

THE NEW SILK ROAD: A MERE ECONOMIC LABEL OR A NEW WORLD ORDER?

THE VIEW FROM FRANCE.

Committee for Foreign Affairs, Defence and the Armed Forces

**Report by Mr Pascal Allizard and Mrs Gisèle Jourda, joint chairs,
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Report no. 520 (2017-2018)

In 2000, it took three months to transport goods between France and China. On 21 April 2016, the first rail convoy travelled from Wuhan to Lyon – a distance of 11,000 kilometres – in just two weeks. Yet 80% of the trains that arrive in France still leave empty. In 2013, Chinese president Xi Jinping launched the **One Belt One Road Initiative (OBOR)** – an initiative to boost infrastructure and **connect China with Europe and East Africa**. The route is divided into two sections: a **land section** that crosses Central Europe, Central Asia, Russia, the Caucasus, Turkey, Iran, Afghanistan and

Pakistan; and a **sea section** linking China to Africa and beyond to Latin America and the Arctic.

What exactly is this **Belt and road initiative (BRI) or “New Silk Road”**, which directly affects more than 70% of the world’s population, and accounts for 75% of global energy resources and 55% of global GDP? Reports suggest that China has already invested \$800-900 billion in the scheme, with that figure set to rise to \$5,000-8,000 billion over the next five years. Taken together, projects linked to the New Silk Road could cost more than \$1 trillion a year.



Source: Xinhua She press agency

The new trade routes are backed by **public diplomacy and soft power** on a scale not seen before in the 21st century. The initiative is built on **five cornerstones**: strengthening coordination across public development policy, creating new infrastructure, expanding international trade, allowing the free movement of capital along the routes, and development “mutual understanding between peoples”. The New Silk Road has been variously presented as a **mere “economic label”** – a sort of branding exercise for economic projects – and a **Chinese attempt to establish a new world order**.



And lastly, China’s policy is an effort to **supplant the established world order dominated by the Bretton Woods Institutions**. China sees the Asian Infrastructure Investment Bank as a financial instrument capable of freeing the region from the clutches of the US-centric international system. The country’s decision to create a **domestic oil futures trading market – denominated in yuan and convertible into gold** – on the Shanghai and Hong Kong stock exchanges is a clear step in this direction. Because China has a **trade surplus and vast currency reserves**, it has the financial clout to fund the New Silk Road programme and to shape it in whatever way it sees fit.



The New Silk Road in Laos

The New Silk Road is much more than a new, global growth-driving infrastructure network. In reality, it is a **vehicle for Chinese internal and external development, guaranteeing a stable future for the People’s Republic of China and the Communist Party of China**. This process involves planning and rebalancing China’s territory, quashing the Xinjiang separatist movement, and creating new outlets for China’s economy, which is operating at overcapacity.

The New Silk Road is also an attempt to **secure China’s borders, the regional environment and lines of supply** by creating an alternative to the **Strait of Malacca**, through which most of the oil entering China passes.

The project will not be a success for all parties unless it works both ways. As this report confirms, **it is vital to strike the right balance between Chinese, French and European interests**. Future relations must be based on a **trading partnership** characterised by reciprocal, open markets, and respect for competition, transparency and intellectual property, as well as a **strategic partnership** founded on multilateral, trust-based cooperation.

For this reason, we have drawn up the following proposals. Our first recommendation is to **carry out an independent assessment of the geopolitical, economic and environmental impacts of the New Silk Road**.

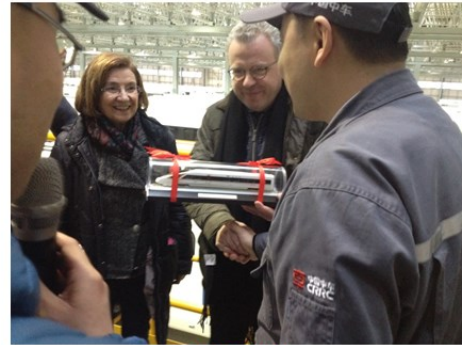


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Our specific geopolitical recommendations are as follows:

1. Take a **lead role** in the New Silk Road initiative. France should be a **driving force** in its bilateral relations with China, and play an official role in the process, in a **way that suits its objectives of reciprocity and aligns with its international commitments**. Similarly, France also has a **key role to play in shaping the future relationship between China and the European Union**.
2. Recognise, **without being naive or aggressive**, that China, by virtue of its economic and military standing, is quite right to pursue **power politics**, and that the **New Silk Road policy is part of this**.
3. Champion the **European Union's position** as stated at the Belt and Road Forum held in Beijing in May 2017, because the EU has a better chance of succeeding if it presents a united front. Support the adoption of the EU Strategy on connecting Europe and Asia. In this vein, consider the Transport Corridor Europe-Caucasus-Asia (TRACECA).
4. Hold a **consultation exercise for all EU Member States ahead of the forthcoming EU-China and "16+1" summits**, to avoid taking EU unity for granted and to ensure that Member States work together to defend their common interests in all meetings with China, no matter what their format.
5. By virtue of its **proactive, balanced foreign policy**, France has close ties with all neighbouring powers in the **Indo-Pacific region**. It must continue to support the **Asia-Africa Growth Corridor (spearheaded by India and Japan)** and discussions between

the “Quad” group of countries (Australia, the United States, India and Japan).



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Our **economic** recommendations are as follows:

1. **Assess the economic risks** posed by financial involvement in the New Silk Road initiative, remaining mindful that China is not pursuing this policy for economic reasons alone and that, consequently, not all aspects of the scheme will reach the desired level of profitability – indeed, some may not be economically rational at all.
2. Call on China, through **cooperation efforts – especially in third-party countries – to adopt practices that consider the needs of local populations and comply with local law**. Urge China to consider the **environmental impact** of these projects. Encourage **China to join the Paris Club**, to ensure that **debt levels** in the countries participating in the New Silk Road scheme are **compliant with OECD rules**.
3. Encourage **intermodality and connections between the French and European railway networks**, in particular by building a high-speed link between **Lyon and Turin**. Adopt a policy of **modernising port infrastructure** to encourage intermodality and adapt ports to liquefied natural gas usage. Pay close attention to how the capital of operators, including CMA CGM, is composed and how it changes over time. **Expand competitive intelligence work to learn more about plans among Chinese companies to set up operations as part of the New Silk Road programme**.
4. **Encourage French companies to move into the Chinese market**. Better educate **local authorities** about issues around protecting **strategic and sensitive investments**. **Involve businesses and regions in designing and implementing the**

President of the Republic's roadmap for France-Chinese cooperation under the New Silk Road programme.

5. **Support EU efforts to secure a global agreement on Chinese market investments, reciprocity and openness, on intellectual property protection, and on geographical indications**, which are so vital to France's economy.

Our **sector-specific** recommendations are as follows:

1. The working group visited **Pakistan**, one of the first countries to feel the effects of the New Silk Road programme. Similar **analysis and assessment work should happen across all countries affected by the New Silk Road**. France can now invest safely in

Pakistan because it is aware of the security risk.

2. Similarly, in **Djibouti**, France should pursue a **dynamic, creative policy agenda by promoting the French language, education and training**.

3. In the **Arctic**, France should maintain a high-level presence in various forums and foster cooperation with Denmark – the only EU Member State that borders the Arctic Ocean and a member of the Council.

4. As a leader in the **aeronautics industry**, France has a **key role to play in shaping both domestic and EU-wide policy** in light of recent developments around the New Silk Road in aviation.

Senate task force members

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The full report can be found on the Senate website:
<http://www.senat.fr/notice-rapport/2017/r17-520-notice.html>

