

BELT AND ROAD INITIATIVE: THE GLOBAL AND EUROPEAN PERSPECTIVES

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It is a great honour and pleasure to have the opportunity to speak at this prestigious University – and to address one of the most far reaching phenomena of our time: the peaceful rise of China and China’s grand design – the Belt and Road Initiative.

In the past two decades I have interacted with China in a variety of capacities: as UN Assistant Secretary-General for Political affairs, as president of an EU member state and, as of recently, as a Senior Visiting Fellow of the Chongyang Institute of Financial Studies of the Renmin University in Beijing. In these different capacities I had the opportunity to frequently interact with China and to participate in a number of international discussions on China.

I

The rise of China is generally understood as a transformative development of great global significance. There are many aspects of this transformation. Let me emphasize only one: In the past decades China has succeeded in lifting more than 800 million people from poverty. This has transformed China - and the picture of global development. Much of the statistically measured success of the UN’s Millennium Development Goals (2000 – 2015) rests on the historic progress of China.

Importantly, this progress has been steady. The objectives of each of the China’s five year plan have been achieved. This has created a **high level of credibility** of China and its policy orientations, a quality much appreciated in our era when credibility of policies conducted by the major international actors is – far too often – less than satisfactory.

Today, the realization of the UN’s Sustainable Development Goals (SDGs) adopted in 2015 for the period between 2015 and 2030 depends to a large extent on the future development of China. There is a strong nexus between global

development and development of China and it is precisely in this context that the Belt and Road Initiative becomes important.

The recently held 19th Congress of the Communist party of China made the nexus between development of China and global development visible in a strikingly clear way. International observers, among whom Kevin Rudd is one of the most prominent, have duly emphasized that “China, breaking with its 3000 years of dynastic history, has turned decisively outward, so that few corners of the world are untouched by its influence”. The Belt and Road Initiative is at the centre of China’s vision of its further engagement with the world.

At the same time, careful reading of the historic speech made by President Xi Jinping at the 19th CPC Congress last November shows that the main concerns of the party and its General Secretary are domestic and that they relate to the needs of building a modern socialist society in the “new era”. The key concept is “the new era” while engagement with the world is a derivative or an instrument rather than an end itself. Surely, the “new era” is closely connected with the “common future” of the world. But the core of it – and the largest part of President Xi’s speech at the 19th CPC congress was devoted to the tasks to be accomplished at home.

The “new era” requires addressing what President Xi defined as the “principal contradiction” facing the Chinese society – “the unbalanced and inadequate development and people’s ever growing needs for a better life”. President Xi understands that the levels of prosperity already achieved have opened an increasingly broad spectrum of new and additional needs and that the actual configuration of these future needs is currently uncertain. This uncertainty, in turn, increases the responsibility of the state to understand the dynamic of the evolving needs and to open new avenues for the future development.

The ensuing tasks are daunting: moving industry up in the value chain (from products to brands), cutting overcapacity and promoting entrepreneurship (developing small and medium size enterprises), encouraging innovation and improving environment (making China beautiful again), addressing the needs of the ageing population (in particular in health care and social security) and improving education and housing for the young.

In parallel with the main tasks of economic and social policy the “new era” will require decisive steps in eradication of corruption and expanding the scope of orderly political participation.

These are gigantic tasks and will require a careful balancing and possibly redefinition of the fundamental relationship between the state and the market, as well as between the state and civil society. The future may therefore not necessarily look like the continuation of the past. However, the credibility that the Chinese policy makers gained in the past three decades has created the levels of self-confidence and practical skills of leadership that allow courageous steps forward. To be sure, not another “great leap forward”, but an ambitious path forward.

The belt and Road Initiative is at the centre of this orientation. It is a vision of externalization of China’s path of development, something that responds as much to the Chinese domestic needs as it responds to her needs for a new global strategy.

It is not unusual for a big economic power to have big needs, big ambitions and big development projects. A cautiously optimistic observer would say that big ambitions open big opportunities.

II

But before further comments on the BRI are made it is necessary to take a look at the global political and economic environment in which these ambitions are to be realised.

Here too, the situation has changed dramatically over the past three decades. The political, economic and technological changes that happened in our generation have produced a pluralistic global society characterized by a plurality of different, powerful and competing versions of modernity.

The days of simplifications such as “the end of history” announced by Francis Fukuyama three decades ago are long gone. The erstwhile optimism over globalization expressed in the metaphor that “the world is flat” has all but evaporated. Even the once powerful theory of the “clash of civilizations” looks simplistic and largely useless in our era of plurality of different versions of modernity.

We live in a multipolar world. But multi-polarity today is deeper than the traditional power politics and considerations of balance of power. While the existing power play between the US, China and Russia dominates the security landscape of the world, the reality of multi-polarity reaches much more deeply. It implies a diversity of conceptions of modernity, of domestic order and legitimacy of the state, as a result, a variety of visions of the international order.

Interestingly, today's multi-polarity reinforces some of the basic, historically established premises of statehood. Legitimacy of states rests on effective governance and not necessarily on the ideals of liberal democracy. State sovereignty is not outmoded – it only requires a clear understanding that sovereignty means effectiveness, responsible governance and, I should add, the strengthening of the rule of law.

The ideals of liberal democracy – until recently considered by many as a matter of universal aspiration, have been dramatically weakened by the failure of liberal democracies to deliver. The leading democratic systems of the world have become victims of their complacency and seem to have fallen into what David Runciman, a prominent Cambridge Scholar of politics, aptly described as “the Confidence Trap”.

The dysfunctions characterizing the major democratic systems today - such as the role of the “big money” in elections, the omnipresence of “reality show politics” or the growth of politics of fear and provincialism have become a characteristic of some of the main democratic systems. As a result, liberal democracy has lost much of its erstwhile persuasiveness and allure. Countries like China are clearly not prepared to accept lecturing by the liberal democracies on how to conduct their own development. The systems of liberal democracy have to be repaired before they become again a credible candidate for leadership among the choices of different models of modernity and development.

In addition, the political decision makers of today have to understand the changing realities of hard power. Here too, the rise of China represents a feature of fundamental importance. The strength of China is growing in terms of its economic weight, its military muscle and its geopolitical clout. Its power on land has been supplemented by its growing power in the South China Sea, by its growing presence around the Indian Ocean and the Arabian Sea and its investments in ports in Sri Lanka and Pakistan as well as in a modest naval base in Djibouti.

Such advances have led to concerns at the international level and have produced yet another theory advanced by a Harvard professor – political scientist Graham Allison, who warns of a risk of falling victim to what he calls “the Thucydides Trap”.

The Peloponnesian War, analysed by Thucydides in one of the most brilliant books ever written by a historian, was started by Sparta, an established power, out of fear of the rising power of Athens. Professor Allison studied a number of similar situations in the past centuries and concluded that there is a pattern. In

history, many among such situations ended in war. Today, following this pattern would mean a devastating war of large, perhaps global proportions.

It is obvious that such a scenario must be avoided. Professor Allison himself emphasized the “moral obligation to steer away from the Thucydides trap.”

Significantly, we find the clue in the Thucydides’ writings themselves. In his “Peloponnesian War”, book I, paragraph 23, Thucydides indeed described the cause of war as a result of the fear of Sparta faced by the growing power of Athens. However, he saw no inevitability in the sliding into the war. A reader will be well advised to read the argument against the war voiced by Archidamos, the king of Sparta, in Book I, paragraphs 78 – 85. His argument against the war could be used today to counter any deterministic view suggesting that wars are inevitable.

So, how should the relations between an established power and a rising one be managed today? One simple answer heard in many variations today is – containment. However, that answer too has serious flaws. Containment, in order to be credible, has to include a real possibility of war. This creates a form of cold-war pattern that could seem stable, yet permanently on the brink of sliding into a war.

There must be a better option. Significantly, China has proposed “a new type of relations among the great powers” and the aspiration to seek “a win-win outcome”. While this positive language can be read as an offer of peaceful and equitable cooperation, the western commentators, in particular those who follow the realist tradition in the western political thought, tend to interpret this as a demand for strategic parity between China and the US.

The 19th congress of the CPC has emphasized that the objective of China is to build a “global community of shared future.” In the West again this might be perceived as nice language covering more selfish ambitions of China. In China the understanding is likely to be much more serious and genuinely oriented towards a positive transformation of the international system.

A small terminological nuance is important in this context. While initially the term used (in the English version) was “global community of shared destiny” it was later replaced by the words “shared future”. The explanation offered by the Chinese scholars is that the terminology of “common future” suggests a common effort, something that all members of the international community build together and avoids the deterministic interpretation that might follow from the words “common destiny”.

III

These terminological elements reflect a complex reality. As already mentioned, we live in an era of multiple and competing versions of modernity. They interact in a variety of ways, sometimes in the spirit of confrontation, but often in the spirit of cooperation. And there is always an array of players with diverse needs and objectives in the picture. The bipolar logic and Manichean forms of thought no longer correspond to the need to understand our era, let alone to devise sensible policies.

So, for example, it is erroneous to view the US - China relations as a zero sum game: where one side wins and the other loses. In reality, there is always a mixture of advantages and disadvantages and there are always more than only two players that are relevant to the formulation of a particular policy.

As Bilahari Kausikan, a prominent Singaporean diplomat and scholar, recently explained, the emerging architecture of the future global cooperation is likely to consist of multiple overlapping frameworks. Competition will be an inherent element of the process. But competition does not only create tensions – it also creates opportunities which will open up new possibilities for cooperation.

China has been a major beneficiary of the existing international order and has increasingly demonstrated her ability to operate as a responsible player in that order – careful about her own interest, but also prepared to share burdens. Its goal in the future will therefore not be to perturb the existing order, but rather to strengthen her influence in the existing rules and institutions that constitute the existing order.

In addition, China has demonstrated its capacity to develop **parallel** but – importantly - **not alternative** institutions. The Asian Infrastructure Development Bank is a prime example. The establishment, over a decade ago, of the Shanghai Cooperation Organisation, is another. And significantly, that has been accompanied by the effort of China to play an ever larger role in the global institutions such as the UN and IMF.

Another important feature of today's international system is in the realisation that the major changes are much more likely to happen at the regional level rather than in the context of global institutions. It is obvious, although not explicitly stated, that major reforms at the level of the global institutions such as the UN are not possible at present. This is simply not the time: we do not live through a "San Francisco moment." The same political divisions that are limiting the effectiveness of global institutions are also acting to inhibit the efforts for major structural reforms at the global level. The real progress can

happen at the regional level. So it is at the regional level where the most significant action will take place.

IV

This brings us back to the Belt and Road Initiative, a long term policy orientation that is intensely aware of the realities of geography and history and seeks to offer new prospects of development to specific, geographically defined areas along the New Silk Road.

Naturally, the success of this vision is not guaranteed in advance. Much will depend on how well it responds to the needs of the regions in question. Let me put this basic requirement very clearly: the projects of the Belt and Road Initiative will succeed to the extent that they are demand driven and culturally acceptable.

The key element of the BRI is connectivity. This starts, but does not end, with traffic infrastructure – such as investment in railways, roads and ports. It includes, at least conceptually, other types of infrastructure, such as water infrastructure, communications infrastructure, to people to people contacts and others. In order to be fully effective, BRI will have to pay special attention to the actual demand in the areas of investment, to the political and legal circumstances and to the variety of sensitivities that can be subsumed under the concept of “culture”. As any development strategy, BRI has to be compatible with these basic requirements.

These basic assumptions can be tested in three areas where belt and Road Initiative already created a body of experience that helps understanding its current and future potential: South East Asia, central Asia and Central-East Europe.

One of the most interesting current developments in South East Asia is the transformation of cooperation among the six riparian countries of the river Mekong: China, Myanmar, Laos, Thailand, Cambodia and Vietnam. The importance of Mekong can be best illustrated by the fact that the river represents the largest inland fish resources in the world, with 60 million people depending on the river and its resources for their immediate livelihood. Moreover, hydropower development is very high on the agenda of the riparian countries: 11 power plants are to be built along the mainstream and more than 80 along the tributaries. Navigation continues to be an important factor of the use of the river.

The growing complexity of tasks has been expressed in the growth of mechanisms for management for the management of the Mekong. In addition to the Mekong River Commission, a number of regional institutions and banks

have been traditionally involved. China, the upper riparian country, has been cautious and not fully engaged – until recently. This situation has been changing rapidly since 2014 – after the launch of the Lancang-Mekong Cooperation Mechanism. In the next three years – a relatively short period in history of a river management system – The new Lancang – Mekong cooperation has developed into a strategically important cooperation. The latest culmination of this development was visible in the meeting of the prime ministers of the six Lancang – Mekong Countries in Phnom Penh, three weeks ago, on 10 January 2018. The meeting ended with the adoption of the five year plan of modernization of cooperation along the river, poverty reduction and building of “a community with a shared future”, a familiar term used in the current initiatives of China.

Clearly, the new engagement of China brings new dynamism – but also highlights the continued relevance of some of the fundamental problems of river management. They include the question of balance between different types of use of the river and, above all, the question of protection of the natural environment at a time of major projects intended to exploit the river for energy production, navigation, fishing and irrigation. Environmental concerns have already been expressed in the media and by the civil society organizations.

The importance of Mekong and South East Asia reaches beyond their geographic space. The new forms of cooperation on the Lancang-Mekong will be a test case for the river basin cooperation in Asia and for the reach of the Belt and Road Initiative as well.

Water cooperation will be important in Central Asia, where problems of water and water cooperation continue to be among the strategically important aspects of development. China has great potential to contribute – technically, financially and politically to the creation of a regional water cooperation system needed for the future of the Central Asia, essentially the area of five states, former republics of the Soviet Union.

In a political sense, Central Asia, except for several years in Tajikistan, has been successful in avoiding a major armed conflict. This is a significant if not fully appreciated achievement. Moreover, the recent political changes in Uzbekistan and subsequent political convergence among the five countries have already given rise to hope for a stronger development dynamism in the region. The political climate is propitious for projects within the Belt and Road Initiative. So are the expectations for coordination between the Eurasian Economic Union led by Russia and the Belt and Road Initiative of China.

In economic terms, the Belt and Road Initiative has shown some initial results of cooperation, in particular in transport routes and energy. More is expected in terms of upgrading the roads and railways, in the electrical grid reset and in the relocation of industrial production from China to Central Asia.

But some fundamental obstacles still persist. According to a research report published in May 2017 by the Chongyang Institute of Financial Studies they include: high level of customs duties, quotas for certain agricultural products, technical barriers to trade and weak financial cooperation. In other words, some of the fundamentals for an effective economic cooperation are still to be established. An active engagement of China is expected.

There is much to do in Central Asia. This is understood in the European Union as well. The current EU efforts to update its Central Asia policy are an expression of this understanding. One of the questions – not dominant, but still an interesting one - is whether the respective roles of China and the EU in Central Asia will converge. This is certainly the hope of Central Asian countries. According to a recent paper by the Eurasian Council for Foreign Affairs relating to the Belt and Road Initiative, “...China’s focus on hard infrastructure (roads, railways and energy), coupled with the EU’s focus on soft infrastructure (such as governance and education) would create a win-win scenario in which Central Asia would be among the biggest beneficiaries.”

V

Let us hope so. However, the Belt and Road Initiative has also given rise to caution. In Europe, it is perceived with a mixture of scepticism and hope. In fact, there is no single European perspective of the Belt and Road Initiative. There are several, some more pronounced than others and some more sophisticated than others.

The generally cautious approach of the European Union was expressed on a number of occasions, for example at the Belt and Road Forum Leaders’ Round Table in Beijing in mid – May last year. The EU has recognized the potential of connectivity brought by the Belt and Road Initiative and welcomed the general commitment of China to free trade, multilateralism and sustainable development.

At the same time, the EU has laid out a number of principles – i.e. conditions that have to be adhered to in order for the connectivity to fulfil its promise. They include the acceptance of market rules and international standards, as well as transparency, sustainability and the “use of wisdom of the multilateral banks”. The latter principle is clearly directed to the new Asian Infrastructure

Development Bank – a new institution which is advised to use the experience of the older multilateral financial institutions.

It is not surprising that an established and heavily regulated system such as the European Union approached the novelty of the Belt and Road Initiative with caution and an emphasis on the established principles and norms of international economic and financial cooperation. It is also not difficult to imagine that European norms and standards will define the scope of cooperation within the Belt and Road projects which are to take place in the territories of the EU member states.

This is particularly relevant in the development of Trans-European Networks, or TENs. They require that all new projects fit with the developing plans, in terms of main traffic corridors, technical standards, customs procedures and other requirements for an unimpeded flow of goods, energy and information.

But this is only one part of the picture. Europe is a complex place. There is space for nuance that define the approaches of individual member states. The recent visit of President Macron in China emphasized the principle of reciprocity, obviously fundamental to economic cooperation in general but seemingly more important to a large importer and exporter like France than to some other members of the European Union.

And there is a number of countries in Central and Eastern Europe which are not members of the European Union. Cooperation with them carries an important political and economic value in Europe that has declared its commitment to openness and overcoming the divisions imposed in the past by the Cold War.

This is why the 16 plus 1 formula initiated by China several years ago brings an important innovation into Europe. Europe, now free from earlier divisions, has to develop adequate forms of cooperation that will gradually reduce the once dramatic differences of levels of development on the continent. Naturally, this is a long process that does not depend solely on the Belt and Road Initiative. However, determined search for convergence is in the best interest of all – of EU and its member states, of Central-East European countries outside the EU, of China and of Russia as well.

Wise investment in connectivity and infrastructure represents an important beginning of this long term transformation. Let us just think about the experience of the port of Piraeus in the past two years, since the takeover of the Piraeus Port Authority by COSCO – a Chinese state owned company for shipping and logistics. In the year following the completion of the takeover in October 2016 the port saw a 12.1 per cent increase in the cargo loaded and

unloaded. This alone represents an important contribution to the effort to stop the economic decline in Greece. Moreover, a recent study suggests that COSCO's investments in Piraeus will boost Greek GDP by 0.8 per cent and create 31.000 new jobs between 2016 and 2025.

But this is not all. Expansion of traffic via Piraeus will require investment in modernization in the railways across Greece, Macedonia and Serbia where plans are already made for a high speed railway connection between Belgrade and Budapest. These connections will be beneficial to the two EU countries (Greece and Hungary) and to the two aspirants, Macedonia and Serbia.

The current, initial phase of the Belt and Road Initiative in Europe has also brought about valuable experience in building bridges in Serbia (near Belgrade), Norway (at Narvik) and soon in Croatia (Pelješac). The application of the EU standards in construction and environmental protection will soon be tested in the context of an important project in a new member state of the EU.

There is a larger message in this: Building bridges is a good metaphor in politics in general and international relations in particular. There is no surplus of bridges in our world. We clearly need a few more. The Belt and Road Initiative and its central idea – connectivity – comes close to the building of bridges in its technical meaning, as an exercise of construction.

And as any construction, bridge building must observe the relevant technical standards, the right choice of location, the right choice of material and, above all, sophisticated engineering. All this is needed in the implementation of the Belt and Road Initiative. If these requirements are met – and there is no reason why they should not be – then the bridge building of the Belt and Road Initiative can help building stability and peace in this century.

On this note, let me conclude and invite your comments and questions.