otherwise, it could lead to negative effects, similar to those expressed by one stakeholder: "*It would be the best if Slovakia did not play any role in this project…. Cars, transport of goods from China* to *Asia, America and Africa, to Europe, the movement and consumption of goods lead to less and less space for nature, normal life, deeper knowledge of history and culture of particular countries* etc.…. *It is already time to stop this global schizophrenia.*"

Not all respondents are aware of the existing cooperation among neighbouring countries in the BRI project. The respondents do not see any relationship between the BRI and tourism development in Slovakia. In spite of that, Chinese tourists are interesting for all countries, including Slovakia. The effect of Chinese tourists on incoming tourism in Slovakia until now has been relatively small—they accounted for only 2.96% of tourists in 2018.

The majority of respondents see the benefits of a future cooperation with China for tourism development and an increasing number of visitors (Fig. 20.3).

China is a huge potential tourism market, so the majority of countries are trying to promote themselves in China and are trying to attract more Chinese tourists. Chinese tourists usually consider Europe as one destination, and due to prevailing sightseeing tours through Europe, they visit countries as one package. The increasing number of visitors and resulting increased occupancy rate of the accommodation facilities could be benefits for Slovakia. Due to better cooperation between Slovak and Chinese companies, business tourism connected with the BRI and the building of infrastructure could increase, but the economic benefits are questionable, since rich Chinese tourists are unlikely to select Slovakia as their final destination as can be seen also in Table 20.1, with prevailing short-term visits to Slovakia.

In order to attract more tourists from China, it is necessary to offer proper tourist products. In the opinion of all respondents, Slovakia should offer mainly traditional history and culture. It is hard to connect the tourist product of Slovakia with the traditional Silk Road, as the historical Silk Road did not run through Slovakia and its surroundings. Slovakia needs to offer a very high quality of service and good food, to present its culture and history based on storytelling, and to better advertise its spa treatments. Andy Warhol and Ladislav Hudec, the Slovak architect active in Shanghai from 1918 to 1945 and responsible for some of that city's most notable structures, could be attractive to Chinese visitors.

Conclusion

The BRI and the Chinese government proclaimed initiative "16+1" (11 EU member states + 5 non-EU states), focused on the financing of infrastructure development in the countries of Central and Eastern Europe. Up to now it has been mostly a political decision without real projects or a real action plan. Although the vagueness of the BRI project leads to difficulties in quantitative evaluation of its impact, the qualitative analysis in Slovakia showed the following outcomes.

The BRI project does not have a sufficient economic background; it is, up to now, more political rhetoric than a realistic action plan. The possible benefits for Slovakia are seen mainly in the future economic growth connected with infrastructure building. The major obstacles are seen in the conflict between Ukraine and Russia. Due to this conflict, Slovakia is not part of the railway route connecting Asia with Europe. However, the most effective connection between Asia and Europe would be through Slovakia. There are also many obstacles connected with the different legal systems in the EU and China, but also with the discrimination against non-Chinese companies when implementing of the infrastructure projects.

Although the BRI project could become a tourism phenomenon and Slovak tourism stakeholders have heard about this project, generally they do not pay too

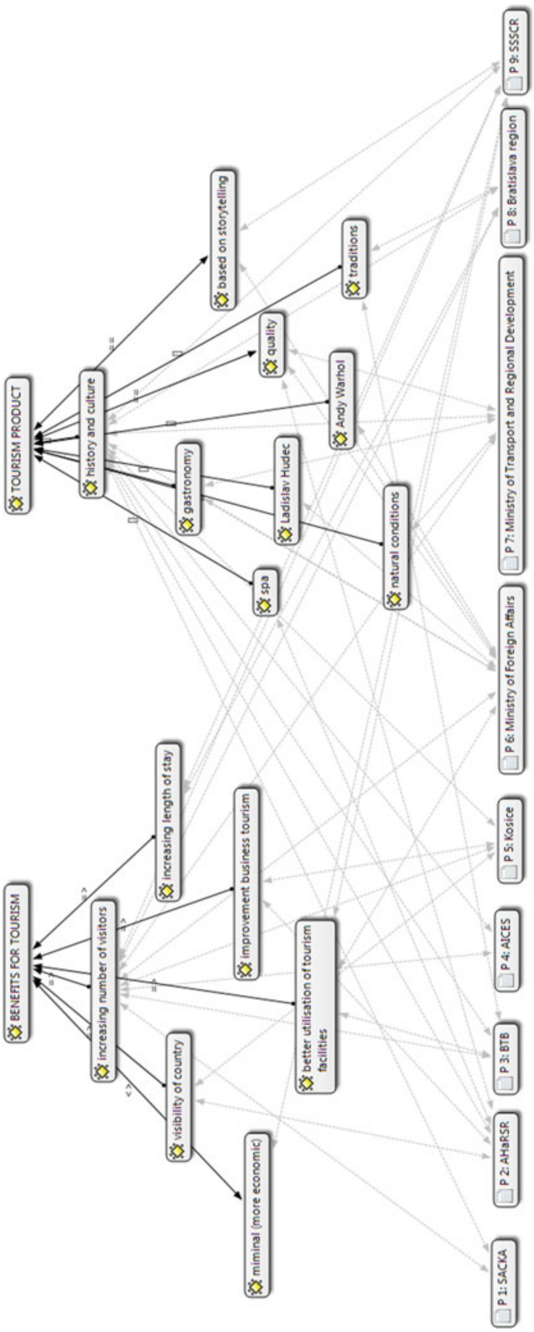

Fig. 20.3 Perceived impact of the BRI on tourism development in Slovakia by stakeholders. *Source* Own processing

much attention to it. They see it as a way to start future cooperation with China, leading to increasing the number of tourists and country visibility. Until now there has been no cooperation among Slovakia and neighbouring countries on the platform 16+1 in the field of tourism. Every country has its own strategy for attracting Chinese tourists.

Slovakia has three alternatives.

- The impact of the BRI on Slovakia will be small, but neighbouring countries can benefit much more from this project,
- The impact of the BRI will be huge, but if the process is not managed by the state in the proper way, we can also expect a negative impact,
- Or Slovakia will become part of the BRI and will economically benefit from this involvement with clear state support and a sound position in the EU.

From the tourism point of view, there is more scepticism. Slovak stakeholders would like to see more tourists from China, but not too many. They also do not want to see too many Chinese investors and managers. The increasing number of tourists from China could raise awareness about Slovakia and, possibly, improve its image on the tourism market.

The old Silk Road was forgotten when the new, strong states came into existence on this route. These new strong states have seen more threats than advantages with this route. It was for this reason that the importance of the traditional Silk Road declined. If countries want to mutually benefit from the BRI, they should be much better prepared.

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