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## **China's Regional Diplomacy: Everybody Loves Good Neighbours**

### **KEY POINTS**

- Since coming to power China's new leadership have prioritised developing China's policy of neighbourhood diplomacy, including through a series of regional visits.
- Initiatives including the New Silk Road Economic Belt and the Asian Infrastructure Investment Bank look to play to China's strengths and link regional neighbours to China's own economic development;
- China's leaders are actively promoting their own vision of regional security, including through the New Asian Security Concept;

### **DETAIL**

Since being appointed Party leader Xi Jinping has used a series of speeches and regional visits to set out China's "neighbourhood diplomacy" policy. This has included the idea of a new Silk Road Economic Belt and the concept of the "21<sup>st</sup> Century Maritime Silk Road" (the 'One-belt, one-road').

The new leadership's initial thinking on regional relations was set out at the Neighbourhood Diplomacy Work Conference which was held in Beijing on 25 October 2013. This was the first meeting of its kind held in China and came after a number of high profile regional visits by Xi and Premier Li Keqiang. In his keynote speech Xi linked strengthening neighbourhood diplomacy (周边外交 – *zhoubian waijiao*) to the successful realisation of the "China Dream" (the "revitalisation of the Chinese nation") and the two "centenary goals" (building a prosperous society by 2020 and turning China into a strong and prosperous country by 2049).

Xi highlighted the opportunities for China from the expected growth in the countries on its periphery; but he also set out a positive message for regional neighbours saying they should "derive benefits from China's development" and that China would "do all in its power" to provide more help. Speaking in Ulaanbaatar during a visit to Mongolia in October 2014 Xi stated that over the next five years Chinese imports would total over \$US 1 trillion and that Chinese OFDI would exceed \$US 500 billion. Xi suggested that as a near neighbour Mongolia stood to benefit ("a waterfront pavilion gets the moonlight first"). In an apparent reference to criticism of China being a "free-rider" in the global system Xi told his audience: "We welcome everybody to

ride the train of China's development...as the saying goes 'travelling alone you can go more quickly, but travelling together you can go further'".

Speaking at the Greater Mekong Sub-region (GMS) Summit in December 2014, Premier Li Keqiang described members of the GMS as China's "closest neighbours" and stated Beijing would "...adhere to the concept of amity, sincerity, mutual benefit and inclusiveness and...build friendship and partnerships with neighbouring nations to promote regional economic development and improve people's livelihoods". Li announced China would make funds of more than \$US1 billion available to "increase production capacity and improve infrastructure connectivity" within the GMS.

Although Chinese leaders have prioritised economic co-operation in their statements on China's neighbourhood diplomacy, Xi has also emphasised the importance of increasing co-operation on security issues, including on terrorism and energy and resource security. Speaking at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA) which was held in Shanghai in May 2014, Xi set out his idea for a "New Asian Security Concept" claiming: "In the final analysis it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia. The people of Asia have the capability and wisdom to achieve peace and stability in the region through enhanced co-operation". Xi called for increased co-ordination within CICA, including through the establishment of a "defence consultation mechanism" and called for new CICA "non-governmental forums" so as "to lay a solid social foundation for spreading the CICA concept of security, increasing CICA's influence and promoting regional security governance".

The importance China's new leaders have attached to neighbourhood diplomacy coalesced at the Central Foreign Affairs Work Conference, held in Beijing 28-29 November, 2014. This was the first such conference under the new leadership. In his speech to the Conference Xi is reported to have put neighbourhood diplomacy as the first of seven priorities, ahead of China's relations with major powers like the US and Russia. Xi also mentioned the "One-belt, one-road" as another priority, the only specific initiative to be included in this way.

### **Institutional innovation**

China is a member of numerous existing regional organisations, including the Shanghai Co-operation Organisation, CICA and the Greater Mekong Sub-region initiative, as well as the different ASEAN bodies. Xi's speech at the CICA Summit highlighted how Beijing is looking to build on these existing structures as part of its efforts to strengthen neighbourhood diplomacy. However China has also announced a number of new initiatives:

*The Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Road ("One-belt, one-road" - 一路一带)*

President Xi first proposed the “One-belt, one-road” during visits to Kazakhstan and Indonesia in late-2013. Together these represent the most ambitious of China’s new initiatives. Both aim to revitalise trade routes that once linked China with central Asia, the Middle East and Europe. Xi’s subsequent visits to the region have focused heavily on countries along the two proposed routes, including all of the six Central Asian countries (see map in Appendix 1). In November 2014 Xi announced the establishment of the “Silk Road Fund” with an initial capitalisation of \$US40 billion. The Fund will finance infrastructure and other projects designed to connect countries along the ‘One-belt, one road’. There are also unconfirmed reports of a “Maritime Silk Road Bank” with funding from China and from un-named ASEAN nations.

At the Europe end, there is positive support for developing the Silk Road links. Some have referred to the Chongqing-Duisburg railway line – a service launched in 2011 – as part of the ‘new Silk Road’ link. The railway link goes from the city of Chongqing in western China, through Kazakhstan, Russia, Belarus and Poland before reaching Germany. Speaking in November 2014 ahead of the annual meeting of China and Heads of Government of Central and Eastern Europe (the “Belgrade Meeting”) Premier Li Keqiang highlighted the potential benefits for European countries of the “One-belt, one-road”:

“The Northern route... could become a new transport and logistics artery extending to Western Europe through Central and Eastern Europe... It will significantly enhance regional connectivity, boost the economic development of countries along the route, and provide new and convenient access for Chinese exports to Europe and for European goods to enter China.”

The maritime Silk Road has had a positive reception from many ASEAN nations, particularly those that would welcome port infrastructure investment. Beyond the Asia Pacific, Kenyan scholars and business actors have highlighted the potential benefits to Kenya if it forms part of the links on the maritime Silk Road.

#### *Asia Infrastructure and Investment Bank (AIIB)*

The AIIB is the furthest advanced and most high-profile of Beijing’s recent institutional initiatives. First mooted by Xi during his visit to Indonesia in October 2013, 21 countries<sup>1</sup> signed a Memorandum of Understanding on Establishing the AIIB in Beijing in October 2014. Reporting the signing ceremony, the official Xinhua News Agency stated that the Bank would have an initial capitalisation of \$US 50 billion (in comparison the Asian Development Bank has a total fund of \$US160 billion). A ceremony to complete the signing of the Articles of Agreement was held in Beijing in June 2015.

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<sup>1</sup> Bangladesh, Brunei, Cambodia, China, India, Kazakhstan, Kuwait, Laos, Malaysia, Mongolia, Myanmar, Nepal, Oman, Pakistan, the Philippines, Qatar, Singapore, Sri Lanka, Thailand, Uzbekistan and Vietnam.

Beijing has argued that the AIIB will address the huge gap in global infrastructure funding, estimated at \$US8 trillion in the decade from 2010-2020 although China's decision to establish a new multilateral bank in part reflects its concerns at the slow pace of reform to IFIs, which it believes continue to play down China's economic weight (within the ADB the combined US and Japanese voting block is about 26%, five times that of China).

*Treaty of Good Neighbourliness, Friendship and Co-operation between China and ASEAN Countries*

The Treaty of Good Neighbourliness was another initiative proposed by President Xi during his visit to Indonesia in December 2013. In an article published in December 2013, Ruan Zongze, the Deputy Director of the China Institute for International Studies (a think tank with close links to the MFA) stated:

In light of bilateral relations and the changing situation in East Asia, there are favourable conditions for China and ASEAN to conclude a treaty of good neighbourliness, friendship and co-operation. China needs greater international space to realise the Chinese [sic] Dream. To this end, China needs to cement peaceful relations with ASEAN countries by upholding good faith and take the initiative to share its development dividend with neighbouring countries and to eliminate any ASEAN countries' misgivings about China. China has been showing its willingness with practical actions to be a good neighbour, good friend and good partner of ASEAN that can stick together through thick and thin.

Ruan's article also envisages any treaty as a means to help re-set the terms of debate on disputes between China and ASEAN, including on claims in the South China Sea.

*Bangladesh-China-India-Myanmar Forum for Regional Co-operation (BCIM)*

The BCIM emerged from a Track II initiative launched in the late-1990s to promote economic co-operation between the four countries. The initiative was given new momentum during Premier Li Keqiang's December 2013 visit to India, the first time the BCIM initiative had received high-level official support. Shortly before that meeting a new BCIM Joint Study Group met for the first time. That Group proposed the creation of the BCIM Corridor, running from Kunming in Southwest China to Kolkata in India and to include Mandalay, Chittagong and Dhaka. Priorities would be to improve infrastructure to increase "physical inter-connectivity" and to increase trade in goods and services. Recent articles published by the official Xinhua News Agency suggest that the BCIM Corridor should be seen as part of the 'One-belt, one-road' initiative.

**Riding China's Development Train?**

Since coming to power China's new leadership have placed an increased emphasis on improving relations with regional neighbours; this was highlighted by Xi's speech at the Central Foreign Affairs Work Conference which put this as the top priority for foreign policy work and can be seen in the number of new initiatives Xi and Li have announced. These initiatives play to China's strengths as the world's second largest economy and reflect Beijing's view that its economic weight is an important part of China's "soft power" appeal and where it has a good story to tell. There is a strong emphasis on physical connectivity, including road and rail links (with a focus on high-speed rail) and pipelines. If successful Chinese leaders will hope that they will more closely link their regional neighbours to China's own economic development.

Many of the initiatives would have the effect of creating parallel organisations for existing multi-lateral bodies (AIIB/ADB). China has used both existing and new fora to actively promote its own vision of regional security, including the New Asian Security Concept. However it is too early to tell the extent to which these new initiatives might alter existing multi-lateral and security arrangements in the Asia-Pacific.

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