International Master's Program in International Studies National Chengchi University

國立政治大學國際研究英語碩士學程

Chinese Belt and Road Initiative: An Empty Slogan or Effective Policy? Analysis of Actual Results in Xinjiang and Fujian 中國一帶一路倡議:空洞口號或有效政策?新疆及福建之成果檢驗

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Abstract

The Chinese-led Belt and Road Initiative (B&R) has received worldwide attention since its commencement. Apart from promoting economic exchange around the globe, analysts suggest that Beijing's motives behind the policy also include tackling the developmental problems facing China. Therefore, this research focuses on the domestic effectiveness of the Belt and Road Initiative, presenting a reality check on whether the initiative helps China overcome the developmental obstacles such as limited energy sources, uneven distribution of wealth between the west and east, and oversupply in certain manufacturing industries. As the respective core areas to advance the Belt and Road, Xinjiang and Fujian are selected as the objects to examine the results of the initiative. While Beijing expects highly that the Belt and Road Initiative could bring solutions to China's developmental bottleneck, this research suggests that the policy's results in Xinjiang and Fujian is mixed – somewhere between insignificant and ineffective. In addition, the policy results in Xinjiang is relatively more fruitful than they are in Fujian, indicating that the design of the overland route seems to be Beijing's major area of focus compared to the maritime Silk Road.

Key words

Belt and Road, B&R, OBOR, Vision and Action, Xinjiang, Fujian, domestic effect, developmental problems, developmental indexes, empty slogan, effective policy.

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中國政府於 2013 年提出並付諸實行之一帶一路構想,一經推出便獲得全球高度重視。據中外學者歸納,北京推動一帶一路之動機,一方面為刺激區域及世界貿易、資金、投資,及技術之往來,另一方面欲藉此倡議解決中國面臨的諸多發展問題,如東西發展失衡、貧富不均、國家能源進口來源單一,以及產能過剩等等。又北京於「推動共建絲綢之路經濟帶和 21 世紀海上絲綢之路的願景與行動」官方聲明中,明確指定新疆及福建將做為推動一帶一路的重點核心區。因此,本文旨在檢驗一帶一路於中國國內的工作成果,並特別探討此政策在新疆及福建兩地是否達到解決上述發展問題之成效。本研究之成果指出,一帶一路於新疆及福建兩地之成效介於不明顯與無效之間。換言之,一帶一路倡議於中國國內更多的是一空洞口號,而非實際有效之政策。此外,一帶一路倡議在新疆之成果較福建顯著,說明路上絲路之設計應為北京之主要戰略意圖,海上絲綢之路則更多是作為配套。

關鍵字

一帶一路倡議,一帶一路,絲綢之路經濟帶,21世紀海上絲綢之路,國內成效, 東西發展失衡,貧富不均,能源安全,產能過剩,推動共建絲綢之路經濟帶和21 世紀海上絲綢之路的願景與行動,核心區,新疆,福建,發展指標,空洞口號。

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Table of Contents

Chapte	er 1: Introduction	1
1.1	Overview of the 'Belt and Road'	1
1.2	The significant role of Xinjiang and Fujian in the making of B&R	8
1.3	Research questions and significance	16
1.4	Methodology and limits	19
1.5	Literature review	21
1.6	Organization of Research	25
Chapte	er 2: Background Knowledge of the 'Belt and Road'	28
2.1	B&R in the making: A calendar of events	28
2.2	The drivers for B&R – Beijing's visions	32
2.3	"Peaceful Rise" or "China Threat?": A Comparison between Neighboring Countr	ies'
Respon	ises to B&R	39
Chapte	er 3: The Case Study of Xinjiang	46
3.1	Implementing the "Silk Road Economic Belt" in Xinjiang: key areas of focus	46
3.2	The potential challenge of advancing B&R in Xinjiang	54
3.3	B&R's preliminary results in Xinjiang	
Chapte	er 4: The Case Study of Fujian	78
4.1	Implementing B&R in Fujian: Key areas of focus	78
4.2	The potential challenge of advancing the Maritime Silk Road in Fujian	82
4.3	B&R's preliminary results in Fujian	86
Chapte	er 5: Conclusion and the Roads ahead	96
5.1	Do all the efforts pay off? – B&R as a slogan or an effective policy?	96
5.2	SWOT analysis of B&R	. 100
Bibliog	raphy	. 103

Table of Charts

List of Tables

Table 1.1 Xinjiang's Major Import and Export Trading Partners in 2015	10
Table 1.2 Fujian's Trade with Foreign Countries	14
Table 2.1 Foreign countries' response to B&R	43
Table 3.1 GDP of Xinjiang and China	59
Table 3.2 National and Xinjiang's trade amount	61
Table 3.3 Xinjiang and the country's national income	65
Table 3.4 Length of transportation routes in Xinjiang and China	67
Table 3.6 Xinjiang's freight volume by highway and railway	
Table 3.7 Volume of passenger traffic in Xinjiang	70
Table 3.8 Length of energy pipelines in Xinjiang	72
Table 4.1 Foreign trade amount of Fujian	86
Table 4.2 Fujian and national GDP	90
Table 4.3 Freight volume of Fujian and China	91
Table 4.4 Volume of passenger traffic in Fujian	93
Table 5.1 SWOT analysis of B&R initiative	101
Chengchi University	

Chapter 1: Introduction

1.1 Overview of the 'Belt and Road'

The catchy term "Belt and Road" has received increasing media coverage over the past 3 years. It consists of the "Belt", which stands for the "Silk Road Economic Belt" (絲綢之路經濟帶, SREB), and the "Road," which refers to the "21st Century Maritime Silk Road" (21 世紀海上絲綢之路). Overall, the "Belt and Road Initiative" (一帶一路, B&R) is not only a developmental strategy aiming at China's domestic problems, but also an international initiative that focuses on enhancing connectivity and cooperation among countries between China and Afro-Eurasia. Unlike the Silk Road back in ancient times which was forged by bottom-up trade activities, B&R is a top-down initiative designed and implemented by Chinese ruling elites. As Junhua Zhang, a professor of Shanghai Jiao Tong University, points out, B&R is an unprecedented attempt of Beijing to undertake the challenging role to lead such a large-scaled, cross-continental, mercantile strategy aiming at facilitating regional development.1

The core values of B&R, as Xi Jinping puts it, is built on traditional Chinese culture of "qin, cheng, hui, rong" (親、誠、惠、容, amity, sincerity, benefit and

¹ Junhua Zhang, "What's driving China's One Belt, One Road initiative?" East Asia Forum, Sep. 2, 2016, http://www.eastasiaforum.org/2016/09/02/whats-driving-chinas-one-belt-one-road-initiative/.

² Zhongguo Xinwenwang, "Toushi Xi Jinping waijiao linian: qinchenghuirong dazao mingyun gongtongti" (Insights into the diplomatic idea of Xi Jinping: building a community of shared destiny with amity, sincerity, mutual benefit, and inclusiveness), Oct. 10, 2014, http://www.chinanews.com/gn/2014/10-10/6660509.shtml.

inclusiveness), which encourage seeking commonality while tolerating differences to reach win-win outcome. But analysts suggest that there are more commercial and geopolitical driving forces behind. For one thing, the new trade routes under the design of B&R targets at providing outlets for China's vast industrial overcapacity – mainly in steel manufacturing and heavy equipment. Zhang believes that such motivation represents Chinese neo-mercantilist thinking that "endorses global trade and its institutions while also pursuing a government-led globalization strategy to accumulate capital and wealth for the nation." For another, Anna Bruce-Lockhart argues that Beijing aims to explore new trade markets through B&R, and by doing so refill energy into China's slowing yet still impressive economy.⁴

The 'Belt and the Road' was firstly unveiled during Xi Jinping's respective visits to Central and Southeast Asia in September and October 2013. In September 2013, Xi Jinping introduced the idea of building SREB in a speech to Kazakhstan's Nazarbayev University. From a geographical perspective, the route of SREB starts from Xi'an (西安) in mid-China through Central Asia and stretches westward into Europe. Official documents state that this overland route "focuses on bringing together China, Central Asia, Russia and Europe; linking China with the Persian Gulf and the Mediterranean

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³ Junhua Zhang, "What's driving China's One Belt, One Road initiative?"

⁴ Anna Bruce-Lockhart, "Why is China Building a New Silk Road," *World Economic Forum*, Jun. 26, 2016, https://www.weforum.org/agenda/2016/06/why-china-is-building-a-new-silk-road?utm_content=bufferba30a&utm_medium=social&utm_source=facebook.com&utm_campaign=buffer.

Sea through Central Asia and West Asia." Along SREB, China will advance the construction of oil and natural gas pipelines, rails and other infrastructure projects.⁶ In his speech, Xi particularly stressed that building SREB requires attention on five particular areas: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people to people bonds. Specifically, "Policy coordination" suggests that participating members negotiate plans for cooperation in a collective manner. "Facilities connectivity" refers to vastly building infrastructural construction along the SREB. "Unimpeded trade" provides favorable conditions for freer economic cooperation and investment. "Financial integration" refers to reducing transaction cost and financial risks. Finally, "people to people bonds" lay a foundation for regional cooperation at the citizen level. In October the same year, Xi promoted his notion of building a maritime Silk Road in parallel with the overland SREB in another speech at the Indonesian Parliament. In the speech, Xi stated that China has the will to develop a benign maritime relationship with ASEAN countries by "jointly building the 21th Century Maritime Silk Road." Unlike SREB, the maritime route is "designed to start

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⁵ The National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," 1st edition, Mar. 28, 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

⁶ Stefanie Kam, "Making China's 'One Belt, One Road' More Turkic," *THE DIPLOMAT*, Jul. 04, 2016, http://thediplomat.com/2016/07/making-chinas-one-belt-one-road-more-turkic/.

⁷ For the full speech, see: *Xinhua Net*, "Xi Jinping zai nazhaerbayefu de yanjiang" (Xi Jinping's speech at Nazarbayev University), Sep. 08, 2013, http://news.xinhuanet.com/world/2013-09/08/c 117273079.htm.

⁸ For the full speech, see: *Xinhua Net*, "Xi Jinping zai yinni guohui fabiao yan shuo: xishou jianshe zhongguo-dongmeng mingyun gongtongti" (Xi Jinping gave the speech "Join hands to build a China-ASEAN community of common destiny" at the Indonesian Parliament:), Oct. 13, 2013,

from China's coastal cities to Europe through the South China Sea and the Indian Ocean in one route, and through the South China Sea to the South Pacific in the other." The maritime Silk Road also differs from SREB in that it is oriented to the ASEAN countries and aims at building a "China-ASEAN" community of shared destiny (中國一東協命運共同體) based on shared interests. 10

continent, connecting the Asia Pacific economic circle in the east and the European economic circle in the west. He apart from being a geographic term, B&R is also a double-faceted initiative — one that aims at both domestic development and international cooperation. As Li Yongquan puts it: "at the domestic level, B&R is no doubt a developmental strategy because it has been recorded in PRC's document, governmental reports, and "the thirteenth Five-Year Plan" (十三五計畫); At the international level, however, it is a cooperative initiative." In other words, B&R initiative not only meets China's need for further domestic opening-up, but also functions as a platform for the advancement of closer relationship with Eurasia,

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http://news.xinhuanet.com/world/2013-10/03/c_117591652.htm.

⁹ "Vision and Actions"

¹⁰ Xinhua Net, "Speech at the Indonesian Parliament."

Anonymous, "Yidai yilu dashiji" (The calendar of event of the One Belt One Road), *Daluqiao shiye* (Continental Bridge Vision) 1, (2015): 23-23.

Yongquan Li et al., 'Yidai Yilu' Lan Pi Shu - 'Yidai Yilu' Jianshe Fazhan Baogao (Blue Book of "the Belt and Road" - Annual Report on Development of "the Belt and Road" Construction), Shehui kexue wenxian chubanshe (Social Sciences Academic Press (China)), first edition, Jul. 2016: p.6.

¹³ Ibid., p.5.

Most of the contents of B&R and its major areas of focus can be found in an important official issue of document entitled "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road" (Vision and Action).¹⁴ The document was jointly issued by the Chinese National Development and Reform Commission (國家發展和改革委員會), Ministry of Foreign Affairs (外 交部), and Ministry of Commerce (商務部) in March 2015. The document is of paramount importance because it conveys the overall background of B&R's making, its principles, framework, focal points of cooperation, and cooperation mechanism.¹⁵ As Xie Tao has written:

The Belt and Road Initiative, according to Vision and Actions, is "open to all countries, and international and regional organizations for engagement." It "advocates peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit," as well as "promotes practical cooperation in all fields, and works to build a community of shared interests, destiny, and responsibility featuring mutual political trust, economic integration and cultural inclusiveness." Thus the Belt and Road *Initiative is nothing less than a Chinese call on the international community* to jointly work toward a "harmonious and inclusive" world. It is an updated—but much more detailed and operational—version of the "harmonious world" proposed by the former Chinese President Hu Jintao in 2005.16

Another point that Vision and Action has made clear is that Beijing will actively

¹⁴ Officially entitled "推動共建絲綢之路經濟帶和 21 世紀海上絲綢之路的願景與行動" in

¹⁵ Yongquan Li et al., Lan Pi Shu, p.5.

¹⁶ Xie Tao, "Is China's 'Belt and Road' a Strategy? When is a strategy not a strategy?", THE DIPLOMAT, Dec. 16, 2015, http://thediplomat.com/2015/12/is-chinas-belt-and-road-a-strategy/.

exploit existing multilateral institutions as platforms to carry out B&R-related projects. For example, B&R will make use of the framework and extend the function of Shanghai Cooperation Organization (SCO), Asia-Europe Meeting (ASEM), Asia Cooperation Dialogue (ACD), Conference on Interaction and Confidence-Building Measures in Asia (CICA), to name a few.

From a domestic perspective, institutional changes and policy adjustment are also in the making inside China. Xi announced at the 2014 APEC summit that China will invest 40 billion US dollars in the establishment of the "Silk Road Fund" (絲綢之路基金, SRF) and over 50 billion in building the "Asian Infrastructure Investment Bank" (亞洲基礎設施投資銀行, AIIB). Both organizations are dedicated to infrastructural development of Asia in the areas of transportation, energy, water supply and urban development.¹⁷ The AIIB, in particular, will serve as the fund-providing institution for B&R, and aims to facilitate the movement of goods, services, and people across national borders. Besides SRF and AIIB, Beijing has also enacted ten particular taxation policies, inspection and quarantine measures, and the "Standard of Connection for B&R's Action Plan (2015-2017)" (《標準聯通 「一帶一路」行動計畫(2015-2017)》) ¹⁹ particularly for the advancement of B&R.

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¹⁷ Irina Ionela Pop, "Strengths and Challenges of China's "One belt, One road" Initiative", *Centre for Geopolitics & Security in Realism Studies*, Feb. 09, 2016.

¹⁸ Zhiqun Zhu, "China's AIIB and B&R: Ambitions and Challenges", *THE DIPLOMAT*, October 09, 2015, http://thediplomat.com/2015/10/chinas-aiib-and-B&R-ambitions-and-challenges/.

¹⁹ Yongquan Li et al., *Lan Pi Shu*, p.9.

For China, B&R is another bold attempt for "opening-up." However, there is an essential difference in terms of the strategy for opening between B&R and the Reform and Opening-Up Policy (改革開放政策) in 1979. Since Deng Xiaoping launched Reform and Opening-Up Policy, China has been introducing foreign capital, advanced technology, and management skill²⁰ inside the country, with the developmental process gradually moving from the coastal provinces towards western hinterland areas. Xi's B&R, however, adopts an opposite line of strategy. As the previously rocketing economic growth slows down and the regional development gap of the country widens,²¹ it requires more local enterprises to go outside and seek more room for development.²² This is the reason B&R adopts an outward-going strategy - one that emphasizes exportation and outward investment, not the other way around. While pushing B&R forward, Xi Jinping is also pushing the country's relatively less developed hinterland region toward opportunities, creating more room for these western provinces to further reform and open up. With a clear code of conduct and active worldwide promotion, it seems that the carefully-designed initiative is on the right track. Yet it requires Beijing to tread carefully and deal cautiously with the

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²⁰ Ibid., p.4.

²¹ In the past five years, China's GDP growth reached its highest peak to 10.4% in 2010, but increasingly went down afterwards. It reached its lowest point of 6.9% in 2015. For detailed statistics, see: *The World DataBank*:

http://databank.worldbank.org/data/reports.aspx?Code=NY.GDP.MKTP.KD.ZG&id=af3ce82b&report_name=Popular indicators&populartype=series&ispopular=y.

²² Yongquan Li et al., *Lan Pi Shu*, p.5.

various new and complicated domestic and international challenges. What lies ahead of B&R will not be a bed of roses. Whether the action plan can turn out to be an effective one - not reduced to empty propaganda - is testing the wisdom of Chinese authority.

1.2 The significant role of Xinjiang and Fujian in the making of B&R

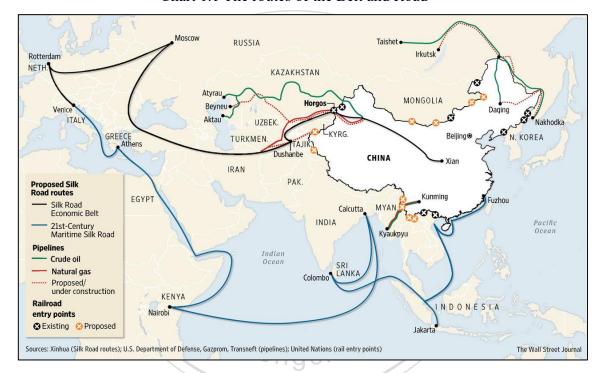


Chart 1.1 The routes of the Belt and Road

Source: Wall Street Journal

Beijing has designated Xinjiang and Fujian respectively as the core areas of SREB and the Maritime Silk Road. As the route map above demonstrates, the proximity of the two provinces to Central Asian and ASEAN countries is one of the reasons that they are in Beijing's favor. In addition to their respective strategic location, Fujian and Xinjiang also have the following advantages under the initiative.

1. The uniqueness of Xinjiang

Xinjiang is not only the connecting bridge between Xi'an, the starting point of B&R, and Central Asian region, but also where the Asia Pacific and European economic circles intersect. From a domestic perspective, Xinjiang connects the Bohai Economic Rim (渤海經濟圏, BER), Yangtze River Delta (長三角), and Pearl River Delta (珠三角) to the east, and Central, West and South Asia, the Middle East, and European countries to the west. Located in a strategic location, Xinjiang also has the following advantages:

(1) Natural resources and energy route

Xinjiang is rich in natural resources in terms of both variety and storage amount. Its proximity to Central Asia also makes it an important basement of energy transportation for the country. First, statistics of the National Bureau of Statistics of China (中國國家統計局)²³ indicate that the storage amount of oil, natural gas, and coal in Xinjiang respectively account for 30%, 34%, and 40% nationwide. This is the reason Beijing has been viewing the province as the guarantee of China's natural resources. Second, according to the *China Times*, although China is the main oil producing countries in the world, it relies over 60% on the import of crude oil.²⁴ Xinjiang thus plays a key role in transmitting oil and gas from Kazakhstan,

²³ National Bureau of Statistics of People's Republic of China, http://data.stats.gov.cn/.

²⁴ *China Times*, Zhongguo shiyou duiwai yicundu shoudu chaoyue 60% (Chinese reliance on oil import exceeds 60% for the first time), Jan. 27, 2016, http://www.chinatimes.com/newspapers/20160127000086-260203.

Turkmenistan, and Uzbekistan to the eastern provinces of China. In sum, Xinjiang's large number of oil fields, mass production and storage amount of oil allow for massive energy exploitation. Its strategic location also make it the inevitable transportation route of energy import from Central Asia. By building pipelines of oil and natural gas in Xinjiang, Beijing will be able to build a network connecting energy resource across the country while reducing the reliance on unitary source of energy import by marine routes.

(2) Hub of business and commerce

Table 1.1 Xinjiang's Major Import and Export Trading Partners in 2015

	Total Import/Export of Xinjiang (US\$ Billion)	Share of Xinjiang's Total Imports & Exports (%)	Share of Xinjiang's Trade in China's Trade with the Country (%)
Kazakhstan	5.748	29.2	40.2
Kyrgyzstan	3.237	16,5	74.6
Russia	0.938	4.8	1.4
Tajikistan	1.393	7.1	75.4
US	2.072	10.5	0.4
Uzbekistan	0.527	2.7	15.1

Xinjiang is China's trade center with Central Asian countries. According to customs' statistics in 2015, Xinjiang's import-export trade with Kazakhstan and Kyrgyzstan added up to 46% of the province's total trade value. From a nationwide perspective, Xinjiang itself respectively accounted for 40.2%, 74.6% and 75.4% of China's total trade with Kazakhstan, Kyrgyzstan and Tajikistan. In other words,

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²⁵ Urumqi Customs District of People's republic of China, http://urumqi.customs.gov.cn/publish/portal166/tab61996/info784720.htm

China's trade with Central Asian countries is mainly conducted through Xinjiang, making the province an important platform for foreign exchange between China and these countries.

(3) Regional transportation and logistics center

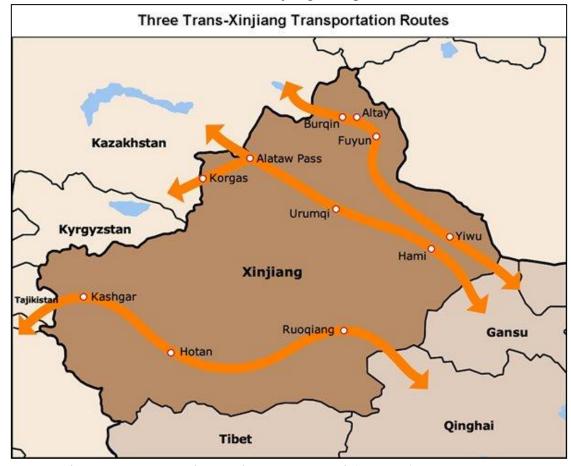


Chart 1.2 Three Trans-Xinjiang Transportation Routes

Source: the Hong Kong Trade Development Council (HKTDC)

Currently, there are three transportation routes that are under construction in Xinjiang, with each of them crossing Xinjiang's main cities or counties and connecting China's inland areas with Central Asian countries. The northern route connects to Kazakhstan and Russia via Yiwu, Fuyun, and Burqin. The middle route passes through Hami, Turpan and Urumqi and leads to Central Asia and Europe via

Alataw Pass and Khorgas respectively. The southern route stretches to Tajikistan via Ruoqiang, Hotan and Kashgar. The Xinjiang Development and Reform Commission states that the middle route is already open to traffic, while the northern and southern routes are scheduled to open to traffic during 2016-2020.²⁶

(4) Cultural variety

In ancient eras, the current location of Xinjiang was where the four great ancient civilizations – civilizations of ancient China, India, Persia, and Greece – met one and another. Xinjiang is therefore rich in cultures of various regions and peoples. Beijing believes such cultural variety is conducive to the advancement of B&R at the citizen's level, and is the cornerstone of people-to-people exchange.

All in all, Xinjiang is crucial to the development of B&R due to its ideal geographic location, abundant energy resources, historical background, and rich cultural element.

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2. The uniqueness of Fujian

Fujian lies in the coastal area of China and is adjacent to the Taiwan Strait. The strategic location not only makes the province a major starting point of the ancient maritime Silk Road, but also a hub communicating China with western Pacific region for centuries. Apart from positioning in an advantageous location, Fujian also has the following favorable conditions in advancing B&R:

²⁶ The Hong Kong Trade Development Council (HKTDC), "Xinjiang: A Core Component of Belt and Road," Feb. 2016, http://economists-pick-research.hktdc.com/business-news/article/Research-Articles/Xinjiang-A-Core-Component-of-Belt-and-Road/rp/en/1/1X000000/1X0A5D5S.htm.

(1) The connection of overseas Chinese

Statistics from Overseas Chinese Affairs Office of the State Council (國務院僑 務辦公室) indicates that in 2014, Fujian has over 15.12 million well-connected overseas residents.²⁷ Among these overseas Chinese, up to 78% (12 million) reside in Southeast Asia, providing vibrant human and cultural support for the building of the maritime Silk Road. In addition, Chinese overseas merchants from Fujian has donated more than 25.8 billion RMB²⁸ to public welfare since the commencement of the Reform and Opening-Up. Having large number of overseas Chinese residing along the route of the maritime Silk Road is a great asset for the advancement of B&R.

(2) High-ranking port facilities worldwide

The number of advanced port facilities in Fujian outnumbers those of other coastal provinces, allowing Fujian to have higher capacity for intense foreign exchange and investment. As China Go Abroad points out:

The port of Xiamen, home to the China Southeast International Shipping Centre, is the key port for vessels heading to Taiwan and other overseas countries. As the world's 17th largest container port, it handled 200 million tons of cargoes in 2014, with container throughput reaching 8.57 million TEUs. Cargo handling is expected to soar to 300 million tons by 2018, with container throughput reaching 12 million TEUs. Meanwhile, the port of Fuzhou has also joined the ranks of "100-million-ton class port" and

²⁷ "Fujian haiwai huaqiao huaren da 1512 wan ren cheng wu fangmian tedian" (Fujian's overseas Chinese amount to 15.12 million people The five main characteristics of them), Overseas Chinese Affairs Office, May. 28, 2014, http://www.gqb.gov.cn/news/2014/0528/33149.shtml.

²⁸ Overseas Chinese Web of China, "Fujian sheng 2015 nian jieshou qiao gang ao tongbao juankuan 8.66 yi yuan" (Fujian province received 866 million of donation from Hong Kong and Macao's overseas Chinese in 2015), Feb. 25, 2016, http://www.chinaqw.com/gqqj/2016/02-25/80743.shtml.

become one of China's hub ports. Its Jiangyin port area with 250,000-ton class berths now ranks among the world's top 100 container ports.²⁹

(3) Dynamic economic relation with Southeast Asia

Table 1.2 Fujian's Trade with Foreign Countries

	2014			Jan-Sep 2015		
	US\$ billion	%	Growth Rate	US\$ billion	%	Growth Rate
Total Imports & Exports	177.50	100.0%	4.8%	127.43	100.0%	-2.2%
US	26.63	15.0%	8.8%	22.37	17.6%	15.2%
ASEAN	25.08	14.1%	3.3%	18.06	14.2%	3.0%
EU	25.97	14.6%	10.6%	17.76	13.9%	-9.0%
Taiwan	12.44	7.0%	-3.2%	8.46	6.6%	-9.0%
Hong Kong	10.38	5.8%	-5.9%	6.84	5.4%	-8.7%

The graph above shows the main trading partners of Fujian. According to Fuzhou Customs, ASEAN has become Fujian's second largest trading partners since 2014, with bilateral trade amount between the two surpassing US\$18.1 billion from January to September in 2015. Because the route of the Maritime Silk Road passes through major ASEAN countries, the large amount of bilateral trade therefore embodies Fujian's importance. Xiamen Customs also indicate that in 2015, there are 7 provinces in China which had over 1 trillion dollars of import and export, including Guangdong, Jiangsu, Shanghai, Zhejiang, Beijing, Shandong, and Fujian. Among them, Fujian ranked No.4 in terms of both import and export growth rate.³⁰

In sum, Fujian plays an important role under B&R due to its large number of overseas

²⁹ China Go Abroad, "Fujian to Explore 21st Century Maritime Silk Road Opportunities."

³⁰ Xiamen Customs District People's Republic of China,

http://xiamen.customs.gov.cn/publish/portal156/tab61163/info785639.htm.

Chinese, port facilities with high quality, and strong economic ties with ASEAN countries.

With respective advantageous conditions, Xinjiang and Fujian are selected as the core areas of B&R- an ambitious plan aiming to strengthen economic cooperation and facilitate regional development while resolving the developmental issues facing China nowadays. The extra effort and special care Beijing has put in Xinjiang and Fujian to promote B&R also raises the author's interest to conduct further research on the future development of the initiative in the two provinces. In the following section, the author will discuss the research questions of this thesis and explain why they are important.



1.3 Research questions and significance

The routes of B&R pass through more than 60 countries in the world, covering more than 30% of global GDP.³¹ Analysts also estimate that more than 64% of the world population would benefit from the initiative.³² From an economic perspective, the trade amount between China and countries along the routes of B&R has already surpassed US\$1,000 billion in 2014, and it is expected to reach up to US\$2,500 billion in the foreseeable decade.³³ Accordingly, B&R is positioned as a crosscontinental development grand strategy, with its impact to the rest of the world bound to be significant. In addition, the amount of economic benefits that B&R has brought in to date has convinced many that the action plan will continue dominating Chinese foreign policy in the coming years. However, several questions remain to be answered: Is B&R really a miraculous cure that will save China from its domestic problems such as overcapacity, resource security, and widening developmental gap even though it is proved beneficial to other participatory countries? How far B&R can go in creating collective benefits for countries along the routes, creating jobs and infrastructural constructions as Chinese government claims it will? Can Chinese authority overcome the obstacles of B&R even though it has made a lot of practical efforts to make the plan as likely as possible? Will other countries in the region view the initiative as altruistic or purely driven by China's self-interest – an attempt to pull China out of its economic slowdown? Lastly, will B&R be reduced to yet another failed policy full of empty slogan and rhetoric like the "Great Leap Forward" (大躍 進)?

³¹ Yongquan Li et al., *Lan Pi Shu*, p.9.

The Observer Web, "Yidai yilu wenjian fabu quanwen jiedu: fugai quanqiu 64% de renkou" (Document of B&R issued Interpretation of the full text: covering 64% of worldwide population), Mar. 31, 2015, http://www.guancha.cn/broken-news/2015 03 31 314339.shtml.

³³ TEXTILE FUTURE, "The New Silk Road "One Belt, One Road" (continued series on China)," https://www.textile-future.com/textile-manufacturing.php?read article=3534.

This research is in no attempt to answer all these questions, but rather focusing on a more overarching and domestic one: "Is B&R more of an empty slogan or an effective initiative in Xinjiang and Fujian?" In other words, it is the author's attempt to examine if B&R would be the effective solutions to the disturbing internal problems facing China nowadays by looking at how B&R develops in the two provinces. The question interests the author because although the discussion on B&R's effectiveness from a global perspective can be widely seen in existing literatures, not much existing literatures seems to examine its domestic result with well-planed reality check or by other measures. This is not only the author's research motivation, but also the research gap he aims to fill in.

Therefore, three extra sub-questions will be raised in future chapters to support the main research question:

- 1. What are the driving forces behind B&R initiative? What are the main problems

 China aims to solve with the help of B&R?
- 2. What are some of the preliminary results in Xinjiang and Fujian that can be seen to date?
- 3. Is B&R successful in Xinjiang and Fujian, and what evidence or counter-evidence can be found supporting or rejecting B&R's effectiveness in them?

It is important to evaluate if the financial input into Xinjiang and Fujian is transferred to actual improvement in various developmental indexes. From a domestic perspective, firstly, the designated role of the two provinces as the respective core areas to advance SREB and the 21st Century Maritime Silk Road makes them the

Secondly, a number of analysts argue that the success of the initiative holds the key to the future prospects of Chinese "new round of opening to the world (新一輪對外開放)."³⁴ Some scholars of this school of thoughts even estimate that whether B&R turns out to be effective or not is crucial to the success of China's economic transition and even the legitimacy of Chinese Communist Party (CCP) and Xi himself. From an international perspective, there are a number of developing countries along the Belt and Road such as Kazakhstan and certain ASEAN members depending on B&R to pull them out of their stagnant infrastructural development. Due to the proximity of these countries to Xinjiang and Fujian, their prospect to make actual breakthrough in infrastructural development hinges on the effectiveness of the initiative in Xinjiang and Fujian. ³⁶

What people know so far is that Beijing has clearly clarified the goals of B&R and has set the year 2049 as a milestone to examine the policy results as it celebrates CCP's 100th anniversary of establishment. But given that B&R is in a relatively early stage, we cannot be sure whether the initiative will be an effective one. Accordingly, the author's prospective contribution would be to test how far Chinese authority can

³⁴ Qingguo Jia, "da dan jia she xu yao ren zhen luo shi, yi dai yi lu ji dai nong qing he lun zheng de ji da wen ti" (Bold thinkings needs earnest implementation, the questions related to B&R that await clarification and demonstration). *Renmin Luntan* (People's Forum), Mar. 2015, http://theory.people.com.cn/n/2015/0330/c112851-26771579.html.

³⁵ Guy de Jonquières, "Xi Jinping's long road to somewhere? China's B&R initiative and how Europe should respond", *HKTDC*, Aug. 23, 2016, http://beltandroad.hktdc.com/tc/market-analyses/details.aspx?ID=475865.

³⁶ Yongquan Li et al., Lan Pi Shu, p.14.

exploit B&R to solve the developmental problems as it claims it will. It is the author's hope that this thesis will prove useful for those who seek not only a comprehensive understanding, but also the effectiveness of the unprecedentedly ambitious plan of the century.

1.4 Methods and limits

The method of this research is a combination of case study and empirical study based on observable evidence. To conduct an analysis of a policy's effectiveness, we should first research on the backdrop against which the policy was made. In the case of this research, the domestic developmental problems facing China is what drove it to advance the B&R initiative. In other words, B&R policy serves as a tool for China to overcome the obstacle to its further open-up. Therefore, this research will first demonstrate the current issues impeding China's development based on existing literature and reachable statistics. Second, given Xinjiang and Fujian's advantageous role as the designated core areas of the B&R policy by Chinese authority, we choose them as the objects to conduct the reality check of the policy's actual results.

The specific measures this research adopts to examine B&R's result in Xinjiang and Fujian is by examining existing domestic and foreign scholarly literatures, governmental issue of statements, official reports, and statistical data of development of the two provinces. For example, to affirm B&R as an effective policy that helps relieve unequal national development, it could be useful to examine statistical number

such as increased cargo shipments by rail and change of GDP growth rates in Xinjiang compared to the national average. For one thing, they show that infrastructure is really functioning better than before in Chinese western region; for another, they prove the local residents are getting actual economic benefits from the initiative. For another example, to fortify the argument that B&R really helps to consume China's domestic oversupply in certain industries and facilitate outward investment, it could be useful to apply data of Fujian's foreign trade value and the amount of investment into countries along the Maritime Silk Road after B&R began. By means of such reality check on the policy results in Xinjiang and Fujian, we should be able to conclude whether B&R is a feasible plan that helps overcome the developmental bottleneck facing China, namely, whether the initiative is effective or not in the two provinces.

However, this research also has its limits. Because B&R is still an ongoing policy, and most IR theories mainly deal with "why" and "how" a policy is made rather than its effect, it is thus difficult to find a proper theoretical framework to support the link between the actual result of B&R and its effectiveness. In other words, the actual results of B&R in the two provinces based on data and document analysis might be more convincing with the support of proper theories. Second, even if the evidence found supports B&R's effectiveness in Xinjiang and Fujian, it still lacks a scientific method to prove the initiative would have the same effect in other

provinces of China. In other words, the fact that B&R is effective in Xinjiang and Fujian does not necessarily mean it will be successful in other provinces or the entire country. Third, even if all of the developmental indexes of Xinjiang and Fujian have positive growth with B&R at play, we can only prove there are correlation, but not causal relation, between the advancement of the policy and the positive growth. These three questions remain a research gap that will be left for future study to fill in.

1.5 Literature review

Because B&R is still in its relatively early stage, there is yet no consensus among scholarly literatures regarding what future the initiative will develop into. Most existing references at most lays out the potential challenges of the initiative, arguing B&R could fail if these obstacles are not overcome. But for readers who seek to understand how the academic field see B&R's vision and prospect, it is helpful to divide existing literatures into two camps: skepticism and optimism.

1. Skepticism

David Dodwell, Yeroen van der Leer, and Joshua Yau et.al are skeptical about if the B&R could complete the tasks its initiators boast about. This group of scholars regard the initiative as more a slogan than a real deal. Dodwell posits that B&R is "nonsensical" or "mundane" because "the concept embraces a sprawling grab-bag of more than 60 economies at the last count, amounting to over 60 per cent of the

world's population, and over 46 per cent of global GDP, but sharing almost nothing in common."³⁷ He also argues that, in a short term, the concept of the initiative is likely to be empty of significance in terms of trade and investment because most of the countries it embraces already have intense economic relationship with China. In other words, whether the term "B&R" is officially coined or not, China's economic relationship with Southeast Asia and EU were already on the go anyway. It thus makes it no more than "old wine in a newly marketed bottle." Such interpretation coincides with Leer and Yau's argument that "some of the core elements of the... initiative...are far from new and long predate the public announcements in 2013." In Leer and Yau's words-"this [official statement regarding B&R] is more a symbolic portrayal than a factual interpretation," and that B&R itself is "a large 'umbrella' type of initiative."³⁹ The Economist also suggests that "at the time, the proposals sounded rather fluffy—the sort of thing travelling leaders often trot out,"40 pretty much similar to what Patrick Cronin argues, "[B&R] is still more of a slogan than an operational reality....It is part of China's soft power efforts to offset the costs of its reputation

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³⁷ David Dodwell, "Reshaping the World Order through 'One Belt, One Road'", *South China Morning Post*, Jul. 15, 2015, http://www.scmp.com/comment/insight-opinion/article/1839292/reshaping-world-order-through-one-belt-one-road.

David Dodwell, "Rethinking 'one belt, one road', though doubts linger'", *South China Morning Post*, Jul. 29, 2015, http://www.scmp.com/comment/insight-opinion/article/1844796/rethinking-one-belt-one-road-though-doubts-linger.

³⁹ Yeroen van der Leer & Joshua Yau, "China's new silk route The long and winding road", *PwC's Growth Markets Centre*, Feb. 2016, https://www.pwc.com/gx/en/growth-markets-center/assets/pdf/china-new-silk-route.pdf.

⁴⁰ The Economist, "Where all Silk Roads lead", *Print edition: China*, Apr. 11, 2015, http://www.economist.com/news/china/21648039-through-fog-hazy-slogans-contours-chinas-vision-asia-emerge-where-all-silk-roads.

incurred by maritime coercion in the South and East China Seas.'41 Some scholars even point out that the geographic range B&R actually covers has never been clearly defined. As Nadine Godehardt puts it, Chinese official maps or other sources regarding the initiative only show various corridors and cities without even showing national borders. He explains that very often when a Chinese policy is introduced, it is usually far from well-thought and comprehensive, and there exists the repetition of "empty political phrase."⁴²

As far as China's motive is concerned, Harry Broadman questions the reasons behind Chinese active promotion of B&R and AIIB. He disbelieves the initiative is altruistic as propagated by Chinese officials. Rather, it is all about saving Chinese firms from overcapacity and the country from economic slowdown. He concludes, "The fact is that the real objectives of such pursuits are not altruistic, conceived by China to provide a benefit to participating emerging market countries. Rather, such mechanisms allow China's massive state-owned enterprises (SOEs), who make up the country's industrial backbone, with "new" markets, where their excess capacity can be exported."

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⁴¹ Wendell Minnick, "China's 'One Belt, One Road' Strategy," *DefenseNews*, Apr. 11, 2015, http://www.defensenews.com/story/defense/2015/04/11/taiwan-china-one-belt-one-road-strategy/25353561/.

⁴² Nadine Godehardt, "No End of History, A Chinese Alternative Concept of International Order?", *Stiftung Wissenschaft und Politik German Institute for International and Security Affairs*, Jan. 2016, pp18-19.

pp18-19.

43 Harry G. Broadman, "Will China's 'One Belt, One Road' Become A 'Bridge To Nowhere'? "Forbes, Jan. 06, 2016, http://www.forbes.com/sites/harrybroadman/2016/01/06/will-chinas-one-belt-one-road-become-a-bridge-to-nowhere/#c8722a11de8c.

2. Optimism

Those who are optimistic about the prospect of B&R believe it is a real deal given the results that could be seen now. Kevin Sneader argues that "I think the skepticism around whether this could be delivered has been at least partially allayed by looking at what's already been achieved."44 Also as Schaefer, Shen, and Pietri put it, "these concepts [of 'Harmonious Society' and 'new type of major power relations'...] are not just slogans. They have led to a number of visible changes in its foreign engagement: the Shanghai Cooperation Organization, the BRICS, G13, and economic forums such as the Boao Forum.'45 In this sense, B&R is an ongoing policy with actual policy results. Bernard Chan foresees the potential benefits brought in by B&R and argues that the initiative is, unlike what many Hong Kong people see, far more than a slogan. The way he sees it, "it (The Belt and Road) will over time increase growth in many of our existing activities - like previous wave of growth in international trade and investment. We should certainly see it as more than just a slogan."46

Xi himself also seems to beware of the disbelief in the reality of B&R. He dealt

⁴⁴ Kevin Sneader, "China's One Belt, One Road: Will it reshape global trade?" *McKinsey Insights Podcast*, Jul. 2016, http://www.mckinsey.com/global-themes/china/chinas-one-belt-one-road-will-it-reshape-global-trade.

⁴⁵ Michael Schaefer, André Loesekrug-Pietri, and Wei Shen, "It's in our interest to join Belt and Road strategy", *China Daily Europe*, Jul. 31, 2015, http://europe.chinadaily.com.cn/epaper/2015-07/31/content 21459808.htm.

⁴⁶ Bernard Chan, "More than just a slogan: Hong Kong must tap opportunities in China's 'belt and road' initiative," *South China Morning Post*, Oct. 1st, http://app.scmp.com/scmp/mobile/index.html#/article/1863106/desktop.

with the concerns at the 2015 Boao Forum by emphasizing "the establishment of B&R is not an empty slogan, but rather visible, tangible, and concrete move which would benefit the region." Although at the current phase B&R sounds rather hollow, it is such vagueness that usually provides room for later debates in academia and the media, which would help supplement and shape the content of the policy. This is perhaps the reason why after the Vision and Action was issued in 2015, a list of "everything" mentioned at different occasions appeared to be replacing the ambiguity in the beginning.

1.6 Organization of Research

The thesis consists of 5 chapters organized as follows:

The first chapter provides an overview of the B&R initiative and the research design of this thesis. In this chapter, not only can readers have a basic understanding of the initiative itself, but also can they realize the purpose of this research and why it is important. First, the author points out the significant role of Xinjiang and Fujian in advancing the B&R, followed by the clarification of the research question – whether B&R is effective or not in the two provinces. Second, the author explains the potential contribution, the methods and the limits of this research. Following the above-

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Wei Zeng and Jiquan Wang, "Xi Jinping: Yidai yilu fei kongdong kouhao jiang dailai shizai liyi" (Xi Jinping: B&R is not an empty slogan. It will bring practical benefits"), *Renminwang* (People's Web), Mar. 28, 2015, http://politics.people.com.cn/BIG5/n/2015/0328/c1001-26764213.html.

⁴⁸ Nadine Godehardt, "No End of History."

mentioned steps is the literature review, from which readers can gain knowledge of current scholarly debate over B&R's effectiveness and its vision. The last part of this chapter is the organization of chapters of this research.

The second chapter is presenting the background knowledge of B&R and it consists of three parts. The first section demonstrates a calendar of events of B&R that enable readers to catch up on the important dates and milestones of the policy's making. The second section refers to the discussion about the drivers for B&R, mainly with the focus on China's motivation behind advancing the developmental strategy.

The chapter ends with a comparison of foreign countries' responses to B&R. The author presents a table for comparison that enables readers to extinguish proponents and opponents of the initiative.

The third and fourth chapters are the respective case study of B&R's preliminary results in Xinjiang and Fujian. The author first lays out the advantages of the two provinces and their respective areas of focus in advancing the policy. The author then demonstrates B&R's current results in Xinjiang and Fujian based on observable evidence. The statistics, tables, and charts in chapter 3 and 4 are taken from liable sources - either from the National Bureau of Statistics of China (中國國家統計局) or the customs of Xinjiang and Fujian. By the end of these two chapters, readers will be able to judge B&R's effectiveness in Xinjiang and Fujian by their various

developmental index.

Chapter 5 is the concluding chapter consisting of the effectiveness analysis of B&R in Xinjiang and Fujian. The author will conclude if B&R is an effective policy that brings in actual economic or developmental improvement in Xinjiang and Fujian, or if it is just an empty slogan with little capability to deal with China's developmental obstacles as Beijing claims it will. At the end of this research, the author presents a SWOT analysis of B&R which demonstrates its strengths, weaknesses, opportunities, and threats based on governmental statements and scholarly research. The analysis aims to provide more pluralistic research perspectives and pave roads for future studies.

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Chapter 2: Background Knowledge of the 'Belt and Road'

2.1 B&R in the making: A calendar of events

This section aims to provide readers with knowledge of when, where, and how B&R was initiated and its progress. The official website of the Ministry of Commerce of the People's Republic of China¹ publishes a list of events of B&R's making, and from which the author extracts and rearranges the information into a calendar of events. The calendar traces the footprint of the initiative, showing not only the progress of B&R' making, but also witnessing Beijing's endeavor to push the plan forward through international coordination.

- 1. In his visit to Kazakhstan on September 7th, 2013, Xi Jinping proposed that China and Central Asian countries should adopt innovative approaches for cooperation and join hands in building the SREB. This is not only the first time that the term "SREB" is open to public, but also an unprecedented attempt of Beijing to build such a large-scaled, wide-ranging initiative of global development.
- 2. In his speech to the Indonesian Parliament on October 3^{rd,} 2013, Xi announced that China has been dedicating to strengthening ties with ASEAN countries, and will be willing to develop benign maritime relationships with them. This is when China called on establishing the AIIB and jointly building the 21st Century

¹ The history of Commerce, "Yidai yilu jianshe dashiji" (Calendar Events of the building of B&R), http://history.mofcom.gov.cn/?special=9ydyldsj.

Maritime Silk Road.

- 3. To advance SREB, Xi made an announcement in the central economic working conference (中央經濟工作會議) in December 2013 that China should facilitate the planning of strategy and forging connectivity between infrastructural facilities of countries along SREB. Xi also reconfirmed the building of the 21st Century Maritime Silk Road, setting the goal to facilitate the construction of maritime infrastructure, strengthen connectivity with marine countries, and boost shared interests.
- 4. In February 2014, Xi and Russian president Vladimir Putin reached a consensus to integrate B&R with the Trans-Siberian Railway (TSR).
- 5. In March 2014, Chinse Prime Minister Li Keqiang introduced several key points in the 2014 Report on the Work of the Government (政府工作報告): to facilitate the planning and construction of SREB and the 21st Century Maritime Silk Road; to promote the building of the BCIM Economic Corridor (孟中印緬經濟走廊) and the China-Pakistan Economic Corridor (中巴經濟走廊); to develop supportive projects for the above-mentioned initiatives, to speed up the construction of infrastructural facilities and connection, and to broaden the room for international economic and technical cooperation.
- 6. On May 19th, 2014, The China-Kazakhstan logistics base in China's coastal city of

Lianyungang (中國一哈薩克連雲港物流合作基地) began operation. The logistics base is regarded as the first actual result and operational platform of SREB.

- 7. In November 2014, Xi made an announcement at the 8th conference of the Leading Group for Financial and Economic Affairs (中央財經領導小組會議) that B&R meets the need of all participating countries to facilitate the progress of their respective development. The initiative provides an inclusive, not exclusive, platform which helps coordinate the interests of all countries along its routes.
- 8. Xi announced in the 2014 APEC Summit in Beijing that China will invest 40 billion US dollars in the establishment of the Silk Road Fund. The institution aims to provide participating countries with financial support for their infrastructural construction, resource exploitation, and industrial cooperation projects.

 Meanwhile, the memorandum signed among founding members paves the way for the preparation and promotion of Asian Infrastructure Investment Bank.
- 9. On March 28th, 2015, the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce jointly issued the Vision and Action on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road. The official document signals B&R is elevated to the level of the country's grand strategy, and represents the first official demonstration of the

content and areas of focus of the initiative.

- 10. In his speech at the Pakistani Parliament on April 21st, 2015, Xi stated that China is in need of expanding domestic development in a brand new era, and the building of B&R meets such need. China will be dedicated to sharing its development result and promoting cooperation among countries along the Belt and Road under five areas of focus: policy coordination (政策溝通), facilities connectivity (道路聯通), unimpeded trade (貿易暢通), financial integration (資金融通), and people to people bonds (民心相通).
- 11. On May 8th, 2015, China and Russia issued the joint Statement on Cooperation of the Construction of Joint Eurasian Economic Union and the Silk Road Projects (關於絲綢之路經濟帶建設與歐亞經濟聯盟建設對接合作的聯合聲明). The issue marks the initial integration of B&R with the Russian-led Eurasian Economic Union.
- 12. On June 6th, 2015, China and Hungary signed a memorandum of understanding to promote the construction of B&R. Hungary becomes the first European countries to sign agreements with China under the implementation of B&R.
- 13. On June 29th, 2015, the 57 prospective founding members of the AIIB signed the Articles of Agreement that provides legal basis for the organization. On December 4th the same year, the 17th conference of the 12th NPC standing committee (第 12

屆全國人大常委) confirmed the domestic legitimacy of AIIB. Finally, in December 25th, the AIIB officially began to operate.

14. At the China-Britain business event held in London on October 21st, 2015, Xi stated that B&R is an "open" initiative because it is not limited to countries along its routes. Instead, it connects Asian and European economic circles with Africa and welcomes any countries that is interested in it. Topics of cooperation under B&R is also pluralistic, covering projects of infrastructure building, resource exploitation, logistics and transportation, investments and industrial cooperation, and cultural exchange. In terms of participation channels, B&R welcomes private capital, investment institutions, MNCs, and interested individuals to take part in the initiative. Xi emphasizes that B&R aims to pursue shared interests and reach collective prosperity

From the original proposal to actual undertaking, B&R has turned from an international initiative for cooperation into China's all-round strategy for opening-up.

2.2 The drivers for B&R – Beijing's visions

The official blueprint of B&R is to connect the prosperous East Asian economic circle on the east and the developed European economic circle on the west. Given the entangled interests and wide range of parties involved as well as the massive geographical coverage of B&R, the motives behind Beijing's resolution has caught

the attention of many.

In general, the emergence of B&R is propelled by both domestic and international drivers. From a domestic perspective, first, the building of B&R (especially SREB) helps enhance the capability of overland transportation, reducing China's reliance on maritime route for energy import. According to the 2014 Annual Report on China's National Security Studies (2014 中國國家安全研究報告), more than 80% of China's energy import takes the route of the Strait of Malacca. Because of the strait's geographic nature, which is narrow in length and easy to blockade, China is subjective to the leverage of countries adjacent to the strait. Although the Chinese-Kazakhstanian, Chinese-Russian, and the Chinese-Myanmarian oil pipelines are already open to use, they transport at most 20% of Chinese oil import and only relieve, but not resolve, Chinese energy security concern. B&R aims to hit through new overland routes and expand the transportation network for Chinese energy import. Second, the building of B&R meets China's need to further opening-up. The statistics of National Bureau of Statistics indicate that in 2014, China's non-financial outbound direct investment (ODI) reached 102.8 billion US dollars, 14.1% more than last year and very close to the amount of foreign investment in actual use, which amounted to 119.5 billion US dollars. That means China will soon become the net exporter of capital and thus requires new strategies for opening-up. B&R aims to

deepen industrial cooperation with developing countries by exporting Chinese equipment, skills, and funds. This not only facilitates industrialization for receiving countries but also enhance industrial upgrading for China. Third, B&R plays an important role in closing China's developmental gap. In his article "On Deepening Economic Reform (關於深化經濟體制改革的若干問題)," Prime Minister Li Kegiang mentioned over the past 3 decades, the reform and opening only took place in coastal cities in the east. Despite the launch of the Development of China's Western Region Strategy(西部大開發戰略) has enhanced economic development for some provinces in central China, the gap between coastal cities in the east and rural provinces in the west is still widening. For example, the total amount of GDP of Ningxia, Qinghai, Gansu, Guizhou, Xinjiang, Yunnan, and Chongxing is still lower than the GDP of Shandong in 2013. The promotion of B&R is expected to breathe new dynamics into the development of those provinces and cities in the west by opening them to Central Asia and Europe. Fourth, the routes of B&R serve as outlets for overcapacity in production, investments, and fund brought by the economic and building boom in China over recent decades. By encouraging outward investment, B&R also provides exit for excessive Chinese foreign exchange reserves and capital. Meanwhile, Beijing also seeks to explore new markets for Chinese product and services. By selling Chinese product overseas, especially in developing countries

along the routes, B&R can extend the life span of Chinese products while stimulating the upgrading and advancement of traditional and emerging industries inside China.²

From an international perspective, B&R aims at stimulating cross-continental movement of goods, services, information, people, and the exchange of culture.

Economically it aims to facilitate regional integration and economic development along SREB and the Maritime Silk Road countries.³ In conclusion, it appears that B&R is mostly driven by China's domestic need, but is also expected to bring collective benefits for participating countries.

Simeon Djankov, a visiting fellow at the Peterson Institute for International Economics, also raises five motivations behind B&R:⁴

1. Reduce the cost of goods transportation

As the biggest trading country in the world, reducing shipping cost of goods is the guarantee to higher amount of trade. With improved quality of transportation facilities and decreased time of traffic, all cargo shipment passing through Chinese-funded transport routes could be more efficient.

2. Decrease dependence on domestic infrastructure industry

In the past, the driver for Chinese economy has largely relied on investment in

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² China-Britain Business Council, "One Belt One Road: A Role for UK companies in developing China's new initiative."

³ Ibid.

⁴ Simeon Djankov & Sean Miner, "China's Belt and Road Initiative Motives, Scope, and Challenges," *Peterson Institute for International Economics*, Mar. 2016.

domestic infrastructure and the growth it rendered. As the building boom in China slows down, domestic construction companies, equipment makers, and other businesses need to look outside of China for room for investment. B&R thus serves as a platform for these companies to seek overseas investment. In other words, B&R is expected to increase export of Chinese equipment and labor while reducing the proportion of domestic infrastructure investment in the country's economy.

3. Effort to make renminbi a global reserve currency

Striving to persuade the International Monetary Fund in adding renminbi to the basket of global currencies, China's approach is to provide financial support to projects where renminbi is used in loans. By building infrastructure overseas, China is in a greater position to push renminbi to a higher status.

4. Secure China's energy supply

The construction of new pipelines and deep-water ports along the belt and the road aims to secure China's energy supply. As the current world's biggest energy consumer and net oil importer, China faces urgent need to find substitute energy. Substitute energy could also help China improve pollution problems caused by coal burning for heating and electricity.

5. Increase foreign demand for china's goods and service

As overall demand in China's market decreases, China needs to find new buyers

and markets for its economy. Through infrastructural projects overseas, B&R creates business opportunities and access to new market for its less developed western, northern and southwestern provinces. The related projects are also expected to benefit countries along the belt and road, and the growth in these countries will in turn boost the global demand for China's goods and services, creating a win-win situation.

Taken together, none of the five motives is altruistic in the first place as frequently mentioned by the Chinese officials. Instead, most evidence suggests that B&R is made out of pure self-interest and serves to solve current developmental problems facing China. A large number of local enterprises in China and countries along B&R's route also report that the initiative is only benefitting state-owned enterprises or certain industries in China. The reason is that "loans" offered by China is the core element that keeps B&R running. Indeed, Beijing provides lower interest rate and borrowing requirement compared to other commercial banks for borrowing countries, but loans need to be repaid. In the long run, it will be China who is benefiting from the financing and building of most infrastructural projects, while borrowing countries in the developing world are the ones bearing financial risk.⁵ From a global perspective, analysts also argue that the success of B&R requires the support of a thriving global economy. If the slowing economy of the world does not see immediate

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⁵ Felix Chang, "Who Benefits from China's "One Belt, One Road" Initiative?," *Foreign Policy Research Institute*, Oct. 3rd, 2016. http://www.fpri.org/2016/10/benefits-chinas-one-belt-one-road-initiative/.

improvement, there will not be enough trade exploiting the newly-constructed infrastructure network. If that happens, Beijing, not the rest of the world, might be the only beneficiary of its development plan.⁶

Some analysts turn their focus on the geo-strategic concern of Beijing behind the advancement of B&R. As Gal Luft, the Co-Director of the Institute for the Analysis of Global Security (IAGS), puts it: "The [B&R] is to some degree Beijing's reaction to the military, diplomatic, economic and environmental policies set forth by the Obama Administration.⁷" First, Obama's Pivot to Asia policy, which pursues power rebalancing in Asia by forming a Pacific Rim ally against China, has increase China's alert and its sense of encirclement; Second, US's effort to exclude China from the Trans Pacific Partnership (TPP) has deprived the latter of lower tariff and preferential market access which other participatory countries enjoy. Third, US has been using its leverage in the World Bank and the International Monetary Fund (IMF) - not only to oppose giving China a bigger share of votes despite its increasing economic power, but also oppose granting renminbi the status of IMF's reserve currencies. Given the limiting conditions, China feels the need to come up with new rules and an alternative financing mechanism to avoid US's containment. Lastly, Beijing believes the withdrawal of US troops from the Middle East will create an unstable power vacuum

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⁶ Ibid

⁷ Gal Luft, "China's One Belt One Road Initiative: An American Response To The New Silk Road," Institute for the Analysis of Global Security, Nov 2016. p.10.

which may jeopardize China's economic interests in the region. With the strategic concerns above in mind, Beijing designed B&R as the economic approach to counter-leverage US's containment.⁸

2.3 "Peaceful Rise" or "China Threat?": A Comparison between Neighboring Countries' Responses to B&R

The emergence of B&R, together with the institutional establishment such as the Silk Road Fund and AIIB, demonstrate Beijing's resolution to elevate its developmental strategy to a higher level as a foreign policy. Despite with the popularity it has gained among some countries along its routes, B&R has also received hesitation, if not hostilities, from other regional players. For some countries, especially the US, the Chines-led initiative arouses concern that Beijing is in pursuit of a more advantageous role in leveraging regional affairs and achieve its Chinese Dream (中國夢). A number of US think-tank scholars compare B&R to the US-led Marshal Plan after WWII, warning that Beijing is striving to rise again in Eurasia and expel US's sphere of influence by means of casting financial aid and infrastructural construction toward as many countries as possible. There are also American scholars and some of the countries along the routes of B&R suggesting that B&R appears to have more economic implication than geo-strategic concern. This group of people

⁸ Ibid. p.11.

believe the potential opportunity for cooperation outweighs the potential threat B&R could bring. In the following sections, the readers are presented a comparison of how the main countries in the region of Asia Pacific and major western countries respond to the Chinese-led initiative.

1. America's response

Washington has been treating B&R with indifference since its commencement. More specifically, Luft argues that "America's response to China's main attempt to assume responsibility and address Asia's infrastructure gap has been a mix of avoidance, sulkiness and alarmism." He points out that American scholars tend to see B&R as a mere media hype which is very unlikely to be carried on by Xi Jinping's successors given that the initiative involves large number of countries, projects, and entangled interests. Experts of US's national security hold an even more hostile view, viewing B&R as China's expansionism attempt at the expense of US's interests. Currently, despite more than 100 areas of bilateral cooperation between Washington and Beijing are in effect, the former still avoids referring to B&R by its name on most public occasions, such as at the US Congress hearings, the U.S.-China Economic and Security Review Commission, and even the highest level Sino-US annual ministerial meeting - the US-China Strategic and Economic Dialogue. 10

⁹ Ibid. p.8.

¹⁰ Ibid. p.9.

Luft further explains that America's indifference to B&R is self-defeating because B&R certainly has the potential to become the most inclusive and far-reaching projects throughout human history. Given the fact that Asia is developing and Europe is declining, B&R could function as a growth accelerator for both regions. It is therefore not in US's interest to shy away from the opportunity brought by Chinese private investment in infrastructural projects, because that means granting China a bigger leverage over global geopolitics and geo-economics affairs. Luft warns that the lack of engagement by the United States in B&R may lead to a turning point of the relation between the two countries, allowing China to have an upper hand in the Sino-US power play.

2. EU's response

B&R's stretches westward to European region and its destination is in Rome,

Italy. It is thus very likely that the initiative will have a great impact on EU's

geopolitical, economic and geostrategic interests. But to what extent EU would be

impacted by the Chinese-driven initiative depends on whether the members of EU

respond to it collectively and undertake coordinated policies or stance. So far, B&R
related infrastructural projects have only targeted specific European countries rather

than EU as a whole, there is thus not yet an official and unitary response from the EU

¹¹ Ibid. p.9.

to B&R. However, there are occasions where we can have a glimpse of EU's stance. The European Parliament in its 16 December 2015 resolution on EU-China relations stressed that "given the geostrategic relevance of this initiative it should be pursued in a multilateral way" and "that it is of the utmost importance to develop synergies and projects in full transparency and with the involvement of all stakeholders."¹² Germany, as the leading economy in Europe, holds an optimistic view on B&R despite with a few concern. ¹³ Chancellor Angela Merkel believes that the initiative could render Europe as well as its eastern neighbors more Chinese investment. However, Germany also fear that Chinese-led cooperation projects may be the game changer of EU's investment rules and undermine EU members' solidarity given some members may cater to China's various request in exchange for its investment. Unlike the official government's points of view, the majority of media coverage in Germany have been skeptical about Beijing's intention behind B&R, depicting the initiative as driven by China's geo-strategic ambition to wedge more influence in Europe. Such point of view raises awareness among other European countries that they should deal with B&R with caution. As a result, Germany has been the one actively coordinating EU members in responding to B&R, exploiting platform such as the EU, the

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¹² Ibid. p.11.

¹³ Jan Gaspers, "Germany Wants Europe to Help Shape China's Belt and Road Initiative," *THE DIPLOMAT*, Dec. 17, 2016. http://thediplomat.com/2016/12/germany-wants-europe-to-help-shape-chinas-belt-and-road-initiative/

Organization for Security and Cooperation in Europe (OSCE), and the G20. But still, the EU lacks a constructive and well-designed agenda to deal with B&R so far. 14

3. ASEAN's response

On April 3rd, 2015, Nanyang Sin-Chew United Morning Paper (新加坡聯合早報) reports that besides Singapore, Malaysia, and Indonesia, which gives relatively positive responses to B&R initiative, other ASEAN members are still very reserved and inclined to wait and see. ¹⁵ Analysts also warn that the distrust and hesitation among ASEAN countries may threaten China's effort to advance the initiative in the region. Among ASEAN members, those with the highest amount of distrust may cling closer to the US in areas of security issue. In 2014, Dr. Mingjiang Lee from Nanyang Technological University of Singapore conducted a field research on the topic of ASEAN countries' various response to B&R. His research divides ASEAN countries into three categories by their various degree of support for B&R. ¹⁶

Table 2.1 Foreign countries' response to B&R

Fully supportive	Relatively supportive	Opponent	
Thailand,	Indonesia, Malaysia, Brunei,	Vietnam, The Philippines,	
Cambodia, Laos	Singapore	Myanmar	

Source: China Review News (中國評論新聞網, CRNTT)

(1) The 1st category: Fully supportive countries

¹⁵ China Review News, "Dongmeng guojia dui yidai yilu shenshen guanwang" (ASEAN countries are reserved about B&R), Apr. 16, 2015.

http://hk.crntt.com/doc/1037/1/1/8/103711886.html?coluid=50&kindid=1076&docid=103711886.

¹⁴ Ibid

¹⁶ Ibid.

Thailand, Cambodia, and Laos are the most supportive countries of B&R, with their only concern being focusing too much on their relations with China while ignoring relations with other countries. Dr. Lee predicts that these three countries will embrace B&R while striving for foreign aids from other countries as well.

(2) The 2nd category: supportive countries

Indonesia, Malaysia, Brunei, and Singapore fall into the second category. This group of countries accept B&R and welcome the positive effect it brings, but they are also cautious about Chinese expanding sphere of influence in the region. Accordingly, although these countries are willing to work with China on B&R-related projects, they do not refrain from cooperating with other countries on different projects. According to Dr. Lee, Indonesia and Malaysia are the two countries that are active in responding to B&R. At the 2014 Beijing APEC Summit, Indonesian president Joko Widodo once announced that the 21st Century Maritime Silk Road and Indonesian "Global Maritime Axis (全球海洋支點)" strategy are highly compatible. Both sides thus agreed to strengthen cooperation in areas such as maritime infrastructure building, industrial investment, maritime engineering projects, and maritime economic development. The prime minister of Malaysia and the president of Indonesia also gave public support to Xi Jinping's notion of "community of shared destiny" at the Boao Forum in 2015. For Malaysia, China has seen it as a moderate Muslim country whose developmental

experience can be applied to Xinjiang. China also hopes the two countries can cooperate in sharing intelligence of anti-terrorism and Islamic Finance.

(3) The 3rd category: potential opponent countries

This category consists of the ASEAN countries that are least likely to cooperate with China, including Vietnam, the Philippines, and Myanmar. Both Vietnam and the Philippines have territorial issues with China especially in the South China Sea. For Myanmar, it has unsuccessful experience of cooperating with China in the past 20 years, as evidenced by the suspension of the Myitsone Dam. To reach comprehensive cooperation with this group of countries, it also requires Beijing to deal carefully with the rising nationalism in these countries.¹⁷ Besides territorial disputes and nationalism, B&R's opponent countries in ASEAN are mostly concerned about security issues, as Chinese-fund projects like port construction or electronic technology are of highly strategic value. These countries would not risk losing such vital intelligence to China's control.

¹⁷ Ibid.

Chapter 3: The Case Study of Xinjiang

The first chapter of this research lays out the favorable conditions of Xinjiang in advancing B&R initiative. Continuing with that, this chapter consists of 3 related sections – SREB's key areas of focus in Xinjiang, the potential challenge of Xinjiang in implementing B&R-related projects, and the examination of B&R's preliminary result in Xinjiang.

3.1 Implementing the "Silk Road Economic Belt" in Xinjiang: key areas of focus

Since the announcement of B&R in late 2013, Beijing's has spared no effort in opening Xinjiang to its western neighbors. With the support from the central government, 17 national open ports and 20 industrial convergence parks in Xinjiang have been established. With special care and attention from Beijing, Xinjiang's government has also activated "3 channels (energy, transportation, and telecommunication channels)," "3 basements (Oil manufacturing and processing, coal-fired power generation, and wind power generation basements)," "5 centers (transportation, trade and logistics, financial, culture and science, and medical service centers)," and "10 import-export industrial convergence zones." According to these institutional establishment, the main tasks of pushing forward B&R in Xinjiang can

¹ Xinlang chengshi (Sina city), "Liu Jianxin: ba Xinjiang jianshe chengwei guojia zhongyao de nengyuan jidi" (Building Xinjiang into an important energy base for the country), Aug. 31, 2015, http://city.sina.com.cn/city/t/2015-08-31/164552243.html.

be categorized as follows:

1. Infrastructural construction

(1) Transportation facility

Xinjiang's government has announced its ambition to build Xinjiang into the transportation center in China's western area within 5-10 years. It has set the goal to complete three main transportation routes across Xinjiang – the northern, central, and southern transportation route;² Beyond Xinjiang's border, the goal is to facilitate the construction of China-Kyrgyzstan-Uzbekistan railway (中吉烏鐵路), China-Kazakhstan highway (中哈公路), and China-Tajikistan highway (中塔公路). Analysts suggest that Beijing's ultimate goal is to build and connect the China-Baltic Sea, China-Persian Gulf, and China-Indian Ocean strategic gateway. For railway construction, the focus is to consolidate Urumqi as Xinjiang's transportation hub completing both outbound and inbound railways system such as Urumqi Railway Station,³ Urumqi North Railway Station logistic center, and China-Kyrgyzstan-Uzbekistan railway. For highway construction, Xinjiang aims to facilitate building China-Kazakhstan international highway, China-Tajikistan international highway, and the province's own highway system. For avian transportation construction, the efforts

² China News, "Zhang Chunxian: dazao silu jingji dai wu ge zhongxin he san jidi yi tongdao" (Zhang Chunxian: Building the five centers, three bases, and one channel of the Silk Road Economic Belt), Jun. 26, 2014, http://www.chinanews.com/gn/2014/06-26/6323595.shtml.

³ The Urumqi Railway Station was open to traffic on Jul. 1st, 2016.

cover the application of 72-hour visa-free passage and the completion of international airline towards neighboring countries.

(2) Energy routes

On the international level, Xinjiang aims to deepen cooperation with Central Asia, West Asia, Russia, and Pakistan in energy area. The tasks include facilitating the construction of China-Central Asian natural gas pipelines, negotiating gas provision projects with Russia, participating in power grid upgrade projects in Central Asia, and speeding up China-Pakistan electricity delivery projects; On the domestic level, on the other hand, Xinjiang should actively strive for stable energy import from its Central Asian neighbors, while developing its own oil and gas exploitation, oil processing, and coal exploitation industries. Another mission is to strengthen Xinjiang's capacity of delivering its electricity to the east (疆電東送) and other region in China's west. According to Xinjiang government, its preliminary goal is to fulfill the delivery of 20 million tons of crude oil, 12 million tons of refined oil, 13.7 billion cubic meters of natural gas, and 4.8 million kilo-watt of electricity out of the province by the year $2020.^{4}$

(3) Telecommunication route

B&R also aims to turn Xinjiang into the information exchange and processing

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⁴ Xinlang chengshi (Sina city), "Building Xinjiang into an important energy base for the country."

"Telecommunication Silk Road (信息絲綢之路)," Beijing's top priority is to facilitate building cross-Xinjiang information highway, making Urumqi accessible to South Asia, Central Asia, Europe, and Africa; Strengthen the renovation of IT infrastructural facility and expand telecommunication business in the province; Turn Xinjiang into a top-notch cloud computing center in the world.⁵

(4) Port facility

China aims to strengthen overall capability of Xinjiang's port infrastructure. That includes the completion of both hardware - port facility construction, and software - customs clearance mechanism. The government should advance the function of ports facility while reducing the cost of custom clearance and improving overall efficiency.

2. Enhance regional economic and trade cooperation

Aiming to build Xinjiang into the trade and logistic center of SREB, Beijing is in active move to advance the following areas in the province:

(1) Establish modern trade and logistic mechanism

Aiming at domestic market, Central Asia, West Asia, South Asia, and Europe,

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⁵ Xinhua Net, "Sichou zhi lu jingji dai hexin qu ruhe dazao? Huang Wei daibiao jianyi jiakuai jianshe jiaotong, nengyuan, tongxin san da tongdao" (How to build the core area of Silk Road Economic Belt? Representative Huang Wei recommends facilitating the construction of three channels: transportation, energy, and communication), Mar. 8, 2015, http://news.xinhuanet.com/politics/2015lh/2015-03/08/c 1114562536.htm.

Xinjiang is to establish modern trade and logistic mechanism,⁶ deepen trade cooperation with neighboring countries, bring into industrial agglomeration effect, experiment on free trade areas with countries along the SREB, and establish international trade and logistic parks, border trade markets, and storage centers in node cities such as Urumqi, Shihezi, Wujiaqu, Kuitun, Jinghe, Alashankou, Yining, Tacheng, Beitung, Aletai, Hami, Turpan, Korla, Kashi, and Horgos.

(2) Facilitate innovation and application of logistic information technique

Xinjiang should actively take part in international cooperation of logistic industries, facilitating more convenient custom clearance mechanism and actual application of Internet of Things (IoT) and cloud computing technique in trade and logistic industries.⁷

(3) Complete land ports construction

Transportation is the guarantee for freer trade. In order to enhance the efficiency of international cargo shipment, Xinjiang is to enhance the planning and construction of international land ports, particularly the railways from Urumqi to main cities in Europe. With the advantage of existing railways passing through Xinjiang such as

⁶ "Guan yu Xinjiang jianshe sichou zhi lu jingji dai hexin qu de ruogan sikao" (The Thinking of how to build Xinjiang into the Core Area of Silk Road Economic Belt), *The Institute of Economic Research of XinJiang Development and Reform*, Jan. 26, 2015, http://xjyj.xjdrc.gov.cn/info/1030/3890.htm.

⁷ Xinhua Net, "Yidai yilu juti fangan chulu zhongguo si da quyu quanmian kaifang" (Concrete measures of B&R is published - Four main areas of China fully open up), Mar. 29, 2015, http://news.xinhuanet.com/fortune/2015-03/29/c 127633221.htm

Yu'Xin'Ou (渝新歐), Han'Xin'Ou (漢新歐), and Yi'Xin'Ou (義新歐), Beijing plans to build Xinjiang into the main departure center of the China-Central and West Asia-European cargo railways.

(4) Host international economic cooperation and exchange events

To build a platform for trade and financial cooperation, Xinjiang should seize the chance to host international expos such as the China-Eurasian Expo and Eurasia Commodity and Trade Expo.⁸ Xinjiang's authority should also encourage local enterprises to participate in these expos. Although it is the government who should take the lead in pushing these international events, it is important to allow full market forces to be at play as well.

(5) Expand cross-border trade

In order to expand cross-border trade in Xinjiang, the measures Beijing takes include building export processing zones, increasing import of natural resources and agricultural product, implementing a tax refund policy on commodities entering Horgos Frontier International Cooperation Center (霍爾果斯國際邊境合作中心), and advancing the construction of Kashgar Special Economic Zone (喀什經濟特區).

3. Facilitate cultural exchange

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⁸ "Tuijin hexin qu jianshe jiangou kaifang xin geju" (Advancing the building of core area constructing a new pattern for opening-up), http://www.jrxjnet.com/lb12/2015-06/05/content 299520.htm.

People to people exchange represents an intangible pillar of B&R. Located in the node region where the ancient Silk Road passes, Xinjiang function as the center to strengthen ties and friendship with countries along the SREB in terms of culture, education, technology, and travel.

4. Strengthen industrial cooperation

Efforts in strengthening industrial cooperation can render mutual benefit for Xinjiang and countries along SREB. It not only helps upgrade the industrial structure for the former, but also meets the needs of the latter to advance industrialization.

Beijing encourages advantageous industries in Xinjiang such as equipment building and steel manufacturing to go outside, sharing their advantageous productivity and technique with neighboring countries in exchange for more room for industrial cooperation.

5. Deepen cooperation in energy resources

The cooperation in energy resources is of utmost importance under the framework of B&R.⁹ Xinjiang should take full advantage of its abundant energy resources to seek more room for international cooperation. Accordingly, Beijing is to build a group of oil and gas exploitation and processing demonstration areas in Xinjiang, and it has

⁹ *Nengyuan Xinwen (NEWS.IN-EN.COM)*, "Nengyuan touzi shi tuijin yidai yilu jianshe de zhong zhong zhi zhong" (Investment in energy resources is the most important pillar in advancing B&R), Feb. 23, 2016, http://www.in-en.com/article/html/energy-2244740.shtml.

been in active negotiation with Central Asia, West Asia, and Russia over oil, gas, and energy routes cooperation issues. The long-term goal is to increase Xinjiang's overall scale of oil and natural gas import, while facilitating the construction of the West–East Gas Pipeline (西氣東輸) pipeline III, IV, and V.

6. Expand monetary cooperation

The building of B&R requires sound and safe monetary cooperation, ¹⁰ and Xinjiang is to become the international monetary center in the region. To accomplish that goal, Beijing should speed developing monetary infrastructure, encourage monetary opening to the world, boost monetary market, and stimulate monetary innovation.

7. Facilitate building concentration areas for certain industrial import and export

Import and Export concentration areas for certain industries are under construction in Xinjiang,¹¹ including mechanic equipment industry, light industrial product processing industry, textile industry, building materials industry, chemical products industry, fabricated metals industry, telecommunication service industry, oil and gas resources import processing industry, mineral product import processing industry, and

¹⁰ *Xinhua News*, "Yidai yilu: kaifang, hezuo yu gongying" (B&R: openness, cooperation, and win-win situation), May. 22, 2015, http://news.xinhuanet.com/politics/2015-05/22/c_127831241.htm.

¹¹ The Government of Xinjiang Uygur Autonomous Region of China, "2017 nian zizhi qu zhengfu gongzuo baogao quanwen" (Full text of the 2017 work report of the government of Xinjiang Uygur Autonomous Region), Jan. 15, 2017, http://www.xinjiang.gov.cn/2017/01/15/124071.html.

agricultural, forestry, and animal husbandry product import industry.

3.2 The potential challenge of advancing B&R in Xinjiang

Indeed, the notion of reviving the ancient Silk Road leads to a bundle of government-funded projects that provides Xinjiang with good developmental opportunity it never has before. Also, Xinjiang is advantageous due to its abundant natural resources, cultural variety, and great market potential compared to other Chinese provinces. However, there are several challenges that may undermine Beijing's effort in the region - Xinjiang's economic development and infrastructural facilities still lag behind compared to the country's coastal provinces in the east, separatist movements have been bothering regional stability with violence and unrest, distribution of wealth remains uneven, and the utility ration of natural resources remains low. 12 It requires Beijing to work out solutions to these obstacle before the initiative can reach any actual results.

(1) Poor quality and quantity of infrastructures

Xinjiang takes up one-sixth of China's territory, however, the lack of transportation infrastructure has put it in a grim situation and hold back its development, especially when it is to become the frontier to push forward B&R. The

¹² Linxiu Liu, "Yidai yilu beijing xia xinjiang mianlin de jiyu he tiaozhan" (The opportunities and challenges facing Xinjiang under the background of B&R), *Thesis by Well-Versed Economist*, Jun. 15, 2015

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geographic area of mountains and desert take up most area in Xinjiang, while oasis only takes up a little. Due to such terrain constraints, Xinjiang has relatively low population density and poor transportation system. According to Zhang Chunlin, director of the Xinjiang Development and Reform Commission, about 40 percent of the cities and counties in Xinjiang are not connected by highways. ¹³ This has led to high logistics cost when the province exports oil, coal, and agricultural products. Currently, there is only one highway connecting Xinjiang to its eastern provinces of China and only a few to its western neighbors in Central Asia. As the load of cargo and human traveling are expected to increase under B&R, it appears that these highways would barely meet the higher transportation demand. Internationally, Beijing should speed up building cross-border railways connecting Xinjiang with Central Asia. Domestically, it should increase the utility and efficiency of Xinjiang's railways. For highway construction, Beijing should complete building the highway connecting Horgos and Alashankou, while enhancing its highway and information management technique.¹⁴

(2) Separatist movements

The separatist movements in different parts of the country has been haunting

Weihua Mao and Jia Cui, "Xinjiang to invest huge amount for highway network," *China Daily*, Jan. 18, 2017, http://www.chinadaily.com.cn/china/2017-01/18/content 27984032.htm.

¹⁴ Linxiu Liu, "The opportunities and challenges facing Xinjiang under the background of B&R".

Beijing for long, and Urumqi is one of the cities where separatist movements and attacks have been active. 15 One example is the bombing at the Urumqi South Railways Station in 2014. The explosion killed 3 people and rendered over 70 people injured. The incident consolidated Beijing's belief that the riot in the region is instigated by external radical groups. One noted extremist group in Xinjiang against Beijing's authority is the East Turkmenistan Islamic Movement (ETIM), which is allegedly expanding its members and ability by forming allies with Al-Qaeda and other Islamic terrorist groups. While taking a hardline stance to deal with the separatist movement in Xinjiang, Beijing is also under criticism by the international community for its suppressive move in the province. Critiques believe it is an excuse to oppress Uyghur freedoms in the name of counter-terrorism.

(3) Tensions between Han and Uyghurs ethnics

Xinjiang is relatively less developed compared to China's eastern industrialized provinces, and such economic discrepancy also exists inside Xinjiang. ¹⁶ In fact, the province is more divided than it appears. In northern Xinjiang, the Han people constitutes most of the population and enjoys better overall development, while in southern Xinjiang (Nanjiang), Muslim Uyghur is the majority but is much less better-

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¹⁵ Rhea Menon, "The Challenges to China's 'One Belt, One Road' Initiative," *The Tribe Attache*, Apr. 11, 2016, http://tribeattache.com/2016/04/11/the-challenges-to-chinas-one-belt-one-road-initiative/.

¹⁶ Benjamin Shook, "Kashgar, Nanjiang," *China in Central Asia*, Oct. 6, 2014, http://chinaincentralasia.com/2014/10/06/kashgar-nanjiang/.

off. The reason for such divide is mainly because most of China's trade with Central Asia runs through northern Xinjiang, not Nanjiang. ¹⁷ Beijing believes that the unequal distribution of wealth and poverty among Uyghurs are the main source of discontent and violence of the region, and thus has been prompting investment and economic development in pursuit of social stability in the province. The economic divide between northern and southern Xinjiang and the maldistribution of wealth and resources among Han and Uyghur ethnics may remain a threat to the work of B&R in Xinjiang.

(4) Low utility ratio of resources

Although Xinjiang stands in an advantageous location in the West–East Gas Pipeline project (西氣東輸), it is only providing passageway for energy import and export between China and its western neighbors. For Xinjiang itself, however, the utility ratio of resources remains low. For example, Xinjiang's energy processing conversion efficiency in 2014 is $68.50\%^{18}$ - 5% lower than the national average, which amounted to 73.5%. The total amount of national energy consumption was 425806.07 (ton coal equivalent, tce) in 2014, 20 while Xinjiang only had 14926.08

¹⁷ Ibid.

Statistics Bureau of Xinjiang Uygur Autonomous Region, http://www.xjtj.gov.cn/sjcx/tjnj 3415/2015xjtjnj/nysc 2015/201603/t20160316 492618.html.

¹⁹ National Bureau of Statistics of China, http://data.stats.gov.cn/easyquery.htm?cn=C01.

²⁰ Ibid.

tce,²¹ which is only 3.5% of the national value.

3.3 B&R's preliminary results in Xinjiang

In this section, the author examines the statistics related to the developmental index which points to B&R's policy results in Xinjiang. The statistics are taken from the National Bureau of Statistics of China and rearranged by the author. The developmental indexes chosen include GDP and its growth, foreign trade amount, national income, transportation-related index (railways, highways, freight volume, volume of passenger traffic), and length of energy pipelines and amount of energy import. The respective national value of each index will also be provided for comparison. Note that except for GDP growth, the value of growth rate of each index in the following section is simply calculated through the formula: $\frac{n-(n-1)}{n} \times 100\%$. The GDP growth are taken directly from credible sources instead of being calculated through the formula considering the fluctuation of price and currency value each year.

The indexes are selected to examine B&R's policy result for reasons. GDP growth examines B&R's effectiveness in facilitating economic development; Foreign trade amount examines if B&R facilitate economic exchange; national income examines if B&R balances unequal regional development; transportation-related index help examine if B&R brings in higher freight volume, passenger traffic volume,

 $http://www.xjtj.gov.cn/sjcx/tjnj_3415/2015xjtjnj/nysc_2015/201603/t20160316_492620.html.$

²¹ Statistics Bureau of Xinjiang Uygur Autonomous Region,

and improvement in infrastructural construction; energy pipelines and energy import examine if B&R improve China's energy security.

(1) GDP

Table 3.1 GDP of Xinjiang and China

Year	2015	2014	2013	2012	2011	2010
GDP of	0224.90	0272.46	0442 04	7505 21	6610.05	5427 47
Xinjiang	9324.80	9273.46	8443.84	7505.31	6610.05	5437.47
Growth (%)	8.8% ²²	10%	11%	12%	12%	
National GDP	689052.1	643974.0	595244.4	540367.4	489300.6	413030.3
Growth (%)	6.92%	7.3%	7.76%	7.86%	9.54%	

Source: National Bureau of Statistics of China/World Bank Unit: 100 million RMB

Table 3.1 and Chart 3.1 demonstrate Xinjiang and China's GDP and their

respective growth from 2010 to 2015. Chart 3.2 shows the change of Xinjiang's GDP by different categories, including primary (第一產業), secondary (第二產業), and tertiary (第三產業) industry, industrial output (工業增加值), transportation output value (交通運輸增加值), and financial industry output value (金融業增加值).

According to Chart 3.2, industrial output, secondary, and tertiary industry together take up a large share of Xinjiang's GDP and contribute to most of its GDP growth, while transportation and financial output value make a relatively minor contribution.

Among each category, secondary industry takes up the highest share of GDP until 2014 before being surpassed by tertiary industry in 2015. After B&R commences in

²² Fenghuang Zixun, "2015 nian xinjiang GDP zengzhang 8.8% jingji yunxing chuyu heli qujian" (The GDP growth rate of Xinjiang amounts to 8.8% in 2015 The economy is in reasonable development), Feb. 1, 2016, http://news.ifeng.com/a/20160201/47322815 0.shtml.

late 2013, Xinjiang's industrial output, secondary, and tertiary industry all increased. But the former two both dropped in 2015, while tertiary industry output remained increasing. Also note that since 2013, Xinjiang did not see evident growth in primary industry, transportation, and financial output.

2015年 2013年 2012年 2011年 2010年 5,320.85 6,129.45 6,938.05 7,746.65 8,555.25 9,363.85 地区生产总值(亿元)

Chart 3.1 GDP of Xinjiang

Source: National Bureau of Statistics of China

Unit: 100 million RMB

According to Table 3.1, Xinjiang has seen stable increase in GDP since 2010, with the most evident growth emerging between 2010 and 2012, which amounted to 12%. However, the GDP growth of 2014, a year after B&R begins, is not as evident as those in previous years, and it already starts to slow down starting from 2012. Indeed, Xinjiang's GDP growth has been higher than the national GDP growth during the five years, but the fact that Xinjiang's GDP growth is slowing down and that it has already been higher than the national value before the launch of B&R indicate that B&R, as a developmental strategy, did not significantly stimulate GDP growth in Xinjiang.

Chart 3.2 GDP of Xinjiang by different industries

Source: National Bureau of Statistics of China

Unit: 100 million RMBs

Unit: million USD

(2) Trade amount

Table 3.2 National and Xinjiang's trade amount

Xinjiang's trade amount						
year	2015	Z2014	2013	2012	2011	2010
Value	19669.397	27672.315	27561.391	25170.060	22819.672	17130.110
Growth	-28.9%	0.4%	Ch9.5%	10.3%	33.2%	
National trade amount						
Value	3953032.72	4301527.35	4158993.47	3867119.00	3641860.00	2973998.32
Growth	-8.1%	3.4%	7.5%	6.2%	22.5%	

Source: National Bureau of Statistics of China

Foreign trade consists of import and export value with other countries. Table 3.2 demonstrates the total value of Xinjiang and national foreign trade from 2010 to 2015, and Chart 3.3 divides Xinjiang's the total value by export and import. From 2010 to

2014, Xinjiang's foreign trade has increased steadily, but in 2015, the both export and import encountered a drastic drop from 2.7 billion to 1.9 billion US dollars. Also note that after B&R started, the total trade value of Xinjiang barely increased in 2014 mainly because the increase in export is offset by the decrease in import.

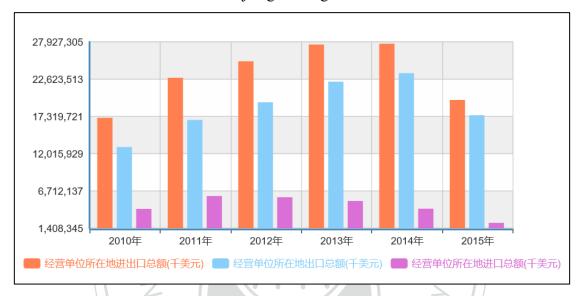


Chart 3.3 Xinjiang's foreign trade amount

Source: National Bureau of Statistics of China

Unit: thousand USD

As the purple bar in Chart 3.3 shows, Xinjiang's import has started to decline since 2011, and it did not see improvement under the stimulation of B&R. In terms of export, it has been increasing since 2010 and reaches its peak in 2014 before it drastically drops in 2015. From a national perspective, the country has seen continuous decrease in foreign trade over the chosen time span, with 2013 only improved a little. In 2015, both the country and Xinjiang saw a negative growth in foreign trade, but Xinjiang's growth is reduced to -28.9%, 20% worse than the national value. Compared with the national growth, Xinjiang's grim situation of

foreign trade shrinkage is more evident.

Vision and Action not only entitles Xinjiang and Fujian respectively as the core areas of SREB and the 21st Century Maritime Silk Road, but also designates respective strategic positions for other 18 provinces and cities, including Xinjiang (新 疆), Shaanxi (陝西), Gansu (甘肅), Ningxia (寧夏), Qinghai (青海), Inner Mongolia (內蒙古), Heilongjiang (黑龍江), Jilin (吉林), Liaoning (遼寧), Guangxi (廣西), Yunnan (雲南), and Tibet (西藏), Shanghai (上海), Chongqing (重慶), Fujian (福建), Guangdong (廣東), Zhejiang (浙江), and Hainan (海南). However, the Customs' statistics of these provinces show that 11(Guangdong, Shanghai, Zhejiang, Fujian, Gansu, Inner Mongolia, Hainan, Xinjiang, Jilin, Liaoning, and Yunnan) out of these 18 faced a decrease in foreign trade in 2016. Among these 11 provinces and cities, Xinjiang and Jilin, which respectively saw a drop of 26.5% and 26.2%, are the two facing the most drastic decrease in foreign trade. ²³ In other words, it appears that these provinces and cities, where economic exchange and development are expected to be seen, are in an embarrassing position to prove B&R's effect in boosting foreign trade.24

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²³ China Economic Net, "Yidai yilu chao 11 sheng jin chu kou xiahua xinjiang jilin zui yanzhong" (More than 11 provinces face severe drop in import and export Xinjiang and Jilin are the two most serious provinces), Jan. 26, 2016, http://district.ce.cn/zg/201601/06/t20160106_8076569.shtml.

²⁴ Ibid.

(3) National income

National Bureau of Statistics of China and Xinjiang's Customs provide national income statistics from 2013 to 2015. Table 3.3 and Chart 3.4 demonstrate the national and Xinjiang's average per capita disposable income, per capita disposable income of urban residence and of rural residence. The orange bars in Chart 3.4 indicate that since B&R's commencement, the average disposable income of Xinjiang has been increasing. In 2014, the income growth of urban and rural residence amounted to 10.1% and 11.2% respectively. However, Table 3.3 and Chart 3.4 also reveal the uneven distribution of income between urban and rural residence in Xinjiang. In 2014, the respective income growth of urban and rural residence in Xinjiang are 10% and 11.2%, but in 2015, the numbers become 13.2% and 8%. That means the income growth of urban residence is speeding up while those of rural residence is slowing down. The numbers tell us that after B&R took place in 2013, the wealth gap is widening, not closing.

From a national perspective, the income growth rate of Xinjiang has been higher than the growth rate of national value during the chosen 3 years. The per capita disposable income of Xinjiang's urban residence also grows faster than the national average. After the launch of B&R in late 2013, the growth rate of urban residence's income in Xinjiang grew from 10% in 2014 to 13.2% in 2015, but those of rural

residence decreased from 11.2% in 2014 to 8% in 2015 - slightly lower than the national average. In general, the growth rate of Xinjiang residence's income did increase after B&R begins, and the growth rate each year has been slightly higher than the national average. But the income growth of rural residence in Xinjiang is slowing down while those of urban residence remains increasing, rendering a wider wealth gap between the urban and rural Xinjiang.

Table 3.3 Xinjiang and the country's national income

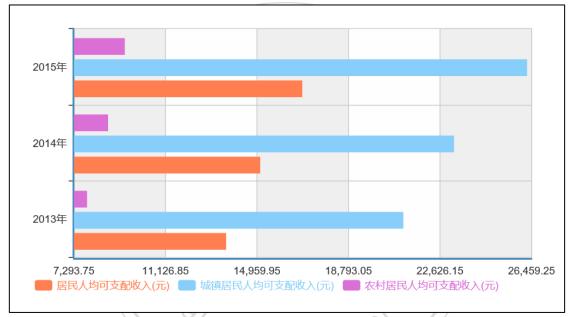
Years	2015	2014	2013		
Xinjiang					
Average per capita disposable income	16859.11	15096.62	13669.62		
Growth (%)	11.7%	10.4%			
Per capita disposable income of urban residence	26274.66	23214.03	21091.48		
Growth (%) Chengch	13.2%	10%			
Per capita disposable income of rural residence	9425.08	8723.83	7846.59		
Growth (%)	8%	11.2%			
China					
Average per capita disposable income	21966.19	20167.12	18310.76		
Growth (%)	8.9%	10.1%			

Per capita disposable income of urban residence	31194.83	28843.85	26467.00
Growth (%)	8.2%	9.0%	
Per capita disposable income of rural residence	11421.71	10488.88	9429.59
Growth (%)	8.9%	11.2%	

Source: National Bureau of Statistics of China

Unit: RMB

Chart 3.4 Per capita disposable income of Xinjiang



Source: National Bureau of Statistics of China

Unit: RMB

(4) Transportation-related indexes

a. Length of transportation routes

Table 3.4 demonstrates that from 2010 to 2015, the length of both highways and railways in Xinjiang has been increasing, while Chart 3.5 shows that the growth of highway construction is more evident than railway construction. For Xinjiang's highway length, the growth rate reaches its highest, nearly 7%, in 2012. But after the

launch of B&R, the growth rate drops to 3.1% in 2014 and then 1.6% in 2015. For Xinjiang's railway length, the growth rate never exceeds 10% before B&R's starts. The province even saw a 0% of growth from 2012 to 2013. Even though the growth rate soared up to 17% in 2014, almost two-fold compared to the amount in 2012, the actual length of railway is still trivial compared to the length of highway.

Table 3.4 Length of transportation routes in Xinjiang and China

Years	2015	2014	2013	2012	2011	2010
Length	of highwa	ay (10 tho	usand km			
Xinjiang	17.83	17.55	17.02	16.59	15.52	15.28
Growth rate (%)	1.6%	3.1%	2.6%	6.9%	1.6%	
China	457.73	446.39	435.62	423.75	410.64	400.82
Growth rate (%)	2.5%	2.5%	2.8%	3.2%	2.4%	
Length	of railwa	y (10 thou	ısand km)			
Xinjiang	0.59	0.55	0.47	0.47	0.43	0.42
Growth rate (%)	7.2%	17%	0%	9.3%	2.4%	
China	12.10	11.18	10.31	9.76	9.32	9.12
Growth rate (%)	8.2%	8.4%	5.6%	4.7%	2.2%	

Source: National Bureau of Statistics of China

Unit: 10 thousand KM

大路重型程(万公里) 大路营业里程(万公里) -5 0 5 10 15 20 2010年 2011年 2012年 2013年 2014年 2015年

Chart 3.5 Length of highway and railway in Xinjiang

Source: National Bureau of Statistics of China

Unit: 10 thousand KM

If we compare the growth rate of highway length in Xinjiang with the national value, we can find that except for 2012, the growth rate is approximately similar. But in terms of the length of railway, Xinjiang has a higher growth in 2011, 2012, and 2014. In 2014, a year after the launch of B&R, Xinjiang even sees a remarkable 17% of growth in railway, higher than the national value, which only reaches 8.4%. But again, given the trivial length of railway in Xinjiang compared to highway, such remarkable growth does not have significant effect on the province's railway routes. In general, both highway and railway growth of Xinjiang does not have evident difference with the national value. In other words, the length of transportation routes does not see significant improvement under the influence of B&R

b. Freight volume

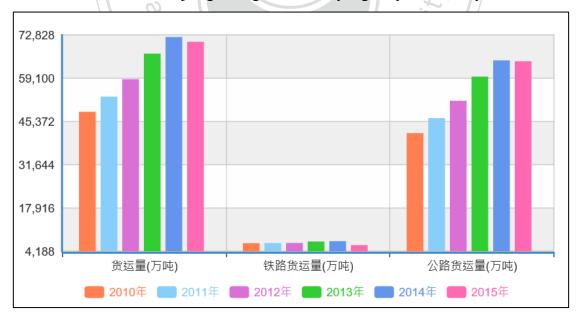
Table 3.6 Xinjiang's freight volume by highway and railway

	0		, 0	-		
	2015	2014	2013	2012	2011	2010
Total cargo volume	70673	72168	66908	58794	53252	48459
Growth rate (%)	-2.0%	7.9%	13.8%	10.4%	9.9%	
Cargo volume by railway	6168	7410	7288	6840	6801	6777
Growth rate (%)	-16.8	1.7%	6.5%	0.6%	0.4%	
Cargo volume by highway	64505	64758	59620	51954	46451	41682
Growth rate (%)	-0.4%	8.6%	14.8%	11.8%	11.4%	

Source: National Bureau of Statistics of China

Unit: 10 thousand Tons

Chart 3.6 Xinjiang's freight volume by highway and railway



Source: National Bureau of Statistics of China

Unit: 10 thousand Tons

Table 3.6 and Chart 3.6 represent Xinjiang's freight volume of cargo from 2010 to

2015. They also indicate that Xinjiang mainly relies on highways instead of railways for cargo shipment. Since 2010, Xinjiang's total freight volume has been increasing steadily, and it reaches its peak – 721.68 million tons - in 2014, when cargo shipment by highways amounts to 647.58 million tons. However, compared to the remarkable 17% of increase in its railway length (See Table 3.4) in 2014, Xinjiang did not see the same remarkable increase in cargo volume by railways. That means the advancement of railway construction in Xinjiang did not meet the same amount of cargo demand. Also note that cargo volume by both ways of transportation decrease by a small margin in 2015, causing the growth of total cargo volume to slow down. In general, both the cargo volume by highway and railway grows faster before the launch of B&R in late 2013, and the growth for both slows down after B&R begins. In 2015, both of the cargo volume by highway and railway even saw negative growth. Accordingly, B&R does not have significant effect in boosting the freight volume in Xinjiang.

c. Volume of passenger traffic

Table 3.7 Volume of passenger traffic in Xinjiang

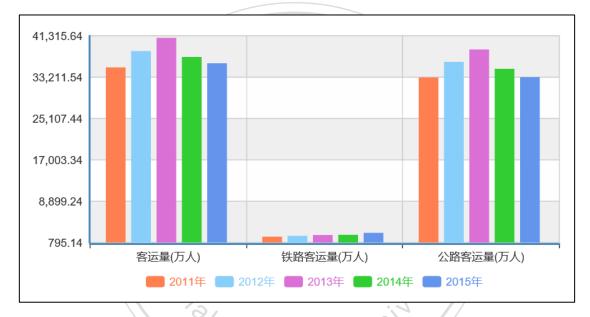
	2015	2014	2013	2012	2011	2010
Total volume of passenger traffic	35948	37176	40926	38331	35130	31937
Growth rate (%)	-3.3%	-8.7%	6.8%	9.1%	10%	

Passenger traffic by railway	2719	2329	2286	2125	1964	1524
Growth rate (%)	16.7%	1.9%	7.6%	8.2%	28.9%	
Passenger traffic by highway	33229	34847	38640	36206	33166	30413
Growth rate (%)	-4.6%	-9.8%	6.7%	9.2%	9.0%	

Source: National Bureau of Statistics of China

Unit: 10 thousand people

Chart 3.7 Volume of passenger traffic in Xinjiang



Source: National Bureau of Statistics of China

Unit: 10 thousand people

From 2010 to 2013, the volume of Xinjiang's total passenger traffic has been increasing, with the growth rate remaining above 6%. After the launch of B&R, however, the growth of passenger traffic by highway sees a sudden drop from 6.7% in 2013 to -9.8% in 2014, and those by railway also sees a sharp slowing down from 7.6% in 2013 to 1.9% in 2014. The total passenger traffic thus has remained decreasing since 2013. In other words, the number of passenger traffic in Xinjiang is

decreasing year by year even under the stimulation of B&R.

(5) Length of energy pipelines and energy import

One of Xinjiang's tasks under B&R is to diversify the source of energy import and stabilize energy security for China. We thus examine the change of oil and natural gas pipelines length and their import amount in Xinjiang before and after B&R initiates.

a. Length of energy pipelines

Table 3.8 Length of energy pipelines in Xinjiang

Years	2015	2014	2013	2012	2011	2010
Length of natural gas pipelines (km)	12833	12147	10986	9972	8613	7145
Growth rate (%)	5.6%	10.6%	10.2%	15.8%	20.5%	
Length of LPG pipelines (km)	75	81	81	81	81	82
Growth rate (%)	-7.4	0%	0%	0%	-1.2%	

Source: National Bureau of Statistics of China

Table 3.8 demonstrates the length of Xinjiang's natural gas and Liquefied petroleum gas (LPG) pipelines from 2010 to 2015. During the five years, the building of natural gas pipelines in Xinjiang has been increasing, with the growth remaining above 10% until it gradually slows down in 2015. The length of LPG pipelines, on the other hand, has seen zero growth for continuous 3 years and declines in 2015. In other words, the building of natural gas pipelines is in progress while those of oil pipeline is

not as B&R advances.

b. Crude oil

Chart 3.8 Monthly change of oil import in Xinjiang from 2013 to 2014



Source: General Administration of Customs of the People's Republic of China Chart 3.9 Monthly change of oil import in Xinjiang from 2014 to 2015



Source: Urumqi Customs District of People's Republic of China

Chart 3.8 shows the change of oil import amount in Xinjiang before and after B&R initiates. From the launch of B&R to September 2014, oil import in Xinjiang saw four times of noticeable increase – November 2013, February 2014, April 2014,

and August 2014. The four peaks represent the months that has over 1 million tons of oil import. In September 2014, however, the import amount hit its lowest point since January 2013 – a 11.4% of decrease from last year's same period and 4.7% of decrease from last month.²⁵ In general, the growth of Xinjiang' oil import in the first three quarters of 2014 remains positive.

Chart 3.9 demonstrates the change of oil import in Xinjiang from 2014 to September 2015. Urumqi Customs' statistics indicate that since May 2015, Xinjiang's oil import amount has seen continuous drop. In the first three quarters of 2015, the amount adds up to 8.5 million tons -7.1% lower than last year's same period.²⁶ In September 2015, the import amount re-bounced by a small margin, but the import amount is still in a declining trend over the first three quarters of 2015.

If we compare Chart 3.8 and Chart 3.9, we find that except for individual months, the oil import in Xinjiang after the launch of B&R does not see obvious increase. Rather, the increase of import in individual month is often followed by a decrease over the chosen years.

²⁵ Urumqi Customs District of People's Republic of China,

http://urumgi.customs.gov.cn/publish/portal166/tab61950/info723372.htm.

²⁶ Urumqi Customs District of People's Republic of China,

http://urumqi.customs.gov.cn/publish/portal166/tab61950/info776872.htm.

c. Natural gas

2013年1月-2014年12月新疆口岸天然气进口月度走势图 平均价格 (万吨) 250 200 150 100 50 0 150 100 50 0 150 1,500

Chart 3.10 Import of natural gas in Xinjiang from 2013 to 2014

Source: General Administration of Customs of the People's Republic of China



Chart 3.11 Import of natural gas in Xinjiang from 2015 to 2016

Source: Urumqi Customs District of People's Republic of China

Chart 3.10 shows that Xinjiang's import of natural gas in 2014 sees stable increase. From a yearly perspective, the total import of Xinjiang's natural gas in 2014 amounts to 209.5 million tons -5% more than the total amount of last year. From a monthly perspective, the import amount hit its lowest point in March but bounces

back afterwards. The amount reaches the highest in history in December – over 2 million tons and 17.8% of increase from last year's same period and 32.4% of increase from last month.²⁷ Chart 3.11 demonstrates that the increase of natural gas import in Xinjiang in 2014 continues to 2015. According to customs statistics, the total amount of import in 2015 amounts to 219.3 million tons – 4.66% of growth from the total amount last year. Note that in December 2015, the import amount reaches the highest among 2014 and 2015, amounting to 245.2 million tons – 18.64% higher from last year's the same month and 59.67% higher than last month. In general, the import of natural gas in Xinjiang has been increasing under B&R.

In addition, the statistics of Urumqi customs indicates that from January to August 2016, the total import of natural gas in Xinjiang amounts to 167.5 million tons – 15.58% higher than last year's same period. In other words, the import of natural gas in Xinjiang has been increasing since the beginning of B&R in late 2013.

In conclusion, B&R focuses on enhancing energy security for the country. During 2013 to 2016, Xinjiang's oil and natural gas import have been increasing, but the increase of the former is not as evident as the latter. The province is also building more natural gas pipelines, but not oil pipelines. Accordingly, it appears that the stable increase in Xinjiang's natural gas import matches the increase in its length of

²⁷ General Administration of Customs of the People's Republic of China,

http://www.customs.gov.cn/tabid/2433/InfoID/731606/frtid/49629/settingmoduleid/126765/Default.asp x.

pipelines. On the other hand, the unchanged length of oil pipelines also match the unapparent growth of oil import.



Chapter 4: The Case Study of Fujian

4.1 Implementing B&R in Fujian: Key areas of focus

Vision and Action has revealed Beijing's attempt to build Fujian into the "core area (核心區)" of the Maritime Silk Road, and the first chapter of this research demonstrated the favorable conditions of Fujian in advancing the Belt and the Road, including having plenty of well-connected overseas Chinese, port facilities that are high-ranking worldwide, and close economic relations with Southeast Asian countries, especially ASEAN members. In this section, we examine the key areas of focus for advancing the Maritime Silk Road in Fujian.

(1) Advance international cooperation in boosting industrial capacity

Cooperation in boosting industrial capacity means deepening economic cooperation among different industries and encouraging local enterprises to "go out."

To advance industrial cooperation, Fujian's authority should pour in stronger financial support based on existing industrial conditions and developmental needs, creating a favorable environment for local enterprises to cast outward investment. Specific measures include assisting local enterprises in building industrial capacity cooperation parks, overseas economic and trade parks, and industrial basements among Maritime Silk Road countries, facilitating the construction of overseas manufacturing and service centers, augmenting bilateral trade by establishing international retail network

of electronic, textile, auto mobile industries, and strengthening cooperation in tourism by expanding and promoting new tour lines and tour brands.

(2) Construct hubs for connection and exchange

To build Fujian into the hub of connection, it requires Fujian's authority to expand maritime transportation routes. Specific tasks include constructing port logistics parks, logistics bases, container berths and the Southeast Region International Shipping Centre (廈門東南國際航運中心) in connection with other ports of Maritime Silk Road countries. It also requires Fujian's government to increase the number of aviation channels, building the province into the staging post of flight traveling from Fujian to ASEAN countries. The specific measures to achieve this goal include expanding outbound airlines and facilitating stage II construction of Xiamen Xiang'an International Airport and Fuzhou Changle International Airport. Another important task for Fujian's government is to expand land route construction. That means building highways, inter-city railways, and bus routes and connecting them with ports and airports. Lastly, Fujian authority should enhance the convenience of port clearance system, pursuing customs clearance integration among Yangtze River Delta, Pearl River Delta, and Chinese midwestern regions. Meanwhile, it should also share information, exchange management technique, and cooperate with countries along the Maritime Silk Road in solidifying law enforcement.

(3) Strengthen maritime cooperation

In 2014, Chinese authority announced in different occasions that China will make 2015 the year of ASEAN-China maritime cooperation, and at the 2015 Boao Forum, Beijing officially announced that the effort comes to reality. In general, such move implies Beijing's resolution to strengthen cooperation with ASEAN in the areas of marine economy, maritime connectivity, marine science research and environmental protection, safety and security, and cultural and people-to-people exchanges on the sea.² As such, Fujian has three main areas of focus to strengthen maritime cooperation with countries specifically along the Maritime Silk Road. First, Fujian should develop offshore fishing industry and establish its basements along the route, widely building offshore fishing industrial parks and overseas fishery bases. Second, Fujian should focus on building platforms for maritime cooperation such as the China ASEAN Marine Product Exchange (中國一東協海產品交易所) and China-ASEAN Marine Cooperation Center (中國一東協海洋合作中心). Third, Fujian is to accelerate cooperation in marine technology and environmental protection. To reach that goal, it requires Fujian's research institutions, colleges and universities to join hand with the government to cooperate with maritime countries in the region.

(4) Enhance people-to-people exchange

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¹ Parameswaran Prashanth, China's Plan For ASEAN-China Maritime Cooperation, *The DIPLOMAT*, Apr. 1st, 2015, http://thediplomat.com/2015/04/chinas-plan-for-asean-china-maritime-cooperation/.

² Thid

On one hand, Fujian mainly relies on existing events such as China International Fair for Investment and Trade (中國國際投資貿易洽談會) held in Xiamen each year and hosting the 21st Century Maritime Silk Road Development Forum (21 世紀海上 絲綢之路發展論壇) to promote people-to-people exchange. There are other cultural activities such as "Culture City of East Asia (東亞文化之都)" in Quanzhou and Summit of Cross-Strait Mazu Culture (雨岸媽祖文化高峰論壇) in Putian City. On the other hand, Fujian has been actively organizing different kinds of activities aiming at cultural exchange with maritime countries, such as researching on literatures, cultural relics and heritage of the ancient maritime silk road, building ties among NGOs of the Maritime Silk Road's Countries, performing the stage show "the Dream of the Maritime Silk Road (絲海尋夢)" - a dance drama about China's ancient marine silk road - along the route of the Maritime Silk Road, and building Confucius Chengchi Un Institutes overseas.

(5) Exploiting the advantage of overseas Chinese

The large number of overseas Chinese among Southeast Asian countries provides a favorable condition for the advancement of the 21st Century Maritime Silk Road. For one thing, Fujian should promote the role of overseas Chinese under B&R, encouraging them to invest in infrastructure and industrial parks construction and building overseas liaison offices. For another, Fujian should set up measures to

maintain and strengthen the connection of overseas Chinese. Specific methods include building the "Maritime Silk Road overseas Chinese connection Hall (海絲僑緣館)," promoting Chinese education along the Maritime Silk Road by establishing Confucius Institutes, and strengthening contact among enterprises run by overseas Chinese.

(6) Advance Fujian-Taiwan relationship

To push forward the maritime Silk Road, Beijing should not dismiss potential cooperation opportunity with Taiwan. Instead, it should use Fujian as the leverage to strengthen bilateral economic and trade cooperation as well as cultural and people-to-people exchange. Specific measures include exploring cross-strait marine transportation routes, experimenting on cross-strait maritime shipping cooperation, connecting Fujian Pilot Free Trade Zone (福建自由貿易區) and Taiwanese Free Economic Pilot Zone (自由經濟示範區), encouraging cooperation between Fujian and Taiwanese enterprises, and enhancing Taiwanese people's cultural identity toward Chinese culture.

4.2 The potential challenge of advancing the Maritime Silk Road in Fujian

In previous chapters, we have discussed several advantages of Fujian in participating the Maritime Silk Road. Fujian has a relatively high trade amount and scale of investment with countries along the Maritime Silk Road in comparison with other Chinese provinces. Also, Fujian possesses abundant maritime resources and

advanced transportation system, including capable port facilities such as Fuzhou and Xiamen, more than 114 deep-water berths, 5 civil airports, 7 inter-provincial railways, and 9 inter-provincial highways.³ Besides, the cooperation of fishery industries between Fujian and ASEAN ranks high nationwide. Fujian is also highly competitive in industries such as electronic information, mechanical equipment, and petrochemicals. Lastly, Fujian now has 12 million overseas Chinese around the world, with 80% of which earning a living in Southeast Asian countries and taking up nearly half of the overseas Chinse in ASEAN.⁴

However, He Junming, a professor at Xiamen University of Technology, points out the challenges of Fujian in participating the Maritime Silk Road:

1. Limited economic cooperation with ASEAN countries

Although Fujian's trade amount with ASEAN has been increasing in recent years, it constitutes only a small portion of Fujian's trade with other regions and organization. The table below shows that in February 2017, Fujian's total trade value of import and export with ASEAN amounted to 1.07 billion RMB. Although with a 29.3% of growth rate compared to the same month last year, this number is less than 1/4 of the trade amount with APEC, which amounted to 4.81 billion. This number is

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³ Junming He, "Fujiang canyu haishang sichou zhi lu jianshe de tiaozhan yu duice (Challenge and Solutions of Fujian in participating in the Maritime Silk Road), *China Opening Journal*, No.2, Apr. 2015, http://www.cdi.com.cn/UploadFiles/pdf/coj/2015/02/2015 02 14.pdf.

⁴ Ibid.

also 163 thousand less than the trade amount with North America, which amounted to 1.23 billion RMB, and 133 thousand less than the trade amount with Europe, which amounted to 1.2 billion RMB.

Chart 4.1 Fujian's foreign trade amount with other regions in February 2017

2017年2月福	建省与主要	国家(地	区)进出口	I总值表									
	进出口合计				出口		进口						
	2017年2月 2017年1月至2017年2 月		2017年2月	2017年1月至2017年2			2017年2月		2017年1月至	2017年1月至2017年2月			
产终国	人民币(万)	人民币 (同比)	人民市(万)	人民币 (同比)	人民市(万)	人民币 (同比)	人民市(万)	人民币 (同比)	人民币(万)	人民币(同 比)	人民币(万)	人民币(同 比)	
APEC	4810091	34.	11226993	22. 9	2455219	8. 6	6312634	3. 4	2354872	2 77.8	4914359	62.3	
东盟	1073676	29.3	3 2631403	20. 5	584261	6. 3	1565889	-0.2	48941	5 74.3	3 1065514	4 73.8	
亚洲	3518045	28. 2	8239634	16. 5	1676635	0. (4463106	-4.7	1841410	72. 2	3776529	58.0	
非洲	353774	26. 2	762127	-7.2	107785	-52.8	362987	-37.6	245989	375.	399140	66. 7	
欧洲	1207184	14.8	3 2631301	-1.2	879599	0. (2046133	-4.7	32758	5 90.9	585168	3 13.4	
欧盟(28国)	1057115	10.5	2322403	-0.1	810569	-0.2	2 1867282	-6. 1	24654	7 71.4	455122	35. 1	
拉丁美洲	534387	13.9	1199843	22. 2	247384	-3.2	670076	11.2	287003	34.3	529767	7 39.6	
北美洲	1237375	18.	3144349	14. 2	844692	3. 1	2183891	3. 7	392683	3 72.3	960459	9 48.5	
大洋洲	443528	118.3	979395	95. 5	88788	30. 4	1 212995	11.5	354740	162.6	766400	147.1	
香港	311257	53.3	645819	-6.6	309651	54. (640770	-6.4	1607	7 -17.2	5049	-25.3	
印度尼西亚	232467	32.3	607499	58. 7	62803	0.4	166515	1.0	16966	49.9	9 440984	102.3	
日本	467344	26. 1	1049067	23. 5	229564	-1.9	627040	11.5	23778	1 74.2	422027	7 47.1	
澳门	414	-90. (1336	-86.6	414	-90. (1334	-86.6	i.		1	-36.5	
马来西亚	172104	54.9	372604	17. 2	86366	41.2	211510	2.5	8573	7 71.7	7 161093	3 44.3	
菲律宾	216217	0.7	637088	11.8	170354	-9.7	536326	3. 2	4586	3 76. 3	3 100762	2 100.1	
沙特阿拉伯	207695	21.4	572860	43.8	31815	-27. 1	131249	10.4	17588	1 38.0	44161	58.0	

Source: Fuzhou Customs District People's Republic of China

In addition, Fujian's trade amount with ASEAN is also incomparable with provinces like Jiangsu and Guangdong. For example, the trade amount of Guangdong with ASEAN in 2013 already amounted to 102.2 billion US dollars, which is four times the amount of Fujian-ASEAN trade in the same year.⁵

2. Lack of cooperation mechanism and platform

Guanxi is less economically developed compared to Fujian, however, Guangxi has proposed a new model for cooperation – Two Countries, Two Industrial Parks (雨國

⁵ Ibid.

雙園)- with Malaysia, and "One hub, one center, five routes, and six nets (一樞紐一中心五通道六張網)" with countries along the Maritime Silk Road; Fujian, in comparison, lacks influential cooperation platform, nor does it has a specific cooperation mechanism to advance regional cooperation with ASEAN. Fujian also has very few industrial integration and interenterprise connection with ASEAN countries.

3. Internal problem of Fujian

Fujian now faces several internal problems. The cost of production keeps soaring, threatening the competitiveness of traditional industries; The price of housing and utilities remain high; The appreciation of RMB increases the production cost of local enterprises; Fujian's industries are more in competition than cooperation with those of ASEAN; The amount and scale of mutual investment between Fujian and ASEAN remain low; Lastly, a large number of Korean and Japanese companies have been operating business in ASEAN's market for many years. They have created not only mature business strategies and localization, but also wide distribution channels of their product. These companies thus remain big competitors for Fujian in the ASEAN market.⁷

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⁶ *HKTDC Research*, "Gunagxi canyu jianshe sichou zi lu jingji dai he 21 shiji haishang sichou zhi lu shishi fangan" (Guangxi's Implementation Plan for Participating in the Building of the Silk Road Economic Belt and 21st Century Maritime Silk Road), goo.gl/6mwQwT.

⁷ Junming He, "Challenge and Solutions of Fujian in participating in the Maritime Silk Road."

4.3 B&R's preliminary results in Fujian

To examine if B&R leads to actual policy results in Fujian, this section lays out the province's foreign trade amount, provincial GDP, and transportation-related index in comparison with respective national value from 2010 to 2015. Except for GDP growth, which is directly taken from credible sources, the growth value of each index in the following section is simply calculated through the formula: $\frac{n-(n-1)}{n} \times 100\%$.

(1) Foreign trade amount

Table 4.1 and Chart 4.2 below present the value of Fujian's foreign trade amount from 2010 to 2015. The orange bars in Chart 4.2 demonstrate that the total trade value has been increasing from 2010 to 2014 but dropped in 2015 due to the shrinkage of both export and import. Over the five years, the most significant growth for export and import both appears in 2011, which respectively amounted to 29.9% and 36%.

But despite both export and import amount reach their highest point in 2014, a year after B&R took place, both of which see an evident drop in 2015, rendering a respective negative growth of -0.68% and -12.2%.

Table 4.1 Foreign trade amount of Fujian

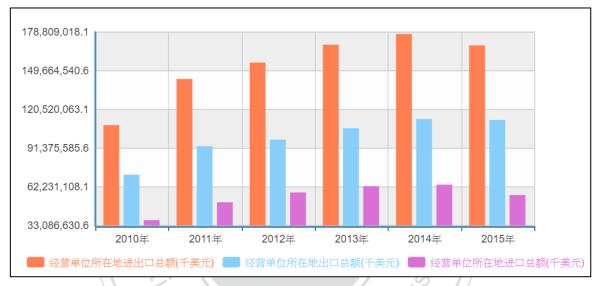
Year	2015	2014	2013	2012	2011	2010
Total	168845931 177407841		169320901	155937960	143522428	108783289
Growth (%)	-4.8%	4.8%	8.6%	8.7%	32%	

Export	112680109	113452293	106474420	97832594	92837782	71493128
Growth (%)	-0.68%	6.6%	8.8%	5.4%	29.9%	
Import	56165822	63955547	62846481	58105363	50684646	37290161
Growth (%)	-12.2%	1.8%	8.2%	14.6%	36%	

Source: National Bureau of Statistics of China

Unit: thousand USD

Chart 4.2 Foreign trade amount of Fujian



Source: National Bureau of Statistics of China

Unit: thousand USD

In addition, Fuzhou Customs' statistical analysis⁸ indicates that the dynamics of

Fujian's foreign trade from January to October 2016 continues to grow weak. During these 10 months, Fujian's total foreign trade value amounted to 858.1 billion RMB, 1.6% lower than the amount of last year's same period; Specifically, the export amounted to 573.04 billion RMB, 1.3% lower than last year, and the import amounted to 285.06 billion RMB, 2.3% lower than last year. The same analysis also points out

Fuzhou Customs District People's Republic of China, http://fuzhou.customs.gov.cn/publish/portal123/tab63612/info838751.htm.

⁹ Ibid.

that during this period, general trade (一般貿易) cargo, which accounted for over 71.8% of total foreign trade, decreased only by a slow margin, whereas processing trade (加工貿易), which accounted for 21.9% of Fujian's total foreign trade, saw an evident decline. 10 From January to October 2016, Fujian's general trade amounts to 616.26 billion RMB, only 0.3% lower than the same period last year. But processing trade, which amounts to 187.84 billion RMB, is 7.1% lower than the same period last year. 11 In terms of specific export and import items, mechanical and electrical products and garment have been Fujian's main export product. But in the first 10 months in 2016, the export of these product respectively has seen 5.1% and 6.4% of decrease respectively from last year's same period. The export of agricultural, textile, and granite-made product, however, sees evident improvement, which respectively reached 10.9%, 9.7%, and 6.6% of growth. For import items, the import of raw product increases by a small margin, while industrial goods see drastic decrease. In sum, Fujian's foreign trade amount remained decreasing in 2016.

However, if we look at Fujian's trade with countries along SREB and the Maritime Silk Road, the province's export to these countries remains increasing and import remains decreasing. According to Fuzhou Customs, Fujian's total trade

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¹⁰ Ibid.

¹¹ Ibid

Fuzhou Customs District People's Republic of China, http://fuzhou.customs.gov.cn/publish/portal123/tab63612/info838752.htm.

value with countries along B&R amounts to 266.77 billion RMB from January to October 2016, which increased by 1.1% from last year's same period. 13 Specifically, the export increased by 3.2% and the import decreased by 3.2%, creating a 8.9% of growth in trade surplus. 14 There are reasons for Fujian's increase in export yet decrease in import over countries along B&R over this period of time. First, the price of oil, natural gas, and plastic worldwide remained low. That means Chinese import of these product from countries along B&R only contributed little to the total value of China's import from these countries. Second, as important trading partners of China and the main area of focus of B&R, ASEAN Countries have seen improving GDP growth, rendering a higher demand for Chinese product. That means ASEAN markets now have higher demand for Chinese export than Chinese market has for them. Third, as labor cost in China increases, more and more textile business in Fujian choose to relocate factories into Southeast Asian countries to reduce production cost. This has increased Fujian's export of raw material and semi-product of textile industry. In sum, Fujian's overall foreign trade has been decreasing, but its trade with ASEAN and countries along the routes of B&R remain increasing as B&R advances.

¹³ Ibid.

¹⁴ Ibid.

(2) GDP of Fujian

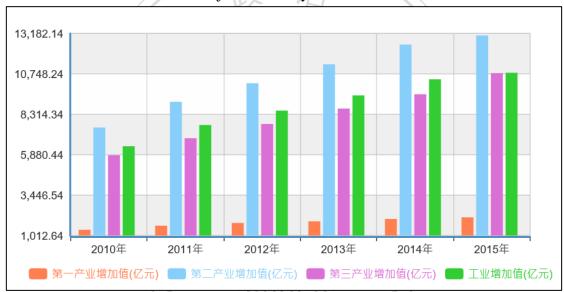
Table 4.2 Fujian and national GDP

Year	2015	2014	2013	2012	2011	2010
GDP of Fujian	25979.82	24055.76	21868.49	19701.78	17560.18	14737.12
Growth (%)	8%	10%	11%	12.2%	19.2%	
National GDP	689052.1	643974.0	595244.4	540367.4	489300.6	413030.3
Growth (%)	6.92%	7.3%	7.76%	7.86%	9.54%	

Source: National Bureau of Statistics of China

Unit: 100 million RMB

Chart 4.3 Fujian's GDP by various industries



Source: National Bureau of Statistics of China

Unit: 100 million RMB

2015. Except for 2011, which has seen a stunning GDP growth of 19.2%, the GDP growth after 2011 remains approximately around 10%, showing that Fujian has seen a steady development of economy. Chart 4.3 shows the economic growth in Fujian by

Table 4.2 lays out Fujian and the national GDP and their growth from 2010 to

different industries. Basically, the growth of the second and tertiary industries and the

industrial output are all very prominent, while the growth of the first industry is not

very significant. Also note that although the development of all industries is seen each year, the growth is slowing down year by year - from 19.2% in 2011 to only 8% in 2015. Compared to the national GDP, we find that Fujian's GDP growth in 2011 is nearly 10% higher than the national value. In the years after, it also remains higher than the national value. But considering Fujian's GDP growth has been higher than the national GDP growth before B&R initiates in 2013, and that the gap between the two after 2013 is narrowing down, therefore the effect of B&R in stimulating GDP growth in Fujian is not evident.

(3) Transportation-related index

a. Freight volume

Table 4.3 and Chart 4.4 demonstrate Fujian's freight volume by different ways of transportation. From 2010 to 2014, the margin of growth of total freight volume are nearly identical, with the volume increases approximately 100 million tons each year.

Table 4.3 Freight volume of Fujian and China

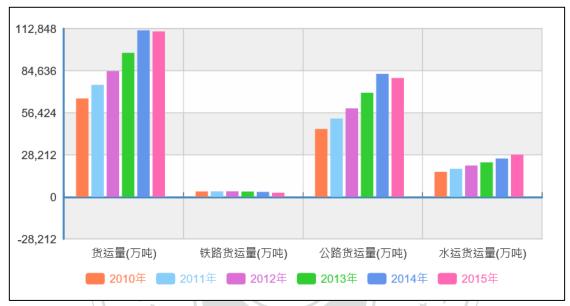
Year	2015	2014	2013	2012	2011	2010
Fujian's freight volume	111041	111757	96674	84345	75191	66083
Growth (%)	-0.6%	15.6%	14.6%	12.2%	13.8%	
National freight volume	4175886	4167296	4098900	4100436	3696961	3241807
Growth (%)	0.2%	1.7%	-0.03%	10.9%	14.0%	

Fujian's freight volume by railways	2820	3402	3636	3814	3762	3705
Fujian's freight volume by highways	79802	82573	69876	59431	52558	45575
Fujian's freight volume by sea	28419	25782	23162	21100	18871	16803

Source: National Bureau of Statistics of China

Unit: 10 thousand tons

Chart 4.4 Fujian's freight volume by various ways of transportation



Source: National Bureau of Statistics of China

Unit: 10 thousand tons

In 2015, however, the province's total freight volume decreased by a small margin, rendering a -0.6% of growth rate mainly due to the decrease of cargo volume by both railway and highway. Chart 4.4 indicates that among the three ways of transportation, cargo shipment by rails remains the lowest with little fluctuation over the five years.

The charts also show that Fujian's freight volume from 2010 to 2015 is mainly pulled up by highway and marine transportation, with the freight volume of both increasing steadily each year. Although the cargo shipment by highway decreased from 825 million tons in 2014 to 798 million tons in 2015, the decrease was nearly offset by the

increase in cargo shipment by sea of the same year.

Compared to the national value, the growth rate of Fujian's freight volume has been significantly higher than the national growth rate from 2010 to 2014. The national freight volume growth rate remains high in 2010 and 2011, but it has reduced to approximately zero since 2012. Whereas the growth of Fujian's freight volume has remained above 10% except for in 2015, and the highest growth appears in 2014, a year after B&R starts. In general, Fujian's total freight volume from 2010 to 2015 is improving, and its growth has been more evident than the national growth rate. But even though the dynamic of B&R help creates the highest growth of freight volume for Fujian in 2014, the growth did not extend to 2015.

b. Volume of passenger traffic

Table 4.4 Volume of passenger traffic in Fujian

Years	2015	2014	2013	2012	2011	2010
Total passenger traffic	51646	58719	55107	82041	79549	75798
Passenger traffic by railways	9256	8345	6501	5295	4695	3640
Passenger traffic by highways	40394	48580	46895	75044	73259	70714
Passenger traffic by sea	1996	1794	1711	1702	1595	1444

Source: National Bureau of Statistics of China

Unit: 10 thousand people

82,848 62,136 41,424 20,712 -20,712 客运量(万人) 铁路客运量(万人) 公路客运量(万人) 水运客运量(万人)

Chart 4.5 Volume of passenger traffic in Fujian

Source: National Bureau of Statistics of China

Unit: 10 thousand people

The passenger traffic of Fujian mainly relies on highway transportation. As Table 4.5 shows, the passenger traffic by highway significantly outnumbered those by railway and by sea. That means, mainly, it is the fluctuation of passenger traffic by highway that influences the changes of the province's total volume of passenger traffic. Chart 4.5 demonstrates the changes of volume from 2010 to 2015 by different ways of transportation. The transportation by sea has been making little contribution to the total volume, with its number barely changing among these 5 years. The passenger traffic by railway, on the other hand, grows steadily each year. In terms of the volume by highway, the number has been climbing in the first 3 years, but it saw a significant drop from 75 million people in 2012 to 46.8 million people in 2013. In

only 40 million people in 2015. Objectively speaking, B&R has not lead to any significant increase in Fujian's volume of passenger traffic.



Chapter 5: Conclusion and the Roads ahead

5.1 Do all the efforts pay off? – B&R as a slogan or an effective policy?

In the beginning of this research, the author clarifies the research question – "Is B&R more of an empty slogan or an effective initiative in Xinjiang and Fujian?" In pursuit of the answer, the author first looks at the favorable conditions of the two provinces and their advantageous position under the initiative. Because Xinjiang and Fujian are designated by Beijing as the key provinces to push B&R forward, the policy results in these two provinces thus serve as the criterion to measure B&R's domestic effectiveness in other provinces. Through careful examination of the selected developmental indexes in chapter 3 and 4 such as GDP growth rates, foreign trade amount, national income, transportation-related index, length of energy pipelines, and the amount of energy import in Xinjiang and Fujian, it becomes clearer that B&R's effect in the two provinces is between mixed and ineffective. Yet again, this research is in no attempt to prove the causal relation between the implementation of B&R and the wax and wane of each developmental index of Xinjiang and Fujian. Instead, it is the author's attempt to demonstrate how those developmental indexes grow and change with time while the initiative is in effect.

Comparing the results of chapter 3 and 4, we can find that there are more indexes that are either unchanged or regressing than improving under the effect of B&R. The

result indicates that B&R is more of an empty slogan than an effective policy in Xinjiang and Fujian. In addition, the number of indexes with improving sign in Xinjiang is higher than those in Fujian, implying that the overland Silk Road may be Beijing's main strategic focus compared to the maritime Silk Road. To have a thorough insight into how the developmental indexes of Xinjiang and Fujian have evolved since B&R took effect, we can first sort them by the following categories economic improvement, infrastructure-related statistics, and energy-related growth.

(1) Economic improvement

Although Xinjiang's GDP growth has been higher than the national value from 2010 to 2015, it has not had significant increase since B&R started. For foreign trade amount, both the national and Xinjiang's foreign trade has been shrinking, but the downgrade in Xinjiang is a lot more evident. At the individual level, Xinjiang residence's per capita disposal income did increase after B&R begins, and the growth rate from 2013 to 2015 has been slightly higher than the national average. But even with B&R being at play, the income growth of Xinjiang's rural residence is slowing down while those of urban residence remains increasing. That means B&R has not narrowed the wealth gap between the urban and rural Xinjiang.

Fujian's GDP growth has been higher than the country's GDP growth from 2010 to 2015. Similar to the case of Xinjiang, the GDP growth of Fujian actually lowered

after B&R took effect, and the gap between the country and Fujian's GDP growth rate also narrowed. Therefore, B&R has not significantly boosted the GDP growth of Fujian. As to foreign trade amount, both export and import growth of Fujian has been shrinking from 2010 to 2015. But Fujian's trade with ASEAN and countries along the routes of B&R remain increasing with B&R at play.

(2) Infrastructure-related statistics

First, both railway and highway length in Xinjiang do not have significant increase after the launch of B&R, and the growth of both indexes from 2010 to 2015 have approximately equated their respective national growth rate. Second, the freight volume by both highway and railway grow faster before than after the launch of B&R, and the growth for both slows down after B&R begins. Third, the total number of passenger traffic in Xinjiang has been decreasing since B&R came into force.

Although passengers traveling via rails has increased by a small margin until 2015, those traveling through highway have been decreasing with B&R in effect.

Fujian's total freight volume from 2010 to 2014 has been ascending, and its growth has been higher than those of the country's growth rate. The reason that the growth did not extend to 2015 is because both the freight volume by highway and railway dropped significantly in that year. However, the province's freight volume by sea has been increasing since 2010, suggesting that Fujian's outward exchange indeed

improves after B&R was initiated. In terms of passenger traffic volume, on the other hand, B&R has not lead to any significant increase in Fujian's volume of passenger traffic. The number of passengers traveling by highway dropped drastically in 2013 and continued dropping in 2015. With B&R in effect, the total passenger traffic has reached its lowest point in 2015 over the past five years.

(3) Energy-related growth

First, the building of natural gas pipelines in Xinjiang has made stable progress since B&R took effect, but the building of oil pipelines has not. Second, except for occasional increase observed in individual months, the oil import in Xinjiang after the launch of B&R fluctuates without having any significant improvement, whereas the import volume of natural gas has been ascending with B&R at play. Aiming at diversifying the source of energy import and increase its import amount, Xinjiang has seen an increase in both oil and natural gas import since B&R started, but the increase of the former is not as evident as the latter. The province is also building more natural gas pipelines, but not oil pipelines with B&R in effect.

In conclusion, this research finds that during 2010 to 2015, the implementation of B&R has not lead to significant economic improvement in Xinjiang, nor has it successfully dealt with the widening wealth gap between urban and rural areas of the province. Likewise, the GDP growth in Fujian has not significantly improved with

B&R in effect, but the province's trade amount with ASEAN member states has proved to be increasing. As for infrastructural achievement, Xinjiang's highway and railway have not increased in their length, its freight volume has begun to slow down, and its volume of passenger traffic has been lowering with B&R in effect. Fujian's freight volume, especially those by sea, has had significant improvement, but its passenger traffic has been decreasing with B&R at play. Lastly, although it is still difficult to judge if the SREB helps improve energy security in China, Xinjiang has seen different extent of growth in oil and gas import with B&R in effect. The building of gas pipelines in Xinjiang is also in progress even though the same improvement has not been seen in the construction of oil pipelines. Comparing the policy results in Xinjiang and Fujian, we also find that the effect of B&R seems to be more significant in Xinjiang than it is in Fujian because the number of indexes with improving sign is higher in the former than in the latter. This finding implies that the overland SREB may be Beijing's major area of focus compared to the maritime Silk Road.

5.2 SWOT analysis of B&R

At the end of this research, the author presents a table demonstrating the strengths, weakness, opportunities, and threats of B&R initiative. The table aims to provide a new starting point to look at B&R as a grand strategy as well as usher in more research perspectives for future studies.

Table 5.1 SWOT analysis of B&R initiative

	Strengths	Weakness
1.	China's long coastal line	Unstable political regime and poor
2.	China's Strong economic power	economic development among
3.	Tremendous cluster effect of various	countries along the Belt and Road
	industries along Chinese coastal line	2. China's reliance on foreign trade
4.	Large amount of overland and maritime infrastructure	3. Rising nationalism and social inequality
5.	Abundant foreign exchange reserve	4. The legitimacy of CCP
6.	The mature manufacturing industry of China	
	Opportunities	Threats
1.	The building of infrastructural	1. Obstacle and confinement from US,
	facilities among B&R participants	Japan, India, the Philippines, and
2.	Potential benefit for travel industry	Vietnam
3.	Stimulate the development of textile,	2. The complexity of territorial dispute
	garment, steel, automobile, and	in South China Sea
	marine fishery industries for both	3. Insufficient mutual trust between
	China and B&R participants	China and ASEAN members

4. Advance agricultural and food security

As stated before, this research focuses on the domestic effectiveness of B&R and deals relatively less with the policy's international effect. In addition, B&R is a multifacet initiative that covers issues from economy to people-to-people exchange, not just development. Therefore, the multiple-oriented nature of B&R provides room for future studies to explore more research aspects and topics. Whether B&R could be effective both internally and externally is yet to be seen. But it is certain that the term "One Belt One Road" is one of the catchiest slogans in world politics of this decade.



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