JONATHAN HOLSLAG

China’s Roads to Influence

ABSTRACT

This paper argues that although the People’s Republic of China is promoting cross-border networks as a new regional common good, it is driven by both the fear of losing influence to other powers and the desire to create an open economic order in pursuit of Chinese interests. As in most forms of communication, it also appears in this case that the strongest player is best positioned to use these channels to its own advantage.

KEYWORDS: Asian regional integration, China’s foreign policy, mercantilism, infrastructure, economic development

INTRODUCTION

During its rapid takeoff, China’s productive forces were piloted into the global economy via an ever-expanding network of industrial hubs and ports along its shores. The coastline became its geo-economic interface with the international market. But as the Chinese economy expanded, logistic linkages with other countries also started to develop onshore. With an impressive pace, Chinese roads, railways, and pipelines have penetrated into neighboring states (see Figure 1).

As a consequence, the question arises how this new infrastructure will contribute to China’s emergence as Asia’s new economic powerhouse.1 Who is driving the construction of these new corridors? How does China view their strategic importance? Who benefits most from the new international arteries?

The development of regional logistic networks is not only informative as a feature of China’s evolving foreign policy. It also serves as an important case study.
for studying the role of great powers in Asian regionalism. Throughout the following sections it will become clear that the new connections have been the result of a diffuse process of regionalism, but that at the same time, the central government of China has gained more influence. While the People’s Republic is promoting cross-border networks as a new regional public good, it is driven by both the fear of losing influence to other powers and the desire to create an open economic order in pursuit of Chinese interests. As in most forms of communication, it also appears in this case that the strongest player is best positioned to use these channels to its own advantage.

Several motivations can lead states to invest in international logistic networks. For modern trading nations, international networks are vital to avoid missing the trend of globalization. The U.N. Economic and Social Commission for Asia and the Pacific (UNESCAP) stated: “Just as liberalization of trade can open new markets for developing countries, efficient transport systems and routes can increase the volume of trade and the movement of people, thus contributing to higher growth.” Following this optimistic liberal economic reasoning, countries participate in regional projects to develop the

full potential of their comparative advantages and to allow the emergence of a mutually beneficial division of labor. This kind of linkage politics, as James Rosenau labeled it, is self-enforcing. Scholars like Rosenau and Richard Rosecrance contended that advantages in technology improve the ability to transport goods across borders and that these achievements in turn lower the costs of further engaging in international economic relations. Interdependence liberals, who claim that mutual economic dependence facilitates cooperation among states, and students of regionalization stress that the benefits of regional economic openness shift the attention of governments from relative gains to absolute gains. Theories of regionalism further adumbrate that not only governments drive integration; at the sub-state level, private transnational interest groups are also key factors in promoting cross-border linkages. From this perspective, regional networks are the product of gradually fusing micro-regional initiatives and transforming them into regional common goods.

Mercantilists, on the contrary, maintain that a state investing in logistic linkages with other nations is driven by realist objectives. States in the end decide whether such projects are implemented, in which case they expect these efforts to contribute to national unity and to make relatively larger gains than for other countries. Such asymmetric gains are important because states are concerned about the balance of power and because a context of scarce economic opportunities compels them to be more competitive than other states. As Stephen Krasner summarized, “The structure of international trade is determined by the interest and power of states acting to maximize national goals.”

One of the most dramatic manifestations of mercantilism is imperialism, in which asymmetric gains between core and periphery are sustained by the conquest of territory. In the wake of gunboat diplomacy, imperial powers inevitably create channels through which they can exploit their fiefs: by enhancing the capacity to project military power, gaining access to natural resources, and dumping surplus goods. Winston Churchill lauded England’s...
railway diplomacy as a “bright vision” of imperial power, conquest, and commerce.⁶ Hegemony too implies asymmetric gains, but instead of conquering territory, hegemonic powers seek to control economic flows.⁷ Hegemonic powers champion economic openness and make major contributions to the development of common goods because they expect that their superior economy will allow them to accumulate wealth faster than others. Hegemony is a cost-effective alternative to imperialism. Hegemons evade the large costs of military suppression and governing dominions, at least as long as benefits from trade outweigh the costs of securing its free flow. Hence, contrary to liberals, mercantilists maintain that the modern economic order with its institutions and physical infrastructure evolved through the emergence of great national economies that have successively become dominant.

Liberalism and imperialism form the alpha and omega of an extensive series of typologies that permit categorizing the posture of states in their economic interaction with other countries. A first variable that needs to be examined in this regard is the degree of control over the preparation and execution of cross-border transportation projects. But a caveat here is that the role of states in foreign economic policies is not static. Several political economists have cautioned that private actors often are the first to make a foray into new markets and that governments only at a later stage decide whether these activities are in the national interest and require protection.⁸ The flag most often follows trade. It is thus important to see whether the state is already involved—but also to which degree new projects are considered to be a national interest or a matter of national security.

A second variable is how important relative gains are. Liberal economists contend that mobility is always beneficial because it stimulates productivity, but mercantilists tend to see trade more as a zero-sum game because of the fear of missing short-term commercial opportunities and because accumulation of


such losses might lead to a declining position in the international order. Third, analysis is needed on how symmetric interactions are, in terms of trade balances and the composition of trade. In case of asymmetric exchanges, a state is likely to revise its relations unless it is coerced, tempted, or persuaded not to do so.

IN THE FAST LANE

China has made impressive progress in unlocking its hinterland to neighboring countries. By 2007, it had opened road transport at more than 60 border gates, paved 140 routes to neighboring countries, and signed 10 bilateral and three multilateral agreements.9 Starting in the south, the provinces of Guangxi and Yunnan have been turned into interfaces with ASEAN. Vietnam will be linked up to the Chinese market with two new railways. The construction of a first track from Kunming, the Yunnan provincial capital, to Hanoi started in 2006. The second track from Nanning, capital of the Guangxi Zhuang Autonomous Region (equivalent to a province), to Hanoi was approved in 2009.

Both provinces concluded ambitious transportation agreements with Vietnam, and plans were made to augment the number of bilateral roads from 14 to 28. Yunnan in particular is positioning itself as a logistic hub. The objective is to arrive at an “eight entries and four exits” (ba rujing, si chujing) matrix, with domestic linkages to the cities of Chengdu, Nanning, Guiyang, and Lhasa, and new exits to Vietnam, Thailand via Laos, and Bangladesh via Myanmar.10 Between 2001 and 2007, about 1,500 kilometers of highway and 1,300 kilometers of railway were added in Yunnan, most leading to border crossings. From there, China has upgraded two highway sections to Myitkyina and Bhamo in Myanmar. China financed preparatory studies for a new highway and a railway from its border to the Burmese economic center of Mandalay.11 In 2008, China completed the Third Route (R3) in Laos, which

was partially funded by Beijing and connects Yunnan with Thailand. In addition to roads and railways, Chinese dredging in the Mekong River has made the river navigable up to the Chinese border for ships with a capacity up to 2,000 tons (except for a short period in the dry season.)12

Moving westward, China has made headway in strengthening connectivity with Nepal. In 2005, China announced plans to extend the famous Golmud-Lhasa Railway to the border with Nepal; in 2008, the Chinese ambassador in Kathmandu declared that a railroad section from Lhasa to Zhangmu on the Tibet-Nepal border had been included in the Medium and Long-Term Railway Network Planning. In 2009, the provincial government of Tibet completed a US$100 million operation to broaden the highway from Lhasa to the Zhangmu trade port, and it continued to work on a second track to Rasuwa in central Nepal. China has launched major efforts to revamp the Karakoram gateway to Pakistan. In 2006, it signed an agreement with Islamabad to widen the mountainous Karakoram track from 10 to 30 meters and to make it an all-weather highway that runs nearly all the way down to Islamabad. The construction, worth $327 million, was to be financed by a Chinese loan. Some sections of this project were started, but a large landslide in May 2010 was expected to further delay construction. In July 2010, Beijing and Islamabad revealed new plans for building two highways between China and the disputed Gilgit-Baltistan region in Pakistani Kashmir.

In the west, China has continued making plans to transform the cities of Kashgar and Urumqi into major trade hubs between the eastern and western parts of the Eurasian continent. “The Autonomous Region of Xinjiang will become not only a gateway to our Central Asian neighbors, but also to South Asia, Russia, and even Europe,” a scholar at the Chinese Academy of Social Sciences (CASS) stated. During the early 1990s, Urumqi, Xinjiang’s capital, was already linked to Kazakhstan with a 460-kilometer-long railway via the Alataw Pass. By 1999, Urumqi was also connected to Kazakhstan with five blacktop roads and to Mongolia by a highway. Departing from Urumqi, a second railway was completed to the Korgas Pass on the border with Kazakhstan; the railway connection with Hami in eastern Xinjiang near the border of Mongolia was refurbished.

In 2008, from Kashgar City in far western Xinjiang there were only two major entries to Kyrgyzstan, to the northwest. But the Chinese Ministry of Communication started no fewer than 24 new projects, including several

new cross-border highways. From Kashgar, it commenced revamping the two main roads to Irkeshtam and Torugart, cities just across the Kyrgyzstan border. In the case of Tajikistan, which lies southwest of Kashgar, China invested about $720 million in various road projects that connect Irkeshtam with Tajikistan. China also agreed to build and finance a $270 million highway from the Tajik capital, Dushanbe, to the Shahriston Pass on the border with Uzbekistan. And the Chinese announced plans for a new railway from Kashgar to Kyrgyzstan and Uzbekistan. Feasibility studies were carried out for a second link to Peshawar in northern Pakistan.

Up north, China has attempted to turn one of its poorest regions into a new regional trade hub. Between 1999 and 2008, as many as 3,000 kilometers of railways were added in the northern provinces of Inner Mongolia, Jilin, and Heilongjiang. In 2007, plans were revealed to extend three railway sections from these provinces to Yirshi, Xilinhot, and Mandula on the border with Mongolia, all of them heading toward major coal reserves and mining areas. China and Russia agreed to revamp the oil rail from Siberia via the trade port of Manzhouli, Inner Mongolia, to Jilin Province. The industrious railway station of Manzhouli is also one of the main transit points of the booming trade in timber and minerals from eastern Russia. In 2006, China agreed to build a new railroad from Tumen in Jilin Province to Chongjin, a port city and an important steel producing area in North Korea.

Chinese companies have also started building new highways within Mongolia to the southern border. In 2007, Beijing approved five new highways to Russia and one to North Korea. The objective behind these plans was to promote trade with the northeastern rustbelt. The trio Jilin, Heilongjiang, and Inner Mongolia were to become a transit hub for natural resources from neighboring countries so that China could conquer a larger part of the surrounding countries’ consumer markets. During the five years after the 2003 announcement accelerating the revitalization of northeastern China, the government invested about $1 billion in upgrading transport infrastructure in the area. Cities like Hunchun in Jilin Province have become key nodes in regional trade.

Besides roads, railways, and waterways, China is linking neighboring markets with oil and gas pipelines. In 1997, it started building a 2,200-kilometer oil pipeline from the Caspian shores of Kazakhstan to the Alataw Pass in Xinjiang. Completed in 2009, the pipeline is expected to provide some 5% of China’s annual oil consumption. Oil shipments increased from 630,000 tons in 2004 to 5.7 million tons in 2007. Once fully operational, the rail network will reach a capacity of 20 million tons, importing to China at the same level as the European Union from Central Asia’s oil exports. In 2003, China reached an agreement to build a gas pipeline from Turkmenistan, Uzbekistan, and Kazakhstan up to the Alataw Pass. The goal was to reach full capacity of 40 billion cubic meters by 2013, good for an estimated 20%–30% of China’s consumption. Both pipelines could be extended to Iran. “Russia is China’s natural oil supplier as it has the largest reserves in our direct neighborhood,” a senior Chinese energy expert asserted.

Yet, Moscow has proved to be one of the toughest negotiators and very wary of becoming too connected with the Chinese market. Both countries did upgrade the capacity of oil supplies via railway. Between 1999 and 2008, the volume of oil that was ferried in by train increased from 300,000 to 11 million tons per year, still less than 3% of China’s total consumption. It was not until February 2009 that Moscow, in return for a $35 billion loan, agreed to increase shipments via rail and a newly built pipeline to the border city of Skovordino. This could have a combined capacity of 30 million tons by 2013 and cover 7% of China’s expected oil consumption. In 2006, China started exploring the options for an oil and gas pipeline to the coast of Myanmar. The main incentive was building a more-effective supply system for the provinces of Yunnan and Sichuan. In 2008, an agreement was inked to build the pipelines, a gas collection terminal, and an offshore port for oil tankers near to Sittwe in Rakhine State.

Even airports have been an important part of China’s networking power. China has helped to build airports in Cambodia, Laos, Sri Lanka, Pakistan, and Mongolia. But more importantly, it has been vigorously promoting regional air services. At Beijing’s initiative, working groups on regional air services were set up between ASEAN and the Shanghai Cooperation Organization (SCO) in 2004 and 2007. Since 2008, China has pushed for the

16. Interview with scholar at Tsinghua (Qinghua) University, Beijing, October 26, 2009.
17. The SCO includes China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. It was founded in 2001 to build mutual trust among its members, but ever since its beginning its agenda has expanded to cover issues such as anti-terrorism, energy security, and trade.
China-ASEAN Air-Transportation Agreement (AC-ATA), an “open skies” regime with the ASEAN countries. The aim is not only to promote economic exchanges but also to allow Chinese carriers to gain a larger market share in the region, to make them more competitive vis-à-vis peers from Singapore and Malaysia, and to gain experience to become global leading players.

MOST ROADS LEAD TO BEIJING

Recent research has mainly stressed the importance of sub-state and transnational actors in propelling economic integration in Asia. Indeed, local governments have played an important role in China’s cross-border transportation projects. Provinces like Guangxi, Yunnan, Xinjiang, and Heilongjiang lobbied vehemently to unlock their underdeveloped markets to neighboring countries. They have done so by using the full scope of their authority to explore economic cooperation with other countries. They financed feasibility studies, organized expert conferences, dispatched delegations, and mobilized potential local investors. They tried to muster support from the central government by appealing to national policies to draw growth further inland by making proposals to the responsible ministries. They also tried to influence the agenda of the National Development and Reform Commission (NDRC) when it prepares new economic plans, and used informal political channels to Beijing for political support. These local governments have also been closely interacting with international organizations. The Asian Development Bank (ADB) in particular has nurtured intensive contacts with Chinese border provinces. Many of the recent regional transportation programs such as the emerging north-south corridor between China and Southeast Asia or the “new Silk Road” toward Central Asia have been inventions of technocrats in the ADB’s secretariat in Manila. Between 1999 and 2008, it lent at least $4 billion to China to facilitate these projects.

But ultimately, for political approval and funding, all projects need to be included in a national Five-Year Plan. Those plans are drafted by the NDRC.

18. Interview with official at the Ministry of Transport, Beijing, October 26, 2009.
20. Ibid.; interview with official at the State Council’s Development Research Center, Beijing, October 28, 2009.
submitted for approval to the State Council and then to the Communist Party’s Central Committee, and finally are symbolically endorsed by the National People’s Congress. The NDRC builds its guidelines on reports provided by the Ministry of Transport and the Ministry of Railways. Most of the major transportation projects that were foreseen in the 11th Five-Year Plan were drawn from the National Highway Network Planning Study of 2004 and the Mid- and Long-term Plan for Railway Networks of China.

Both documents were the result of three years of consultation between the ministries’ planning departments and other actors such as the State Council Development Research Center, the Chinese Academy of Sciences, and universities. During the drafting process, expert conferences were organized in 15 provinces to capture local expectations; conferences were also held with international organizations such as the ADB. The NDRC and the State Council provide the ministries with the broad principles and interests that need to be respected. Subsequently, it is the planning department of the ministry that has to fit the interests of local governments within this framework and to make budgetary proposals to the NDRC or external financiers. The central government has also retained the privilege to decide whether a city can become a trade port or enjoy preferential customs regimes. Provinces did obtain some authority in opening small trade ports, but these are subjugated to various quantitative and qualitative restrictions. Such ports, for example, do not have the right to transit goods to third countries. All large trade ports need to be approved by the State Council. The Ministry of Commerce is in charge of following up on new regulations regarding taxes, etc.

Most projects are thus the result of a three-level game. Essential to recognize is that the central government does still sketch out the broad national development directives. Major programs such as the Go-West Strategy (Xibu Da Kaifa), which aims to develop the Chinese hinterland, were not the result of lobbying by local government but derived from the center’s desire to promote national unity and stability. It is within these frameworks that local governments have sought to muster national support for addressing their specific economic interests, and especially the desire to tap neighboring countries for their own development. The same goes for institutional lenders. Initially, international organizations attempted to gain Beijing’s support for proposals like the new Silk Road or the Pan-Asian Railway by presenting

21. Ibid.
them as opportunities for financing the Go-West policy. But as soon as this backing was secured, local governments increasingly invoked the objective of pan-Asian connectivity to hammer out more loans and to influence the national government. Yet, roles were to change once more. Gradually the central government became more vociferous in accelerating and steering the development of pan-Asian transportation corridors and started allocating massive funding for implementing new projects. Beijing has now placed itself clearly in the driver’s seat.

In March 2000, the International Department of the Ministry of Communication, the predecessor of the Transport Ministry, started to study the Asian Highway Network and concluded that China should actively back regional programs by following a 24-character (in Chinese) principle: “Active participation, careful treatment, focus on ourselves and take full advantage of it, step by step.” Ever since, Beijing has been stepping up its support to the ADB in promoting sub-regional cooperation platforms such as the Greater Mekong Subregion (GMS) and the Central Asia Regional Economic Cooperation (CAREC) agreements. Beijing also sided with the United Nations Development Program (UNDP) in setting up the Greater Tumen Initiative (GTI). The three programs had the development of cross-border transportation networks at the core of their agendas.

In all cases, Chinese local governments in tandem with the center had become the most active partner in trying to reach consensus with other countries on sub-regional logistic cooperation. China sought to carry this agenda forward by providing financial support for exploratory studies and small pilot projects. The State Council was one of the first institutions to grant $1 million to support the GTI. In 2005, China and the ADB established the $20 million China Poverty Reduction and Regional Cooperation Fund, with which it partially financed the China-Kyrgyzstan-Uzbekistan road project. In 2009, the Export-Import Bank of China (China Exim Bank) and the ADB concluded a co-financing agreement worth $3 billion, of which the disposable means were mainly to be used for the Asian Infrastructure Financing Initiative. Although China’s share in the ADB’s stock remains very modest compared to that of Japan and the U.S., co-financing is a relatively

---

cheap instrument to influence the bank’s priorities regarding specific infra-
structure projects.23

But as these financial cooperation schemes were established with interna-
tional organizations, China also founded new direct-financing mechanisms
with its Asian partners. The most notable examples are the China-ASEAN
Fund on Investment Cooperation and the China-ASEAN Loan Program,
both launched at the Asian Economic Ministers’ Summit in Bangkok in
2009. The fund, worth $1 billion (to be expanded to $10 billion later on), is
a private equity source to support infrastructure, energy, and construction in
ASEAN member countries, as well as backing technical cooperation between
China and ASEAN members. The loan is to be divided among ASEAN
countries for the development of infrastructure in the region. Infrastructure
was also the main priority of the $10 billion loan that was promised in 2009
to the countries of the SCO. In both cases, China embedded bilateral coop-
eration in regional multilateral ventures but now it circumvented interna-
tional organizations like the ADB.

Plans for regional or pan-Asian transportation networks had been studied
since the early 1990s and were championed by the ADB, UNESCAP, and the
UNDP.24 But apart from Japan, they mustered no political support from
major states. Only when Beijing advanced in its Go-West Strategy did it start
to promote reviving the Silk Road and other ancient corridors to Central,
South, and Southeast Asia. The relevance of this regional approach went
beyond bringing different countries to the table; it was the key to avoid
being perceived as repeating the railway imperialism of Japan and Western
colonial powers in the past.25

Beijing also attempted to influence the agenda directly. In the run-up to
high-level meetings, China systematically promoted transport as a key point
for discussion.26 In 1997 and 1998, China made various proposals to the

23. Since 1999, China’s share of the ADB’s capital stock remained stable at around 6.5%, and its
voting power, around 5.4%.
(Sapporo, Japan: Slavic Research Center, June 2008), p. 50.
International Relations, March 2008, pp. 29–44.
See also Cheng Yong, “Zhongya quyu jinghezuo buzhanghuiyi zhaoaiki Zhongfang tichu sijianyi”
[Central Asia regional economic cooperation: China tables four proposals for the meeting of min-
isters], Xinhua, October 20, 2006.
Shanghai Five\textsuperscript{27} to revamp the obsolete trade gateways between Central and Eastern Asia. In 2000, China proposed that the SCO hold annual meetings among transport ministers and sketch out a framework for trans-boundary transportation.\textsuperscript{28} The same year, it proposed that GMS members—Laos, Myanmar, Thailand, and Vietnam—increase the navigability of the Mekong River, which flows from Yunnan all the way to southern Vietnam. Three years later, China hammered out an Agreement for Facilitating Cross-Border Transport of Goods and Services.\textsuperscript{29}

Its comparatively strong position in terms of know-how and research permitted China to dominate planning on technical committees, especially in the case of CAREC and the GMS.\textsuperscript{30} Chinese officials also have a strong presence at the secretariat level of the sub-regional platforms. The GTI secretariat even moved to Beijing. The Chinese government dispatched the largest national delegation among members to UNESCAP’s Working Group on the Trans-Asian Railway Network, which was set up in 2006. The People’s Republic of China (PRC) resident mission to the ADB’s secretariat dwarfs those of most other countries; within the mission, China now has specialized offices for all sub-regional programs. As a form of public diplomacy, China has financed large conferences and business forums that focus on options for expanding trans-regional transportation grids.\textsuperscript{31}

China has thus become the main driver of regional and sub-regional initiatives on transport, but it has cleverly left the ownership to others. The Chinese approach enabled international organizations to move ahead with their pan-Asian agendas, while these bodies in turn allowed the Chinese government to develop cross-border linkages without straining its financial resources or raising any suspicions of a new kind of mercantilist railway

\textsuperscript{27} Established in 1996, the Shanghai Five was the predecessor of the SCO.


\textsuperscript{30} Interview with official at UNESCAP, Bangkok, June 18, 2009. The CAREC Transport Sector Coordinating Committee and the GMS Transport Forum are formally coordinated by the ADB, but officials acknowledge China’s preponderance in terms of expertise compared to smaller member states.

diplomacy. After having invested more than a decade in patiently gaining support and trust, it appeared that by 2007 China had shifted into a higher gear to translate these first achievements into faster progress. But Beijing still stresses that its growing financial support strengthens regional integration within the SCO or ASEAN. Another important observation is that although many of China’s policies were molded by provincial administrations and international organizations, the center has taken a pivotal position in pushing the regional agenda further and providing the means to execute it.

STRATEGIC INTERESTS

Expanding the national transportation network has been perceived as a political project. National economic integration is the main objective that runs throughout all official policies, but several other strategic interests are emphasized as justification for investing in new logistic corridors. Let us first take another look at the National Highway Network Plan of 2004. “[T]he construction of a national fast road network is very urgent,” the study states, “[T]his is needed to further protect our country’s political, economic, and national security, to enhance our international competitiveness, and to strengthen the control of the central government.”32 The 11th Five-Year Plan for Railways, the official plan of the Ministry of Railways, stresses its contribution to “building a socialist resource-saving and environment-friendly harmonious society” and “to comprehensively balance national economic and social development.”33 Both documents sorted these motivations into four clusters: maintaining national security, enhancing economic integration, increasing international competitiveness, and promoting a more efficient use of energy.

Economic unity also stands apart as the main priority for establishing transport corridors to neighboring states. As China turned its shores into Asia’s new center of commerce and manufacturing, the government sought to unlock its hinterland. The 9th Five-Year Plan (1996–2001) was the first major policy document to provide a number of large infrastructure projects beyond the coastal provinces. By weaving neighboring countries into a

network of roads, channels, and railways, China also expects to benefit more from its relative economic strengths. Beijing has justified its support for pan-Asian transportation networks by emphasizing their importance for linking Chinese producers to consumers in other Asian states and for gaining access to natural resources.\textsuperscript{34} The National Highway Network Planning Study stated that building roads to the rest of the region would make China’s industries more competitive. Such thinking has been closely related to the objective of creating a Greater China Economic Circle (Da Zhongghuo Jingji Chuan), which implies that the formation of economies of scale always helps the strongest.\textsuperscript{35} In this regard, supporting the expansion of regional corridors is presented as an opportunity to strengthen comparative advantages rather than a matter of competition. Prominent scholars like Zhang Yunling of CASS and Liu Jianyong of Tsinghua University have endorsed this view in various studies. Regarding Southeast Asia, Zhang posited that improving infrastructure between Yunnan and neighboring countries would be a “platform for China and Japan to work together, with complementary roles to play.”\textsuperscript{36}

In spite of this optimistic view, the undercurrent of China’s strategizing is one of economic competition. First, in most Chinese assessments and studies, there is a striking gap between the pledges for cooperation on the one hand and realist balance of power thinking on the other. Even optimists like Zhang Yunling, who advised the central government on economic integration in Southeast Asia, have based their thinking on very calculated assessments of how much China could gain by physically unlocking its market. There is an outspoken awareness of the scarcity of opportunities but also growing confidence that if China puts the necessary infrastructure in place, it will benefit more than small partner countries—and also main challengers such as India, Japan, and Russia. Geopolitical conservatives for their part have pleaded for building new arteries onshore to the large reserves of

\textsuperscript{34} “Zhongguo nijian sanda zhanlue tielu quanqiu dingwei yi zhongyang bianhua” [China proposes three major strategies that will be important for changing its position in global railways], \textit{Nanfang Daily}, July 16, 2007.


\textsuperscript{36} Zhang Yunling, \textit{Making ASEAN a Close Partner: Comparing China and Japan} (Beijing: CASS, 2003), p. 4.
natural resources in Russia, Central Asia, and Southeast Asia. They assert that China will never be able to control the long, vulnerable maritime supply lines to Africa, Latin America, or the Middle East. Various experts argued that new corridors to Southern and Central Asia were helpful in diminishing China’s reliance on the narrow, pirate-infested Strait of Malacca or the Indian Ocean, controlled by the Indian and U.S. navies.

Many scholars and officials also reason that China is entangled in harsh competition with other powers. Fu Xiaoqiang, an expert close to the government, argued in Global Times (Huanqiu Wang) that linkages between India and China via Southeast Asia are not likely to emerge because the desire for cooperation is outweighed by competition. Duan Xueping, a prominent adviser to Yunnan Province, observed that Japan and India do not want to see a China-led trans-Asian transportation project; therefore, they actively support their own East-West corridor. The same distrust applies to Central Asia, where Chinese decision makers tend to support a higher profile for transport cooperation on the SCO agenda while remaining skeptical about the feasibility of such an ambitious trans-Asian transportation strategy.

Hence, what distinguishes Chinese observers is not so much whether regional transportation policies are competitive—the prevailing opinion is that China does have to battle other powers—but whether the People’s Republic can be confident that it has enough networking power to stay ahead in the race for connectivity.

National security too has been consistently upheld as a rationalization for transportation projects along the Chinese border. The National Highway

37. Pan Guang, “Guanyu shanghe kuangjianei jingji hezuode youxiao cijide wenti” [On economic cooperation within the SCO framework and effective promotion of this matter], in Qiushi [Seek Truth], September 2006, pp. 12–14.
40. Duan Xueping and Zhang Haifu, “Yimiandian weiniudai yingdui Yindu ‘dongxiang’ de jili fenxi yi Yunnan mianxinxi Dongnanya nanya xinyilun kaifang weishi” [South Asia, Southeast Asia, Yunnan Province: Prospects for a new round of opening-up], Qianyan [Cutting Edge], April 11, 2009.
Network Planning Study mentions the need to develop the national transport network into a national security network, so as to permit rapid deployment of armed forces. In this regard, the government issued regulations on national defense transportation in 1995. It stressed the importance of being able to rapidly deploy troops within and near the Chinese border, in case of contingencies. Border security in particular is an often-mentioned strategic concern. Traditionally, this awareness has been concentrated on Taiwan. Even in recent years, experts have stressed the need for a solid corridor that stretches from the far west’s Kunlun Mountains to the coast, in order to use China’s strategic depth in case of war with Taiwan.

In addition, it has been emphasized that the diversification of linkages among the various coastal cities is essential in preventing potential intruders from driving a wedge between the main urban strongholds, as happened during the long century of humiliation. Observers have increasingly stressed that moving westward into the Chinese hinterland, there is a need to build roads and railways to counterbalance the Indian military in the disputed regions Arunachal Pradesh and Aksai Chin. While there was some short-lived enthusiasm about transforming mountain passes into trade channels, heightening tensions about the disputed border shifted attention once more to military deterrence. The trails through the slopes of the Pamir and Tien Shan mountain chains are also considered potential passageways for new security threats such as terrorism and organized crime.

An important objective for China is to promote economic integration in Asia. Chinese official bodies and experts assume with growing confidence that because of its geography, China will take a central position in whatever pan-Asian transportation networks emerge. They believe that the country’s growing economic capabilities will allow it to reap the largest benefits from such networks. A regional transportation network is seen as an important contribution to China’s economic leadership in Asia, helping China to

---

43. “Guofang jiaotong tiaoli” [Regulations on national defense transportation], Xinhua, February 24, 1995.
44. “Zhongguo nijian.”
45. Ibid.; Li Jing, “Zhongguo tielu fazhan de zhanlue zhanshu sikao” [Strategic and tactical thinking on China’s railway development], People’s Daily, April 21, 2005.
46. Arunachal Pradesh is currently controlled by India, whereas Aksai Chin is controlled by China. China refers to Arunachal as “Southern Tibet.”
diversify its supply lines, penetrate consumer markets, and counterbalance
other powers’ attempts to project economic influence. But the condition is
that China stays ahead of its challengers. China’s new road diplomacy is thus
an important element in the pursuit of competitive regionalization. To a
lesser but still important extent, creating infrastructure in China’s periphery
is a part of its aspiration to ward off various traditional and non-traditional
security threats still emanating from a volatile neighborhood. Hence, beyond
the enthusiastic discourse about absolute gains, both relative gains and security
are very important in China’s calculation of its interests.

IMPACT

At Vietnam’s Ministry of Transportation in Hanoi, an official confirmed that
transport via the railway between China and Vietnam has expanded from 1.4
million tons in 2000 to 6.2 million tons in 2007. He stated the following:

The new corridor has permitted the Chinese better access to our coal, iron,
and apatite [a phosphorus-rich mineral used in fertilizers]. The situation is
pretty much that lorries are leaving our country with all kinds of bulk and
that trains arrive with steel and containers with all kinds of manufactured
goods. We expect capacity to increase further to 10 million tons, mainly be-
cause [the corridor] reaches into a very important iron mining area in Lao Cai
[Province] and the bauxite mines in the center.47

The Mekong River underwent a similar transition. The number of ships
sailing it increased from 77 in 1999 to 172 in 2008, each carrying up to 500
tons or 20 small containers.48 Chinese companies own more than 90% of the
vessels. Although large companies have increasingly transited their goods via
waterways, the various new roads from China to Myanmar and Laos have
caused a massive influx of small traders while boosting trade in timber.49
Cross-border imports to China of round wood from Myanmar and Laos
grew from about 8,000 tons in 1999 to 90,000 tons in 2008. Roads also
stimulated investment in agriculture and natural rubber; cross-border

47. Interview by telephone with Vietnamese official, October 13, 2009.
48. He Shengda, *The Water Transport Network between Yunnan and Mainland Southeast Asia*
(Kunming: Yunnan Academy of Social Sciences, October 2007); Tsuneishi Takao, *Border Trade and
Economic Zones on the North-South Economic Corridor*, IDE (Institute of Developing Economies),
49. Ibid., pp. 8–11.
imports of the latter from both countries increased from 30 tons in 1999 to about 40 tons in 2008.

Transport trade through the gateways to Central Asia increased from 3.2 million tons in 1999 to nearly 22 million tons in 2008 and is expected to reach 30 million tons by 2015. Most of the increase came from natural resources such as steel, and cotton shipped from Kazakhstan. Transport via the Alataw Pass has increased from two million tons in 1999 to six million tons in 2005 and more than 20 million tons in 2009. Port trade statistics at Alashankou in Xinjiang show that about three-quarters of this surge has stemmed from growing imports of raw materials such as metal ores and cotton. In 2009, metal ores accounted for about three-quarters of Chinese imports, whereas construction materials and machinery represented 60% of its exports. Even though the railway between China and Kazakhstan was already open in 1990, upgrading the track between Urumqi and the Chinese coast allowed larger cargoes to be shipped to the east. Meanwhile, new highways to the border allowed local companies to boost their exports.

The same evolution occurred in Manzhouli, where trade across the border with Russia expanded from five million tons in 1999 to nearly 25 million tons in 2008. Here as well, imports of bulk goods, including iron ore and timber, outweighed exports of manufactured goods. Trade to Mongolia via the Erenhot Port grew from three million tons in 1999 to more than 10 million tons by 2008, most of it being imported oil, iron ore, coal, and copper. China seems thus to have been successful in putting the infrastructure in place that was needed to tap its neighborhood’s vast reserves of natural resources and to gain access to the more limited opportunities in nearby consumer markets.

Whether its energy diplomacy will yield the same results is unclear. In spite of the new pipeline to Central Asia and the improvement of oil shipments via railway from Russia, the share of oil supplied via onshore transportation channels remained less than 10% of China’s overall imports in 2008.

50. ”Xinjiang Alashankou kouan wancheng guohuo jin 7000wan dun” [Alataw Pass of Xinjiang completes transit of nearly seven million tons of cargo], Xinhua, May 12, 2009.
51. ”Manzhouli kouan qiansanjidu jinchukou huoyun leiji 1719wan dun” [Manzhouli first three quarters total 17.19 million tons import and export cargo volume], Xinhuashe Neimenggu fenshe [Xinhua Inner Mongolia Bureau], October 22, 2009.
If all the blueprints of new pipelines are executed, the People’s Republic could boost its oil supplies from Russia, Central Asia, and Myanmar to about 70 million tons by 2020, or about 20% of its estimated oil imports for that year. New natural gas pipelines to Central Asia, Russia, and Myanmar could have a joint capacity of 90 billion cubic meters (bcm) once they are all operational. Assuming that China has to import 150 bcm of natural gas in 2010, this could fulfill a large part of its needs.

Yet, it remains to be seen whether China will be able to fill its pipelines. It hardly controls exploitation activities in these areas and, just as China is trying to diversify its suppliers, so energy producers are aiming to diversify their customer base. In Central Asia, China will certainly end Russia’s monopoly as transit zone to the rest of the world, but this will not make China indispensable. In 2009, the U.N. Commodity Trade Database (COMTRADE) reported that Kazakhstan still shipped all of its gas via Russia: half to Russian consumers and half to Ukraine. Only 10% of its oil production was transferred to China, with the remainder being mainly bound for the European Union. In 2009, Turkmenistan too sold almost all of its natural gas to Russia.

China’s pipelines to Central Asia also have a smaller capacity than the ones to Russia, and countries like Kazakhstan or Turkmenistan need to honor long-term supply contracts with Russia and European countries before they can start filling the pipelines to China. China’s pipelines will thus probably not divert current exports to the West. Yet, they will permit producing countries in Central Asia to pit more consumers against each other, likely getting more in return for their natural resources. Also in regard to other infrastructure, China will not become Central Asia’s geopolitical gatekeeper, as Russia was during the Cold War. In spite of the rapid development of corridors to the region, Russia still has more railway connections with countries in the region—seven in total—and controls eight important highways to Kazakhstan alone. For China’s infrastructure to be effective, it needs to be backed up with trade power, political commitment from partners, and clear regulations for managing commercial exchanges.

These caveats notwithstanding, China has performed well compared to its main competitors. Between 1999 and 2008, it implemented the largest domestic road and rail network expansion of all Asian countries. The density

of the transportation network in China’s border provinces has grown much faster than in the Indian border states or the Russian Far East. With a road density of about 20 kilometers per 100 square kilometers, even the mountainous Tibet Autonomous Region is doing better than the average of only 18 kilometers in the Indian states of Uttar Pradesh, Bihar, and Arunachal Pradesh. In 2008, road density in frontier provinces like Yunnan, Guangxi, Jilin, and Heilongjiang was about 30% higher than in India’s border provinces and entirely outstripped Russia’s obsolete transportation grid in the Far East.

China has also been more successful in connecting to other countries. Moscow has been talking about developing a new 4,000-kilometer-long land bridge composed of roads and railways between Central Asia and Europe but has delivered virtually nothing. China in the meantime has bridged the 4,000 kilometers between Almaty, Kazakhstan’s commercial center, and Shanghai with an impressive corridor of railroads, highways, and pipelines. India has been making plans for almost a decade to gain access to the energy reserves of Myanmar and Central Asia. But no one has implemented these plans, because of political instability and a lack of financial resources. India’s prestigious Kaladan multimodal project, which is expected to unlock its impoverished Northeast, will have an estimated throughput of about 75,000 tons of goods annually, which is already much less than the 86,000 tons that China foresees shipping via the Mekong River alone to Thailand. The People’s Republic has also kept up to par with Japan in developing its north-south corridor from Kunming to Singapore: compare Japan’s east-west route from Vietnam to Myanmar, which has been a priority for Tokyo. Japan has faced hurdles to keep up financial support to build important bridges and highway sections. China, by contrast, has thrown all its weight on the construction scale and has often avoided complications with contractors by having the infrastructure installed by Chinese companies.54

CONCLUSIONS

China presents its involvement in the development of regional transportation networks as a product of a rather liberal concern to create an open Asian market. But its locomotives tend to be mercantilist and driven by worries

about the relative economic and military influence of other powers in the region. The People’s Republic does recognize the importance of dense and open trans-Asian logistic networks, but what matters is who uses them most effectively in the competition for investment, export markets, and natural resources. In addition, experts and officials have expressed their concern about roads, arguing that a road network matters not only in the contest for economic clout but in the struggle for strategic influence as well.

Second, China’s policies are increasingly influenced by the central government. Certainly, sub-state governments and international organizations have been at the origins of the idea of trans-Asian networks. Beijing also continues to support programs of international organizations like the ADB. But particularly in 2007 and 2009, the center has taken important initiatives to steer and finance future projects. Finally, it has become clear that new logistic arteries have facilitated China’s strengthening its economic position in its neighborhood. Markets that used to be inaccessible are now directly connected to China’s rapidly growing economy. The evolving traffic via Chinese trade ports shows that Beijing is well on its way to achieving two of its main objectives: to gain access to vast natural resources and to tap the modest but important potential of nearby consumer markets. Moreover, it has done better thus far than its challengers. Hence, road diplomacy is an important device in China’s pursuit of competitive regionalization, and not an unsuccessful one. This leads us to one of the main features of mercantilism, namely, that apparent liberal policies are but a stratagem in a realist strategy.