

# **China's New Silk Route Initiative: Political and Economic Implications for the Middle East and Southeast Asia**

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**Abstract:** *The liberal economic policies which have been developed in China in the 1980s have significantly produced a “new demographic” reality with an increasing proportion of about 350 to 400-million strong Chinese middle class. This new reality is starting to affect the conduct and direction of China’s foreign policy particularly toward countries in Middle East and Southeast Asian regions, which hold considerable amount of energy resources, such as crude oil and gas. The “One Belt One Road” initiative (OBOR), proposed by Chinese President Xi Jinping in 2013, signals the reinvigoration of the Silk Road Economic Belt and the 21<sup>st</sup> Century Maritime Silk Route as a necessary measure to meet future Chinese demand for energy and open markets for its surplus products. Over the last two years, various Middle East countries, such as Iran, Saudi Arabia, United Arab Emirates, Turkey, Israel have watched China in cultural and political arenas. China’s economic needs have triggered this development. The same year, China’s president visited Indonesia and pledged a \$40 billion fund to develop infrastructures along the route. With the new silk route proposal, China would be able to guarantee not only the stable energy supply from the Middle East but also access the markets of Southeast Asian countries. However, diverse views arising from this proposal questioned China’s real intentions. Has China’s proposal been designed to reorder Asia and contain US pivot to Asia? Does it signal the enlargement of China’s regional influence using its economic might? What does this policy say about ASEAN member countries, particularly the Philippines? This article however argues that China’s regional and international expansion is a natural byproduct of its economic weight; it also argues that the Middle East and maritime Southeast Asian countries can expect maximum economic and political gains from joining the “One Belt One Road” initiative.*

**Key Words:** *“One Belt One Road” Initiative; Maritime Silk Route; International Political Economy; Maritime Countries; Energy Resource*

## **I. China, Middle East and ASEAN Countries in the Changing World Order: The Role of State, Perception, and Values**

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China's economic miracle in the last decades has brought mixed reactions from the members of the global community. Some countries are optimistic that the power structure in international politics would no longer be dominated and directed by Western countries as experienced in the last century, but, China's coming as a new celebrated economic power, will add flavor to the old but one-directional theatre of power structure in the international arena. Hence, a balanced, stable and perhaps peaceful future for international relations may be experienced by many as power is shared with the new emerging global powerful country, in this case China.

Many countries in the Middle East and North African region share this situation, especially that many of them had experienced unfavorable economic and political alignments from either the US or other strong powers within the European Union (EU), such as France, Germany and Great Britain. For almost a century now, countries such as Iran, Iraq, Libya and Egypt were quite suspicious about the real intentions of these powers in the region. However, due to weak political institutions and culture of distrust to foster regional unity among member countries, the presence of these extra-regional powers, although disliked by many, remained the most practical measure to at least establish a so called regional "relative stability."

This skeptical acceptance of extra-regional powers and the presence of the culture of distrust in the region accelerated a geopolitical competition among regional powers. It is thus not surprising that many of national and regional failures to deliver public goods are blamed on external countries' interference in the region. In short, the failure of a particular government in the Middle East is always framed within the "conspiracy" lens — meaning that some governments or people of the region are conspiring with outsiders by allowing outsiders to interfere in the affairs of a state, thus putting the entire region in disarray.

The new economic package offered by the Chinese government through the OBOR has been widely received by both new regional governments, such as in Egypt, Libya and Tunisia, as well as in Israel, Iran, and Saudi Arabia as a hugely potential alternative source of investments and markets to their common resources, that of crude oil. Aside from this, joining OBOR will probably connect them extensively with the economies of the world and hence contribute to the global inclusive economic gains such as, but not limited to, energy market, IT, railway, banking, and insurance management, Chinese foreign investment in the exploration of mining sector, as well as tourism and education.

The creation of the Asian Infrastructural Investment Bank (AIIB) that would bring in capital investment from China and other member states and promote connectivity between the region to the Far East, Central Asia and Europe should suffice but practically difficult to achieve. This is because there is no clear strategic policies on how regional countries both within ASEAN organization and Middle East region can effectively respond to China's grand economic project. What is apparent at this point is that many of these countries initially think of the huge economic possibilities it will open for them, but the difficulties to achieve political and security coherence remain a practical hindrance to future success. Although China has tried its best to carefully deal with two regional powers, such as Saudi Arabia and Iran, it is quite difficult to anticipate that such strategic balancing with these two countries will bring them a common economic agenda. Even if the two countries cooperate economically with China, it is still unclear if such condition will lead to political and security cooperation.

The civil strife in Syria, where regional powers are heavily involved in, poses a major hurdle for the future direction of OBOR. The Syrian issue will continue to rank as one of the most critical issues in the political and diplomatic relations between Saudi Arabia and Iran. Saudi wants the Bashar Assad regime removed from power either by "political

process” or “by force” through US-led coalition, according to Saudi Arabia’s Foreign Minister Adel al-Jabir, as he told CNN’s Christiane Amanpour in an exclusive interview in Munich, Germany.<sup>①</sup> Iran, on the other hand, believes that the fall of the Syrian regime may weaken Iran’s regional geostrategic hold in the Middle East. Iran, Syria and Lebanon are three important allies in the region.

Given this political complexity, where Saudi Arabia, Iran, Russia, the US and some Arab countries are in one way or another involved in the Syria conflict, China can play a vital role in seeking to mediate the crisis by providing a negotiating environment to opposing parties involved in the Syrian civil war before the final stage of negotiation. This, however, will create a challenging task for China as it tries to provide a balancing act between Saudi Arabia and Iran in one hand and between the US, Russia and other Arab countries, on the other.

Although China respects the sovereignty and the territorial integrity of Syria as a basic principle in its foreign policy ever since, it cannot however deny the fact that any security disturbances in that part of the region can jeopardize the outcome of its grandiose economic initiative. Thus, China’s involvement in Syrian crisis as a mediator might be the major test of the country’s diplomatic ability. Contrary to the US and Russia’s experience with the Middle Eastern countries, China has no record of any political and economic intervention in the regional affairs. For the Arabs and the Iranians, China may be the most reliable country to work with, as it has no history of hegemonic occupation in any country in the Middle East region.

The principle of non-interference, a major principle in China’s foreign policy, makes China the most reliable country to broker peace. However, China’s lack of experience in political engagement in regional countries may cast doubts in its ability to undertake successfully the role of a mediator, especially in the Syrian conflict. Chinese diplomats, however, played a role in the recent “5 plus 1” negotiations on Iran’s nuclear program, resulting in the Joint Comprehensive Plan of Action (JCPOA).<sup>②</sup> JCPOA is commonly known as the Iran nuclear deal signed in Vienna between Iran and the P5+1 (the five permanent members of the United Nations Security Council—China, France, Russia, United Kingdom, US — plus Germany) and the European Union.<sup>③</sup>

In Southeast Asia, some countries, however, do not share this perspective, arguing that the rise of China and the Chinese economic and political move in Asia and the world would create more competition instead of cooperation, thus exposing neighboring countries to insecurity. And, if competition is non-manageable, it may possibly result in conflict and war. China’s penetration of the political and economic landscape in the Middle East region may also result in intense competition between Saudi Arabia, Iran, Israel and Turkey, especially in terms of accessing capital investment from China. Whether such competition between Middle Eastern countries promotes profitable economic gain or political unity or disunity among regional countries is still too early to determine.

Africa, the Middle East and Central Asia countries may welcome China’s policy and contribution, but such experience is not widely shared by some of China’s neighboring countries in East and Southeast Asia. The hesitation to welcome China’s ‘good’ intention by some countries in the Southeast Asian region is a natural byproduct of a psychological

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<sup>①</sup> Mick Krever, “Saudi Arabia Official: If All else Fails, Remove Syria Assad by Force,” *CNN*, February 13, 2016.

<sup>②</sup> Sebastian Hornchild, “China in the Middle East: Not just about Oil,” July 2016, p.1. [http://www.iss.europa.eu/uploads/media/Alert\\_31\\_China\\_MENA.pdf](http://www.iss.europa.eu/uploads/media/Alert_31_China_MENA.pdf).

<sup>③</sup> “UN Chief Welcomes Implementation Day Under JCPOA,” January 17, 2016, <http://www.irna.ir/en/News/81923263/>.

or insecurity perspective seen in a “David and Goliath” context. This is perhaps one of the many reasons why ASEAN countries preferred to talk to China not bilaterally, but through a regional organization, such as ASEAN. Small regional countries would always feel that big powers have bigger interests to dominate others given their economic, political and security needs. As such, they see China as a regional power with regional and global hegemonic agenda and therefore should be carefully dealt with.

Such condition, however, may not be shared similarly in China’s Middle East relations. China has a very positive image in the Middle East and many countries welcome it as a strategic and reliable partner, particularly in energy and investment sectors. In addition, China’s economic involvement in many Middle East North Africa (MENA) countries does not involve any “strings attached”, unlike the US and some European powers. This is true when China does not look at human rights condition of many Arab authoritarian governments as precondition to doing trade. China’s increasing economic involvement in the MENA region may have some grand geo-strategic interests such as political and security in nature, but it has not yet fully manifested recently. What is clear, today, is the idea that OBOR initiative may provide mutually inclusive benefits to the involved countries.

Some dispute the assumption that China’s greater engagement in the Middle East and North African region fosters a new economic model in the region. They argue instead that China has taken advantage of the existing western economic structure. Olimat argues that China’s Middle East strategy, which is based mainly on securing a smooth supply of oil in the future to its economy, has never undermined US regional interests. In fact, China is “utilizing current Western institutions to achieve its goal.”<sup>①</sup> In addition, Olimat lamented that “China does not seek to undermine the American interests in the region; rather, it seeks an access to a steady source of energy to sustain its economic development. In so doing, China pursues a tri-dimensional policy in the Middle East identified in terms of oil, arms sales, and trade”.<sup>②</sup> Although the author did not set aside the possibility that Chinese strategic engagement in the region caused alarm from the US and European countries, he, however, offered guidance that the way to mitigate this alarm is to study and understand fully the Chinese need for energy supply for its future use.<sup>③</sup>

Understanding China from its domestic context gives us clearer insights as to why the country’s leadership launched this economic initiative. Understanding China from external perspective, such as on what and how international media portray the country, will only give us partial and sometimes Western-oriented images of China. Hence, it is only logical that the way to maximize policy responses to China’s economic and geostrategic move towards the Middle Eastern region is to go back to the basics. It is necessary to comprehend the interplay of domestic and international variables that formed part of China’s recent geo-economic initiative. Given that the Middle East region remains a significant supplier of energy for many years to come, China would do everything to make sure that a smooth and reliable flow of energy supply from the Gulf were sustained. As a professor of International Relations at Leiden University observed, “It’s a ‘competitive platform’ rolled out by China, which other countries and actors can add considerably to, thereby co-constructing the future of OBOR along with China. So, in that sense, the element of agency of each actor and the economic, political, (geo)strategic attributes, and capabilities of different countries involved in OBOR, plays a major role in terms of how

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<sup>①</sup> M. Olimat, “The Political Economy of Sino-Middle Eastern Relations,” *Journal of Chinese Political Science*, Vol.15, 2010, pp.307-335.

<sup>②</sup> Ibid.

<sup>③</sup> Ibid.

(much) various countries can benefit from and contribute to it.”<sup>①</sup> And given that economies in the Gulf Cooperation Countries (GCC) are still highly energy export dependent and not so diversified, it is likely that China-GCC relations “will be in the realm of energy security”<sup>②</sup> as Forough added.

Although, Middle Eastern countries provide strategic content for China’s appetite for oil to continue and sustain its economy, it is also, however, good to see how other tradable goods and other economic transactions figured out as important elements in China’s OBOR initiative. One must look at both the economic and strategic factors in China’s policy with the Arab world. Other sectors such as construction, trade, investment facilitation, technological exchanges, etc. are also important components in China’s Arab Policy Paper.<sup>③</sup>

As an indication to this, China-Middle East trade volume increased from \$18 billion to \$312 billion between 2000 and 2014. This means a 17-fold trade increase as China replaced the US as the major trade partner with the Middle East. Other areas of investment worth exploring would be nuclear and renewable energy sector and aerospace technology sectors.<sup>④</sup> China’s adherence to “no peace, no development; no development, no peace”<sup>⑤</sup> idea practically fits into what the countries in the region would really need. The drive to promote inclusive economic growth and development in the region would largely depend on the ability of each regional country to put forward economic collaboration over political and ideological differences. Although many regional countries hold significant oil reserves, which help, sustain their individual economies in the near future, such may not hold true twenty to fifty years from now. From 2014, a “comprehensive strategic bilateral partnership has been signed between China and regional countries namely, Saudi Arabia, Iran and Egypt”<sup>⑥</sup>, is one indicator that many Middle Eastern countries are keen of diversifying their economies from single product source dependency.

Another factor that contributed to skepticism in Southeast Asia on China’s intention is due to their Western foreign policy orientation. What they perceived as their national interests aligns with the interests and values of Western powers. For them, transaction with China follows the Western countries preference. In addition to this, countries would simply evaluate the degree of their transaction with China based on what they perceived to be common values with the West rather than to look into their ancient-shared Asian heritage and history as an important factor to pursue future cooperation. Moreover, they prefer to see a sustained US engagement in the region than to see the region being managed by a regional power whose real intention is not clear as of this moment. However, many analysts doubted this perspective arguing that an increasing presence of the US in the Southeast Asian region, as illustrated in today’s security dynamics, does not guarantee a peaceful region nor the US would provide protection to small allied countries from possible external military conquest.

Contrary to this, although many Arab States, have good relations with the US, this relation has no clear significant bearing in their relations with China. Instead, many Arab countries, due to their economic superiority, see their relations with the US as distant from that of China. Besides, China, unlike the US, has no intention of introducing or forcing

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<sup>①</sup> “The Middle East and New Silk Road,” September 22, 2016, <https://www.middleeastmonitor.com/20160922-the-middle-east-and-the-new-silk-road/>.

<sup>②</sup> Ibid.

<sup>③</sup> Jeffrey S. Payne, “The GCC and China One Belt and One Road: Risk or Opportunity,” August 11, 2016, <http://www.mei.edu/content/gcc-and-china-s-one-belt-one-road-risk-or-opportunity>.

<sup>④</sup> Sebastian Hornchild, “China in the Middle East: Not just about Oil.”

<sup>⑤</sup> Ibid.

<sup>⑥</sup> Ibid.

Arab countries to follow its style of political system nor does it have a plan to interfere in the domestic affairs of the regional countries the same degree as that of conditionality of the US and European powers. Socio-culturally speaking, there are many Arabs as well as Iranians and Turks in Western countries than there are in China. And given their Western educational background and encounters, they still prefer the Western way of life than to spend more time studying and residing in China, although recently, there has been some indicators pointing to their interests with China. A professor from the Middle East Studies Institute of Shanghai International Studies University in China observes that GCC “security and economic integration” resulted in the rise of GCC’s soft power, paying attention to various initiatives, such as, “strengthening the GCC’s religious and political influences; getting discourse power in the Arab-Islamic affairs; gaining political influence through involvements in regional hot issues, transforming into an Arabic-Islamic alliance of monarchies”.<sup>①</sup> In relations to this rise of soft power, Ma Lirong recommended that China should look at all aspects of its relations with the GCC countries. In particular, China “should promote its cultural exchanges with the GCC, which shall include both bilateral and multilateral activities on official and non-official levels, so as to develop the China-Arab partnership.”<sup>②</sup> This means that the country shall sustain the promotion of “mutual exchanges with various political, religious, and ethnic factions, diverse interest groups of social elite, and local youth to establish emotional ties and expand consensus.”<sup>③</sup>

What probably is clear in the relational dynamic between the US and the Southeast Asian countries is the psychological and mental guarantee given by the US to its allied countries. However, it remains unclear to many Southeast Asian countries how the US would draw a critical line between what it perceived to be its regional unilateral interests and what the interests of its Southeast Asian allies are. In addition, it is also important to know what and how common interests between the US and Southeast Asian countries converge. Thus, the recent US rebalance to Asia has also generated mixed expectations from both political leaders and analysts around the world.

Rod Lyon argues that the American rebalance in Asia creates a “crisis of expectation”<sup>④</sup> both from Asian countries and from the Obama administration. He continues that “[T]he rebalance, even if successful, is merely one variable in a shifting strategic landscape. By itself, it won’t return the US to the position as the ‘indispensable player’ in Asia,”<sup>⑤</sup> or will it create an absolute peaceful Southeast Asian environment.

This adds to another argument put forward by Campbell and Andrews who said that the US “pivot to Asia”<sup>⑥</sup> or “rebalance to Asia” may “increase[s] US influence in the region but it fails to stop China.”<sup>⑦</sup> To benefit from this shift in global geopolitical dynamism and sustainably grow its economy, the US is building extensive diplomatic, economic, development, people-to-people and security ties within the region.

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① Ma Lirong, “The Rise of GCC’s Soft Power and China’s Cultural Diplomacy,” in Sun Degang, Yahia H. Zoubir, eds., *Building a New Silk Road: China and the Middle East in the 21<sup>st</sup> Century*, Beijing: World Affairs Press, 2014, p.321.

② Ibid., p.336.

③ Ibid., p.336.

④ Rod Lyon, “The Real Problem with America’s Rebalance to Asia: A Crisis of Expectation,” *The National Interests*, January 6, 2015.

⑤ Ibid.

⑥ “The Obama’s Administration’s Pivot to Asia,” <http://www.foreignpolicyi.org/content/obama-administrations-pivot-asia>.

⑦ Brian Padden, “Obama’s Asia Pivot Increases US Influence but Fails to Stop China,” *Voice of America*, February 19, 2016.

Lastly and most importantly, small neighboring countries are skeptical about China's intention due to their territorial issues, especially in the South China Sea<sup>①</sup>, including the uninhabited island of the Diaoyu islands (Senkaku in Japan).<sup>②</sup> One recalls that the tug-of-war between China and Japan traces back to the Sino-Japanese War of 1894.<sup>③</sup> In the case of Southeast Asia, one may observe that there are six claimant-states (People's Republic of China, Brunei, Republic of China or Taiwan, Malaysia, the Philippines and Vietnam) of the South China Sea and each has defended its claim (with the exception of China's historical claim over those islands) based on the definition provided by the United Nations Convention on the Law of the Sea (UNCLOS), signed on December 10, 1982.

Among the littoral states, the Philippines confronted China over its claimed island territories through "rules-based diplomacy". An expert on maritime affairs Prof. Jay Batongbacal said that, "Although the territorial and maritime issues in the SCS have technically been in existence since the 1930s, the case of the Philippines against China is a direct result of very recent events arising out of the long-festering dispute between the two countries."<sup>④</sup>

In the case of China-Middle East relations, no recorded territorial disputes have so far been apparent. The geographical distance between China and the Persian Gulf and China and the South China Sea may factor in as a significant variable in explaining these two levels of relations: China and immediate neighboring states of ASEAN, Japan and South Korea and China and MENA. In many of the territorial disputes in the Middle East regions, such as that between Iran and the United Arab Emirates over the small islands in the Persian Gulf, or Iraq and Iran, Israel and Palestine, Turkey with Greece, and Yemen with Saudi Arabia, China does not seem to intervene or ally with a particular country in dispute. Therefore, unlike the US and some European powers, China has a positive image in the Middle East. What is apparent with regard to China-Middle East relations is the pure business activities particularly in the scope of securing energy supply for the Chinese economy. Thus, *trust deficit* in the relationship between China and MENA countries is also not yet visible as in the case of China-ASEAN relations.

Even in the recent upheaval in the Middle East region, Ambassador Yang Fuchang argued that China exercises restraint by not taking sides with either warring parties. Yang insists that the country has pursued a non-interventionist policy and offers to "mediate for peace" to promote dialogue between contending political parties.<sup>⑤</sup> Such statement is reaffirmed by Ambassador Wu Sike, who in his article "China and the Arab Revolts," suggested that this policy in the Middle East is "an integral part of China's overall diplomacy and an embodiment of its general foreign policies."<sup>⑥</sup>

The Chinese strategy of striking a balanced approach between oppositions in the Middle East region will probably gain more political and economic incentives than siding with a particular country or political group at the expense of another. Beijing did not

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<sup>①</sup> South China Sea is a critical commercial gateway for a significant portion of the world's merchant shipping, and hence is an important economic and strategic sub-region of the Indo-Pacific. <http://www.lowyinstitute.org/issues/south-china-sea>.

<sup>②</sup> "How Uninhabited Islands Soured China-Japan Ties," *BBC News*, November 10, 2014.

<sup>③</sup> "The China's Maritime Dispute," *Council on Foreign Relations*, <http://www.cfr.org/asia-and-pacific/chinas-maritime-disputes/p31345#1/p31345>.

<sup>④</sup> Jay Batongbacal, "Arbitration 101: Philippine versus China," January 21, 2015, <http://amti.csis.org/arbitration-101-philippines-v-china/>.

<sup>⑤</sup> Yang Fuchang, "The Upheaval in the Middle East and China's Middle East Policy," in *Building a New Silk Road: China and the Middle East in the 21<sup>st</sup> Century*, Beijing: World Affairs Press, 2014, pp.41-58.

<sup>⑥</sup> Wu Sike, "China and the Arab Revolt," in *Building a New Silk Road: China and the Middle East in the 21<sup>st</sup> Century*, Beijing: World Affairs Press, 2014, pp.60-75.

respond to the Arab call for military intervention in Syria to combat the Islamic State (IS) and to overthrow President Bashar al-Assad. China “sided with Moscow at the United Nations Security Council (UNSC), blocking resolutions that would have increased pressure on Assad” while inviting at the same time the opposition groups to Beijing<sup>①</sup> to hear their side. This is in the same manner that Chinese President Xi Jinping visited Saudi Arabia and Iran including Egypt in the early of 2016 that signaled the country’s willingness to present itself as a “mediator with no string attached.”<sup>②</sup> Such approach is unique and different from Washington’s method of mediation, according to a Professor Willy Lam at the Chinese University of Hong Kong.

One should understand that such balancing approach is in line with China’s recognition to Saudi Arabia and Iran not just as the sources of oil, but more importantly, as two influential regional powers with critical role to perform in combating and eradicating terrorism and for promoting the future stability of the region. Thus, China’s coming to the region as an “honest broker”<sup>③</sup> is not to present itself as a new powerful international hegemonic player capable of bringing two parties on the table but most importantly, the future success of China’s OBOR will hugely depend on the relative security and political stability of the region. Saudi Arabia and Iran’s rapprochement and collaboration to address regional issues such as IS was without doubt critical, both for the regional stability and for the future success of China’s OBOR initiative in the Middle East.

Whether trust deficit in China-ASEAN relations or positive relations between China and MENA countries are results of perceptual, legal, historical, and foreign influences, it is important that channel of communication be continued and diplomacy (both Tracks One, Two and Three) be pursued to give light to misunderstanding. The involvement of influential but non-state personalities, such as from academia, media, civil-society, religious and business sectors in promoting understanding between and among these countries are critical to the future direction of China’s relations with Arab and non-Arab regional countries.

In Southeast Asia, not many of the Asian countries understood well the Chinese good intentions toward the Southeast Asian region and the world. Hence, the involved parties need to engage in more dialogue and discussions to seriously address the perceptual, legal, and historical gaps that defined these relations. In the case of China-Middle East relations, the positive attitude of regional countries on China’s initiative rests on the resentment toward a century of Western hegemonic and imperial policies vis-à-vis the region that leads Arab and non-Arab countries in the Middle East region to look for another friendly power devoid of a hegemonic ambition. Secondly, historically, China has had no direct record of military intervention in the region either. In both cases, China strives to gain positive acceptance or recognition from involved regional countries as a primary element in a successful implementation of OBOR.

## II. Bridging Perceptual Gap

China’s soft and cultural diplomatic initiatives, such as the creation of Confucius Institutes, the granting of scholarships, and research collaborations with regional scholars and academicians have intensified. One can also mention the exchanges or visits of researchers, government officials, academicians, students and think tank personnel and the

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<sup>①</sup> Ilan Goldenberg, Ely Ratner, “China Middle East Tightrope,” *Foreign Policy*, April 20, 2015.

<sup>②</sup> “China Xi to Visit Saudi Arabia, Iran and Egypt,” *AFP*, January 15, 2016, <https://www.yahoo.com/news/chinas-xi-visit-saudi-arabia-egypt-iran-next-102653591.html?ref=gs>.

<sup>③</sup> “China’s Xi to Visit Saudi, Iran in New Diplomatic Push,” *The Japan Times*, January 15, 2016.

holding of joint conferences. China has also supports information and network building on Chinese–ASEAN relations, promotes Chinese language courses (e.g., at New York University in Abu Dhabi), hosts Arab exchange students to Chinese universities.<sup>①</sup> Furthermore, China's "hajj diplomacy,"<sup>②</sup> has brought Beijing and Riyadh closer; all these initiatives shall continue in order to fill the perceptual gap between China and other Asian countries in Southeast Asia and the Middle East region. These activities shall complement other socio-economic policies the Chinese and Arab-Asian governments have been carrying out to improve trade and economic relations, including people-to-people interactions.

One may not expect individuals belonging to a nation to think rationally at all times as they are sometimes subject to emotion, often a product of media reporting or lack of adequate knowledge of other countries and their people. The media's sensationalization of reports to appeal to the psyche of the local people to support so-called government nationalistic policy would probably produce a kind of environment that may or may not be in favor of the action of the other country.

Such situation, however, is not permanent as personalities within the political agencies, method and ways of reporting, and prioritization of interests by different national governments may change after one president has served her or his tenure. Hence, actors' 'perceptions' and 'preferences' are not fixed but can change over time depending on the situation or event. What remains fixed are the paramount national interests of a nation that are articulated its domestic and foreign policy.

The way ordinary individuals and state actors perceived and responded to the action of one country or vice versa may not be sufficient but may be subject to "bounded rationality"<sup>③</sup>, in which state actors or individuals "frequently can, and do, make wrong decision." However, the "making of mistakes or 'bad' decisions, even in the face of new information, does not necessarily mean that an actor is behaving irrationally."<sup>④</sup> Any decision is a product of human agency and therefore individuals, including leaders, are in the position of identifying priorities and policies that may result to an awkward political end. This is so because individuals have limited information in a highly complex nature of the issue under consideration. The complexities of such issue in which individuals and leaders work, comprehend and decide determine the not so perfect decision. Individual experience about the given issue affects the way he processes perception and cognition of such. This then shape images<sup>⑤</sup> and in some cases, become his reality.

Robert Jervis, who is renowned for his works on "misperception" in foreign policy, concluded that "individual leaders draw upon a personalized understanding of history in their efforts to both interpret international events and devise appropriate response to them."<sup>⑥</sup> Such has been supplemented by another work of Kenneth Boulding who suggests

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<sup>①</sup> Muhammad Zulfikar Rakhmat, "China and UAE: New Cultural Horizon," March 19, 2015, <http://www.mei.edu/content/map/china-and-uae-new-cultural-horizons>.

<sup>②</sup> Alain Gresh, "China's Hajj Diplomacy," <http://www.israinternational.com/world-nexus/386-chinas-hajj-diplomacy-.html>. See also, Kenneth Tan, "China's Hajj Diplomacy Bringing Beijing and Riyadh Closer," January 17, 2011, [http://shanghaiist.com/2011/01/07/chinas\\_hajj\\_diplomacy.php&title=China's%20hajj%20diplomacy%20bringing%20Beijing%20and%20Riyadh%20closer](http://shanghaiist.com/2011/01/07/chinas_hajj_diplomacy.php&title=China's%20hajj%20diplomacy%20bringing%20Beijing%20and%20Riyadh%20closer).

<sup>③</sup> Michael E. Smith, *International Security: Politics, Polity, Prospects*, London: Palgrave Macmillan, 2010, p.48.

<sup>④</sup> *Ibid.*, p.49.

<sup>⑤</sup> Chris Alden, Annon Aran, *Foreign Policy Analysis: New Approaches*, Routledge: London and New York, 2012, p.19.

<sup>⑥</sup> Robert Jervis, *Perception and Misperception in International Politics*, Princeton, NJ: Princeton University Press, 1976. See also Robert Jervis in Chris Alden, Annon Aran, eds., *Foreign Policy Analysis*:

that “foreign policy decisions are largely the product of the ‘images’ that individual leaders have of other countries and, therefore, are based upon stereotypes, biases and other subjective sources that interfere with their ability to conduct rational foreign policy.”<sup>①</sup>

Given this, it is possible to note that a certain action of a government over an issue generates several interpretations if concerned countries do not try to develop from among themselves trust through confidence building measures (CBM). This means that a government involved in common but critical issues must allow the channel of communication always ready and open and must make sure that one should always pursue diplomacy even in the presence of dispute. Any move or initiative shall be mutually recognized and complemented by countries in those disputes. Unilateral-type diplomacy may not at all yield lasting economic, political and security cooperation. The absence of communication between them simply closes the possibility of knowing each other’s aspiration and benefits. Instead of working on an acceptable solution to common concern, countries could try to pursue different paths, which may be conflicting and, in some cases, endangering the relatively peaceful political environment. Thus, to avoid these negativities in China’s relations with other countries, it is important to continue dialogue to find common political ground to ease the problem in question.

China’s pro-active diplomacy in the Middle East region and its Southeast Asian neighboring countries aims at addressing this perceptual gap while promoting economic collaboration between them. This means that China’s limited engagement in the Middle East region in lieu of its increasing political influence and strong economic growth in the past does not hold true anymore today given the interdependency of economic transactions in the contemporary times. As a global economy, China feels the need to expand its economic transaction to other regions and countries around the world. The Middle East region and the countries in Southeast Asia are natural territories in which China can expand extensively its economy. However, doing this may require China to adopt strategic but mutually beneficial economic and political approaches. This means that for China to expand, it will need to recognize a simple fact that China’s economic expansion would mean an expansion of other countries’ economies too. This is perhaps the reason why a “win-win approach” is at the core of its OBOR initiative and that for China, an economic growth in the Middle East region would demand a relatively peaceful political environment. It could also mean that some conflicting political, economic and socio-cultural variables present in the regions may hinder the success of OBOR and, therefore, China should strike a careful and balancing approach so as not to create the impression of partiality in its decision.

Aside from the socio-cultural diplomacy that countries in dispute may adopt, economic diplomacy can also be considered as equally, if not more important, than cultural diplomacy. This is because cultural aspect of relations may it be in bilateral or at regional levels can sometimes emerge and sustain after trade and economic relations between and among regional countries would find its vibrancy. Economic factors, such as increasing import and export activities, the continued flow of foreign investment, and division of labor in finding new sources of raw materials, production, and marketing, may help realize interdependency between and among countries. This will increase the possibility of cooperation and accommodation in various areas such as in political and security realms, in addition to the previous mentioned socio-cultural dimension.

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*New Approaches*, London and New York Routledge, 2012, pp.20-21.

<sup>①</sup> Kenneth Boulding, “National Images and International Systems,” *Journal of Conflict Resolutions*, Vol.3, No.2, 1959, pp.120-31.

Hence, China's New Silk Road initiative under its new "One Road, One Belt" appellation is designed to address this perceptual and psychological disconnect/deficit between and among the peoples of China and its immediate neighboring countries of Southeast Asia, Central Asia and the Middle Eastern countries. By emphasizing the common historical links that connect countries in Asia with China and by employing the liberal economic instruments in addressing economic and financial necessities of some Asian countries to create jobs and investments, and improve people's lives, the New Silk Route initiative may foster deeper and wider cooperation among countries of Asia.

This argument will again remain subjective and exploited for political reasons if countries in Southeast Asia, as well as Middle East, will see this from the realism framework that China's action would always discreetly carry self-serving interests, even if China's government would deny this allegation. Given this, it is unfortunate, therefore, that rising global power like China carries in itself a great opportunity as well as a liability especially where a rising global power could challenge the dominance of the Western global powers.

It is a must for involved countries to consider diplomacy as the ultimate mechanism to employ in finding a solution to a problem, as well as in strengthening current relations or in widening the environment of accommodation through various institutional frameworks, policy, and academic initiatives to help create and explain ideas that may aid to enlighten government and public opinion. Mass media and state-sponsored media have a great task to perform given that they remain the most relevant form of communication between the government and the people, among the people, and between nations with other nations.

However, it remains subjective what comprises as "fact" and "reality" over the prevailing issue at hand given different interests and priorities including historical experiences and legal back up of what constitute to be a state national objective. As John Burton in his work "Conflict and Communication" suggests, conflict resolution "involves reappraisal of values and alternative" including the "cost and the appropriate international institutions" which help facilitate the process.<sup>①</sup>

In the context of relations with Middle Eastern countries, China's challenge is not its bilateral relations with any particular country but on how to strike a strategic balance in its relations with countries that have political and territorial issues. In which case, the political-ideological discord between Iran and Saudi Arabia over the division of regional leadership including the unresolved historical schism between the Sunni and Shi'a remained a crucial hindrance in developing China-regional collaboration. Both countries are major energy producers and both countries are major regional players and are both important to China.

China would also have to be strategically careful with the regional conflict involving Israel and Arab countries. Any miscalculated decision regarding the issue would probably put China's interests at a disadvantage given that regional countries, particularly Arab countries, including Iran and Turkey are sensitive to the plight of the Palestinians. China's stand on the issue rests on idealism and realistic considerations. Ideally, China supports the political rights of self-determination of the Palestinian people and understands that Arab and non-Arab Muslims alike are sympathetic of the Palestinian cause. However, as part of "reform and opening process," since the 1980s, China adopted a "neutral stand"<sup>②</sup> regarding the issue. This means that China will continue to be "objective" and adopt a fair

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<sup>①</sup> John Burton, "Conflict and Communication," in Michael Smith, ed., *International Security: Politics, Polity, Prospects*, London: Palgrave Macmillan, 2010, p.28.

<sup>②</sup> Mu Chunshan, "Why China Must Pay Attention to the Israeli-Palestinian Conflict," *The Diplomat*, July 19, 2014.

stance towards the Palestinian issue” and support the peace process and continue to play an active role in regional issues.”<sup>①</sup>

If governments involved in disputes would find no political solution to the issue, perhaps an alternative mechanism, such as economic and socio-cultural frameworks, can serve to bring new phase of opportunity in which involved parties may develop. Given that China has more economic advantage based on its international financial standing, she may facilitate this sort of alternative mechanism to include other parties to come up with mutually beneficial projects that may be seen as more economically viable, beneficial and more peaceful in nature.

Such a project if seen by parties involved from the economic perspective with willingness to embark on a new phase of collaboration, political collaboration may probably follow. Of course, there is no absolute claim that economic collaboration may immediately promote political cooperation, but given the fact that economic consideration is an important element in pursuing closer political ties, it is not far therefore that political disagreement can be set aside in favor of economic cooperation. Moreover, economic factor in some cases may also cause further political disagreement, especially when actors involved do not see their relationships as mutually beneficial.

Jeffrey Payne’s argument that OBOR would not bring equal incentives to GCC compared to Iran<sup>②</sup>, may be true if we look at the geographical location of Iran which lies between the land and maritime routes. However, this does not necessarily mean that the GCC will not be able to maximize economic incentives from the OBOR; the GCC lies in the Persian Gulf, which connects the Mediterranean, Gulf of Aden to Indian Ocean, South China Sea and the Pacific. Aside from this, the Gulf States have their own economic priorities apart from the energy export to China. In 2014, China and the Gulf states mapped out an action plan for years 2014 to 2017, focusing on politics, energy, environmental protection and climate, trade, culture, education, health and sports.<sup>③</sup>

Although the national government may set the tone for further cooperation, it may be handicapped in sustaining economic or political cooperation without a strong support from its own population, meaning that the decision and policy should have popular acceptability. Thus, it is imperative that Arab Gulf states and Iranian governments make sure that their countries’ participation in China’s OBOR is well understood by their own citizens to maximize public support to this economic initiative.

Given this, a third party, such as the academics, shall shape its crucial role in offering strategic direction, methods in implementing policy, and educating both the people and the government of the incentives this project can generate. Thus, academic gatherings will bring in scholars to talk about possible collaboration to perform the role of the third party. Scholars and academicians in Middle East and Southeast Asia may integrate in their studies the disadvantages and advantages of joining this OBOR.

### **III. China’s New Silk Route**

The New Silk Route under the “One Belt One Road” initiative connects China to land and maritime countries in Central Asia, Southeast Asia, Middle East and Africa, and

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<sup>①</sup> “China and Palestine to Continue to promote Tradition Friendship,” September 23, 2016, [http://news.xinhuanet.com/english/2016-09/23/c\\_135706710.htm](http://news.xinhuanet.com/english/2016-09/23/c_135706710.htm).

<sup>②</sup> Jeffrey Payne, “G.C.C. and China’s One Belt, One Road: Risk or Opportunities,” August 11, 2016, <http://www.mei.edu/content/gcc-and-china-s-one-belt-one-road-risk-or-opportunity>.

<sup>③</sup> “China, Gulf States Outline 2014-2017 Cooperation,” January 17, 2014, [http://news.xinhuanet.com/english/china/2014-01/17/c\\_126023632.htm](http://news.xinhuanet.com/english/china/2014-01/17/c_126023632.htm).

Europe. It is an ambitious project designed to deliver economic and infrastructural incentives and connect these regions into a theatre of active and peaceful economic interactions among involving countries from various regions. It is so far a great new project designed outside the domain of Western countries such as the US and European powers. It is timely in nature because while some countries and regions in the world are experiencing war, conflict, economic and political disturbances, and refugee issues, China is offering inclusive gains to countries that will join the project. In short, in an ill-looking international system like today, China is offering hope for an inclusive economic gain and progressive future.

China realized that reviving the old silk route that connects China to Central Asia, the Middle East and Europe was problematic because Central Asian governments lack the financial capacity to build an infrastructure; they have also been slow in implementing policies that would effectively materialize OBOR. This would require the revival of the southern corridor through the maritime silk route “expected to serve diplomatic, economic, and strategic purpose.”<sup>①</sup> In short, a forward-looking strategy needs to strengthen China’s connection to the rest of the world, particularly regions that touch vital routes for China’s export and imported goods and commodities. With the design to establish networks of infrastructure partnership across regions in energy, telecommunication, logistics, law, IT and transportation sectors, China can claim to rebuild its image commensurate to its global and regional economic status.

However, the strategy has its original favors and that is reviving the historical connection that form part of the successful and well celebrated old silk route that connected Far East to Europe. As Tim Winter observes, “The Belt and Road seeks to directly build on this legacy. Culture forms part of the international diplomacy are now, with the routes, hubs, and corridors serving as the mantra of the Belt and Road, countries will continue to find points of cultural connection through the language of shared heritage in order to gain regional influence and loyalty. In both its land and sea forms, the Belt and Road gives impetus to a network of heritage diplomacy that fosters diplomatically-valuable institutional and interpersonal connections. China has allocated \$40 billion to the Silk Road Fund.”<sup>②</sup> The revival will give “vitality to histories of transnational, even transcontinental, trade and people-people encounters as shared heritage.”<sup>③</sup> In short, the strategy shows that rising China is cognizant that its future is highly connected to the success stories of the countries and regions with which it has economic interests.

The Old Silk Route connected with Middle East region, particularly during the Ottoman Empire where the Ottoman Sultan boycotted trade with the West and closed the route to the West during China’s Han Dynasty. In practice, the traditional Silk route predated the Han Dynasty. The Persian King of the Archaemenid Empire (550-330 BCE) had invigorated the importance of the Persian Royal Route which connected Susa to the Mediterranean Sea in Asia Minor (present day Turkey). The route served as the postal stations where messengers and envoys can easily deliver messages within the entire empire. Greek historian Herodotus observed that, “there is nothing in the world that travels faster than these Persian couriers. Neither snow, now rain, nor heat, nor darkness of night prevents these couriers from completing their designated stages with utmost speed.”<sup>④</sup>

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<sup>①</sup> William Yale, “China’s Maritime Silk Route Gamble,” *The Diplomat*, April 22, 2015.

<sup>②</sup> Tim Winter, “One Belt and One Road, One Heritage: Cultural Diplomacy and the Silk Road,” *The Diplomat*, March 29, 2016.

<sup>③</sup> Ibid.

<sup>④</sup> Joshua J Mark, “Silk Route,” *Ancient History Encyclopedia*, March 28, 2014, [http://www.ancient.eu/Silk\\_Road/](http://www.ancient.eu/Silk_Road/).

During the Seleucid Empire which flourished from the Greco-Bactrian culture resulted from intermarriages of the Macedonian warriors and the indigenous population in Persia, the Greeks extended its domain as far as “Seres” according to the account of another Greek historian Strabo (63-24 CE). Seres was the name known by the Greek and Romans as China, the place where silk came from.<sup>①</sup>

The encounter of Middle East empires with China through the instrumentality of the Silk Route and the flourishing silk trade at the time had made a remarkable contribution to the study and importance of the land and maritime routes to international relations and trade. The geo-strategic importance attached to the silk route has without a doubt contributed to a dynamic movement of world trade and interactions of people in the contemporary times, albeit in a faster, advanced, and organized manner. Thus, the revival of the silk route as “One Belt and One Road”, does not only revisit the relevance of past silk route global economic progress, but more importantly to continually use it as an instrument of consolidating the national interests of China and international cooperation between China and among participating countries in the OBOR. Just recently, the first 32-container train from Wuyi, China, arrived Tehran. As one observer pointed out, such “is the first visible sign of massive trade network that China is currently constructing across Eurasia.”<sup>②</sup> He added that, funding this massive program is not a trivial undertaking. There are a number of institutions to support the funding of China’s grand vision. First, Beijing started a \$40 billion “Silk Road Fund” that has already helped fund a hydroelectric power project in Pakistan and invested in a liquefied natural gas project in Russia. Second, there is the newly created, \$100 billion Asian Infrastructure Investment Bank in which China controls 26% of the votes. It is logical to assume it might finance some of these projects. Lastly, the China Development Bank announced in June 2016 that it would invest a stunning \$890 billion in over 900 “One Belt and One Road” projects across 60 countries.<sup>③</sup>

China’s economic surplus especially in the steel and construction sector, coupled with its commitment to sustain its economy in the longer run, and in recognition of the fact that it can only achieve it if other countries share its wealth and dreams, pushes itself to unilaterally proposed OBOR initiative to other countries. Of course, many scholars will include China’s possible geostrategic ambition in the future, which is essentially a reflection of its booming economy and surplus. The need to locate market abroad is essential to the survival of its economy.

Given the financial weakness of some countries in Southeast Asia and Middle East regions to build infrastructure and fast track the deliveries of both export and imported goods, China felt the responsibility of helping Southeast Asian and Middle East countries in its infrastructural, technological, and communication and logistical needs. At the same time, it has slowly been establishing connections that may facilitate the building of trust and confidence, therefore harmonious trade relations in the future. In addition, its need to secure energy for its future economic survival drives China’s strategic posturing in the Middle East through OBOR. Of course, the cultural connectivity and political-security factors will figure in the future talks between China and the Middle Eastern countries as Arab countries may ask China to engage in various political and security issues facing many regional countries.<sup>④</sup>

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<sup>①</sup> Ibid., “Seres” means the “land where silk came from”.

<sup>②</sup> Vikram Mansharamani, “China Is Spending Nearly \$1 Trillion to Rebuild the Silk Road,” *PBS Newshour*, March 2, 2016.

<sup>③</sup> Ibid.

<sup>④</sup> Laurence Brahm, “The New Silk Route will Link China with the Middle East,” *Business Insider*, June 6, 2016, <http://www.businessinsider.com/new-silk-road-to-link-china-and-middle-east-2016-6>.

During the Doha conference in late May 2016 on “The Arab World and China,”<sup>①</sup> OBOR topped the agenda. Many academics discussed the role that OBOR could perform in facilitating connectivity between China and the Middle East. As summarized in the work of Braham, OBOR is “China’s policy of revitalizing the Silk Road with investment in roads, high-speed rails and ports, bringing efficiency to manufacturing based across a broad regional belt. It makes perfect sense to every Arab leader. For ages, the Silk Road represented a true globalization of ideas, facilitated by trade and based on respect for other’s diversity, a mutual exchange and learning. That is different from unilateralism introduced by the western institutions.”<sup>②</sup>

On August 23, 2016, Tehran hosted the “Silk Road Economic Belt Forum” in Neavaran. The forum emphasized the historical connection between China and Persia from the olden times until today. Ahmad Muhammad, head of the Iran-China Friendship Association, said that the Chinese “proposal has been well received in Iran” and the government, according to the Iranian Economic Minister Ali Tayyebnia, would take an active role in the OBOR.<sup>③</sup>

Although China’s trade transaction with GCC continues to rise as a result of the increasing trade in energy, construction and manufacturing and financial sectors, its political engagement is yet to be determined in the near future. How robust would the Chinese engagement be with Iran, economically and politically, may determine the future landscape of China’s relations with the GCC. Although its policy is based on non-interference in the domestic affairs of a country, it is still early to say if China, given its influence and economic weight, would change the direction of its foreign policy giving way to some sort of political and security engagement in regional affairs. China, upon request from regional countries, may change the direction of its foreign policy in the region based upon what it perceived to be its immediate national interests.

Thus, although China has categorically emphasized respect to the territorial integrity with other countries, many scholars in the field of security studies and international relations remained skeptical about its real intention—a condition which may have the same level of skepticism with some scholars working for the Southeast Asian region. According to the report, China is Iran biggest trade partner, having a bilateral trade of about \$17.6 billion during the last Iranian year. Iran’s export to China’s stood at \$7.23 billion and import amounted to \$10.45 billion.<sup>④</sup>

China, through its maritime silk route as other scholars vaguely argued, is motivated to “pacify neighboring countries threatened by China’s aggressive territorial claims in the South China Sea.”<sup>⑤</sup> In short, one cannot rule out the political part of the strategy—a fact that Chinese officials have categorically denied, insisting on the peaceful and inclusive economic nature of the policy.

To give substance to the graceful rhetoric by Chinese leaders on the good promises of the strategy, China has opened the AIIB. Accordingly, China will contribute almost half of the \$100 billion in capital for AIIB, amounting to \$40 billion in capital for Silk Route

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<sup>①</sup> “The Arab World and China: Future Prospects of Relations with a Rising Power,” Arab Center for Research and Policy Studies, May 21, 2016, <http://english.dohainstitute.org/event/89abfd25-3c0c-47e1-9e4e-27f0d0a1b0b7>.

<sup>②</sup> Ibid.

<sup>③</sup> “Silk Road Economic Belt Forum opens in Tehran,” *Financial Tribune*, 25 August 25, 2016.

<sup>④</sup> Ibid.

<sup>⑤</sup> Sheen Foo, “China-ASEAN Maritime Silk Route: A Path Towards Mutual Benefits of China’s Free Ride into ASEAN?” December 27, 2015, <http://www.asia-latam.org/in-the-news/2015/12/27/china-asean-maritime-silk-road-a-path-towards-mutual-benefits-or-chinas-free-ride-into-asean>.

initiative.<sup>①</sup> The National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce of the People's Republic of China released an official document on the "Vision and Actions on Building 'Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Route,'" in March 2015. Under its Principles: "The Belt and Road Initiative is in line with the purposes and principles of the UN Charter. It upholds the five principles of peaceful coexistence: mutual respect for each other's sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefits and peaceful coexistence."<sup>②</sup>

In principle, given this declaration, neighboring countries in Southeast Asia and Middle East shall not worry about China's intention as China has officially declared that it will respect the integrity of the countries involved, arguing that it seeks peaceful co-existence through economic cooperation. In reality, however, skepticism remains among the Southeast Asian and Middle East countries if OBOR initiative would provide them the necessary economic benefits without jeopardizing their national interests. The answer to that, however, depends on how and which direction China and the Southeast Asian and Middle Eastern countries will steer the OBOR to.

In addition to this, China envisioned to promote bilateral cooperation and multilateral mechanism to facilitate the project. As the declaration states:<sup>③</sup> "We should strengthen bilateral cooperation, and promote comprehensive development of bilateral relations through multi-level and multi-channel communication and consultation. We should encourage the signing of cooperation MOUs or plans, and develop a number of bilateral cooperation pilot projects. We should establish and improve bilateral joint working mechanism, and draw up implementation plans and roadmaps for advancing the Belt and Road initiative. In addition, we should give full play to the existing bilateral mechanisms such as joint committee, mixed committee, coordinating committee, steering committee and management committee to coordinate and promote the implementation of cooperation projects."<sup>④</sup>

In addition: "We should enhance the role of multilateral cooperation mechanisms, make full use of existing mechanism such as the Shanghai Cooperation Organization (SCO), ASEAN Plus China (10 plus1), Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), Asia Cooperation Dialogue (ACD), Conference on Interaction and Confidence-Building Measures in Asia (CICA), China-Arab States Cooperation Forum (CASCF), China-Gulf Cooperation Strategic Dialogue, Greater Mekong Sub-region (GMS) Economic Cooperation, and Central Asia Regional Economic Cooperation (CAREC) to strengthen communication with relevant countries and attract more countries and regions to participate in the Belt and Road Initiative."<sup>⑤</sup>

Looking from these perspectives, China's New Silk Route strategy is designed to achieve a "win-win" situation rather than a "zero-sum gain." In this case, weak and small countries would not be sidetracked along the way to the disadvantaged end, but gain economically. Unfortunately, however, small countries as discussed previously will have

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<sup>①</sup> Ibid.

<sup>②</sup> Tian Shaohui, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Route," March 28, 2015, [news.xinhuanet.com/English/china/2015-03/28/c\\_13410585.htm](http://news.xinhuanet.com/English/china/2015-03/28/c_13410585.htm).

<sup>③</sup> Ibid., see also "Vision and Actions Jointly Building Silk Route Economic Belt and 21<sup>st</sup> Century Maritime Silk Road," The Ministry of Foreign Affairs of the People's Republic of China. [www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1249618.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1249618.shtml).

<sup>④</sup> Ibid.

<sup>⑤</sup> Ibid.

many things to worry from the Chinese initiative, a condition that the succeeding part will analyze.

### III. Analysis: Economic and Political Implication for ASEAN and Middle East

Discussion about the economic and political implications of the “New China New Silk Route” policy or “One Belt and One Road” initiative for the countries belonging to the ASEAN, including the Middle East, and even in Central Asia at this point is still very early since the idea was put forward only in 2013. The idea came up at a time when China’s neighboring countries had begun to notice China’s assertive policy in the South China Sea and when the US, through its former Secretary of State Hillary Clinton, announced the renewal of strategic partnership in the Asia and Pacific region. Clinton said that “our [US] challenge now is to build a web of partnerships and institutions across the Pacific that is as durable and as consistent with American interests and values as the web we have built across the Atlantic.”<sup>①</sup>

She added in the 2010 security forum in Vietnam regarding what she views to be included in the US national interests, which generated international reactions. In this forum, Clinton said that, “the US has interests in freedom of navigation, open access to Asia’s maritime commons, and respect for international law in the South China Sea.”<sup>②</sup> The statement signaled the strategic renewal of the US in the Asia and the Pacific from decades of unfruitful engagement in MENA, particularly in Iraq and Afghanistan.

The OBOR declaration was announced almost two years after the MENA region was entangled with socio-civil revolution that started in Tunisia, Egypt, Libya, and in some countries in the GCC and Syria. The Arab Spring was crucial to the future political landscape of the Middle East because many, if not all, of the countries that experienced the revolution were having a republican form of governance, as opposed to countries that exercise the monarchical form of governance yet remain relatively stable. What will be the future of republicanism in the region is for the future to answer but in what direction the region would go through requires a serious discursive action from different influential agencies and actors who have the power to shape and direct the future.

This Arab revolution does not only question the efficiency of these governments to deliver socio-economic services and political freedom to their citizens but also it puts the Western-style yet “artificial” political system in these countries into the test. The revolution asked the question whether republicanism in these countries with strong and unique cultural bases could be effective in serving and in providing services to their own population or whether republicanism clashed with Arab values and traditions, which made the national leadership ineffective for quite long time

For the US, European countries and China, the Arab spring and the succeeding revolution in Syria is the test to their diplomatic skills on how to exert a concerted effort to help the region regain its relative political stability in the presence of too many economic, ideological and political complexities. Finally, it is a test for these powers if they can forge a multilateral diplomatic initiative in the presence of their individual national interests towards MENA. What China OBOR can bring to the region depends largely on how

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<sup>①</sup> Hillary Clinton, “America’s Pacific Century,” *Foreign Policy*, October 11, 2011.

<sup>②</sup> Hillary Rodman Clinton, “US Department of State,” National Convention Center, Hanoi, Vietnam, July 23, 2010, <http://www.state.gov/secretary/20092013clinton/rm/210/07/145095.htm>. See also Hillary Clinton 2016 Democratic Candidate. *Council on Foreign Relations*, <http://www.cfr.org/campaign2016/hillary-clinton/on-china>.

receptive the Middle East countries are to the potential economic incentives this initiative promised to bring upon them.

The US has been in the Middle East region for how many decades now. Starting from the US intervention in the domestic affairs in Iran during the Shah time and during the Prime Minister Mosaddegh administration in 1952, the US continued to engage regional countries in hopes to bring the region into the political, economic and socio-cultural alignment with the Western values. However, after decades of hard labor both in diplomatic, political, and socio-cultural areas including the security sphere, the US has only gained a half of the entire pie it wanted to achieve in the region. The Middle East region has not become economically liberal, nor has it become politically democratic, nor its “great American values” sustained all throughout region. What becomes apparent is the fact that the “anti-Americanism” won some sort of approval from various Islamic governments and mostly from regional radical groups such as the Al-Qaeda and IS. The said outcome from this regional intervention is not at all benefiting the American nation, either economically and politically, rather it puts the lives of too many Americans in danger while travelling in the Middle East region.

The liberal political and economic model which described US-Middle Eastern relations for many decades now is only visible in the surface and has not been fully understood nor properly transmitted to the grassroots. Although many Arab leaders opened up their economy and supported market liberalism, believing it would bring economic incentives to the grassroots, such, however, failed to deliver substantive results. Many young Arabs suffered from either unemployment or were discouraged from looking further work due to job mismatch. As the young Arab population become more educated, they, particularly young women, started to ask their own government what role they should perform in the future of their country. Life has become more difficult for them as government subsidies and allowances are not enough to meet the increasing prices of basic commodities. Thus, the Arab Spring and the succeeding protests in many of the Arab countries may be manifestations of this socioeconomic condition, in addition to problem confronting their peoples.

The US “pivot to Asia” also happened at the time when Japan, an ally of US in the Northeast Asia and the Pacific, started to wane economically as opposed to rising China. In short, there was skepticism from the part of the US and even from some neighboring Asian countries that China’s rise generates unpredictable security challenges in the region, given that China does not share the same politically democratic values and institutions with Japan and Southeast Asian countries, although it has been following a liberal economy system. The US “pivot to Asia”, the waning Japanese economy in lieu of Chinese economic rise, and the ASEAN countries fear of Chinese behavior in the South China Sea, in addition to the territorial dispute with Japan, have all contributed to the opening of a new global power competition in Southeast Asia at least now.

The diplomatic and political maneuvering intensified when the US strengthened its presence in the region by renewing bilateral security ties with neighboring countries in Southeast Asia and Japan and when China advanced and built ‘new airstrip on Fiery Cross Reef in the South China Sea’. This generated diplomatic protests from Vietnam and the Philippines’, although China defended it as civilian with no military purpose.<sup>①</sup> “Chinese officials have consistently claimed that the new facilities will be used to provide civilian services, including maritime search and rescue, navigation aid, marine research, and even weather observation.”<sup>②</sup> Given this scenario, it is therefore difficult for some ASEAN

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<sup>①</sup> Shannon Tiezzi, “China Depends in the South China Sea,” *The Diplomat*, January 6, 2016.

<sup>②</sup> Ibid.

countries like the Philippines and Vietnam to just accept China's notion of "peaceful rise" since China's official statements are not complemented with political actions.

The initiation of the unilateral Chinese initiative, "One Belt One Road", however brings a new phase of opportunity in which China and Southeast Asian countries may collaborate with each other while at the same time trying to find ways to look for possible solutions to their territorial dispute. The said initiative may be considered as an "olive branch" offering of China to ease worries from the part of the ASEAN countries and work closely in economic issues. Moreover, China's OBOR may also bring not just economic benefits to Middle Eastern countries but may also form a new receptive political environment where regional countries can work on.

### **1. Economic Implications**

As mentioned before, it is still very early to talk about the economic benefits for the new silk route initiative of China. The economic gain of ASEAN from this initiative will depend greatly on the prospect of security or political cooperation between China and ASEAN. However, it can also be the opposite, meaning close security and political cooperation between China and ASEAN may come because of vibrant economic cooperation between themselves under this initiative. In the same manner that GCC countries including Iran, Turkey and Israel, can fully maximize economic and trade connectivity between them and other economies within the projective OBOR routes. Such connectivity is not only relevant to the movement of goods and energy supply as modes of transportation to deliver them are expected to increase in large numbers, and in terms of efficiency. Most importantly, however, Middle Eastern countries can have the assurance of an overseas market for their products and of course possible sources of investment to help improve the production and quality of their products.

Probably, the rate of gains from China's new silk route initiative for ASEAN member countries as well as with Middle Eastern countries may not be at the same level given the different economic priorities of these countries accorded to China. This also means that these countries do not share the same level of trade, investment, and financial transactions with China and vice versa. Some ASEAN countries like the Philippines, Thailand and Vietnam have accorded more priority with other countries such as the US, South Korea, Japan and Taiwan, whereas, GCC countries may have low levels of economic transaction than Iran due to the type of their economy which is more energy-based production. In spite of this, what remains on the table with regard to the new China silk route initiative as both sides still need to study that initiative, especially since skepticism persists.

However, if "track one diplomacy"<sup>①</sup> will not be able to address this issue facing governments then "track two", "track three", and even "track four" diplomacy will certainly open a new wave of discourses and come up with some recommendations on how to increase the level of cooperation from this initiative. Vital to the "Track two diplomacy" has been the ASEAN's strategic engagement with China.<sup>②</sup> This might constitute a "win-win approach" to the conflict where non-governmental, civil society and influential thinkers and other entities may discuss the given issue and provide recommendations to the government of the countries to which they belong. Such "track two" of diplomacy can also be applicable

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<sup>①</sup> Track One diplomacy refers to high level of official consultations and meeting involving political and military leaders. Track Two diplomacy refers here as unofficial consultations involving influential personalities such as academicians, religious, NGO and civil societies that may inform political and military leaders on new thinking or alternative solutions to the problem at hand, whereas, track Three and four diplomacy involves people-to-people and multilevel interactions.

<sup>②</sup> Sen Tan, "Courting China: Track 2 Diplomacy and the Engagement of the People's Republic," <http://library.fes.de/pdf-files/bueros/singapur/04601/2007-3/seeseng.pdf>.

to GCC countries and Iran as China is considering the crucial role of non-state actors in the full implementation of OBOR initiative.

Since China and ASEAN inked a strategic partnership and free trade agreement in 2003, ASEAN became the largest trading partner of China for four or five decades now. At the 10<sup>th</sup> CAEXPO 2013, the Chinese premier Li Keqiang anticipated the China-ASEAN bilateral trade goal of \$1trillion by 2020 and \$150 billion in 1990 to \$92 billion in 2013.<sup>①</sup> There is no doubt that the new silk route being offered by China complements the ASEAN Master Plan for Connectivity (AMPC) and the ASEAN Economic Community (AEC) which started in 2015. As one Vietnamese scholar observed: “The AMPC and OBOR share striking similarities and parallels. Both envisage transport connectivity as way to bring members or participating countries closer to one another, facilitating better access for trade, investment, tourism and people-to-people exchanges. Like the OBOR project, the AMPC calls for a system of roads and railways to link contiguous Southeast Asian countries with one another, as well as a system of ports for vessels and short sea shipping to link insular Southeast Asian countries with one another as well as with mainland southeast Asia. Thus, both OBOR and AMPC are proposed to enhance the connectivity between ASEAN and China. Given this shared vision, it is interesting to consider how the two could complement one another and what issues could stand in the way.”<sup>②</sup>

The supplementary visions of the two entities will probably help ASEAN economies to spearhead with their vision to become regionally and globally competitive and connected. While ASEAN economies without doubt need foreign investment from China, it would also release the massive unused capital and demonstrate future markets for its manufacturing products in addition to possible sources of raw materials. As Zhou, Hallding, and Han observed: “But while there are a multitude of factors driving China towards this path, at core a major issue remains the need to “create demand” to address over capacity and structural weaknesses in the Chinese economy. That OBOR is seen as a quick solution to the problem of overcapacity in China is not a secret. For now, though, it is still not entirely clear to what degree domestic low-end industrial production will be used to support the initiative. Challenges in that regard include the difficulties to transporting bulky and heavy materials abroad.”<sup>③</sup>

In addition to this, they also observed that aside from addressing “overcapacity” issue, China would also address in OBOR the internationalization of Yuan and the creation of an international financial system that would address China and regional economic and financial issues if the Western financial system failed to address the immediate concerns.<sup>④</sup> The AIIB is the strategic tool under this objective. By being part of the OBOR, ASEAN countries would have greater access to AIIB apart from integration to the greater regional community. In addition to this, peoples of ASEAN and China may also have the chance to strengthen the bond and hence create a greater possibility of reviving old cultural heritage shared by the peoples in the region.

The two points will also help realize the “Post-2015 Vision” which would succeed the 2015 Asian Community’s economic and socio-cultural Blueprints at the 27<sup>th</sup> ASEAN Summit in November of 2015.<sup>⑤</sup> The ASEAN Economic Community (AEC) and the

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<sup>①</sup> Ben Yue, “Route to Bilateral growth,” *China Daily Asia*, September 19, 2014.

<sup>②</sup> Luan Thuy Doung, “ASEAN and the ‘One Belt and One Road’ Initiative by China,” *Southeast Asian Studies* (Vietnam), No.1, 2015, pp.412-443.

<sup>③</sup> J. Zhou, K. Hallding, G. Han, “The Trouble with China’s ‘One Belt One Road Strategy’,” *The Diplomat*, June 26, 2015.

<sup>④</sup> Ibid.

<sup>⑤</sup> Jiang Zhida, “ASEAN Will Gain from Maritime Silk Road,” *China Daily*, March 31, 2015.

ASEAN Socio-Cultural Community (ASCC), will be easier to materialize if facilities, both materials and ideational, are in place to facilitate their realization.

In short, while ASEAN gains from Chinese capital investment and construction technology, China would also be assured of future sustained economic growth and regional markets. Additionally, if China would want to see a stable supply of goods to Southeast Asia, it has to make sure that Southeast Asian economies would be capable of maintaining importing goods from China. That would require strong infrastructural facilities to sustain trade activities.

This strategic economic partnership between ASEAN and China will probably address labor gaps and help the construction of the Trans-ASEAN Energy pipelines that will help transport energy, such as oil and gas, from ASEAN oil-rich producing countries. The issue of energy security is of urgent necessity for both China and ASEAN non-energy producing countries. China's economic rise forces itself to look aggressively beyond traditional Middle East supplier to African and Asian oil sources. Since 1993, China has become a net energy importing country. China's huge population, energy inefficient technology, automobiles and massive manufacturing sectors required the country to think strategically with respect to energy supply security to sustain its long run economy.

While China is busy with its immediate concerns with two separate regions—that of Middle East and Southeast Asia—ASEAN and GCC member countries can also take this opportunity to revisit their economic and trade relations with each other. Niu Song has observed that given the important role of GCC and ASEAN in promoting some sort of regionalism, the two organizations can actually help in facilitating more open regional market connectivity by making the existing ASEAN-GCC Free Trade Area more effective and successful. Niu argues that GCC has already shown some success in connecting the Gulf economies with other Arab countries in the Middle East and North Africa, in the same manner, that ASEAN member states plus China and Japan being members of the Asia Pacific Economic Cooperation (APEC).

The ASEAN-GCC Free Trade Area could make a “model for the South-South cooperation in the Third World countries and also a breakthrough of the traditional attachment theory and “center-periphery” theory.<sup>①</sup> The first ASEAN-GCC Ministerial Meeting, which was held from June 20 to 30 of 2009 in Bahrain, talked about the determination to forge “close and more beneficial relationship”<sup>②</sup> which may help increase trade and economic cooperation and people-to-people contacts.

The Philippine Star dated January 12, 2015 reported that, the ASEAN “has become one of the biggest trading partners” of the GCC countries.<sup>③</sup> In so doing, “GCC is a critical node in the global economic system, as its larger economies diversify beyond hydrocarbons and into financial services, infrastructure, tourism, agriculture and private equity.”<sup>④</sup> Singapore was the ASEAN country in September 2013 that entered into the first free trade agreement (FTA) with GCC especially in energy sector both in upstream and downstream energy projects in the ASEAN region, whereas, Malaysia signed a deal in 2013. Aside from energy cooperation, food sector also formed part of GCC activities in various ASEAN countries under the “food for oil” program. Additionally, in the labor front, GCC are also actively

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<sup>①</sup> Niu Song, “The Economic and Trade Cooperation between ASEAN and the Gulf Cooperation Council,” *Journal of Middle Eastern and Islamic Studies (in Asia)*, Vol.4, No.4, December 2010, p.83.

<sup>②</sup> First ASEAN-GCC Ministerial Meeting, June 29-30, 2009, Bahrain.

<sup>③</sup> “Gulf Region Emerging as Prominent Trade, Investment Partner for ASEAN,” January 12, 2015, [www.philstar.com](http://www.philstar.com).

<sup>④</sup> *Ibid.*

sourcing its foreign workers from Indonesia and the Philippines.<sup>①</sup> One expects, therefore, that a successful implementation of OBOR in the Middle East and Southeast Asian region would create a dynamic and increasing rate of trade and economic transactions between the two regional organizations.

## 2. Political Implications

To be sure, China's new silk route initiative generates both positive and negative responses particularly from the ASEAN member countries including countries in the Middle East and other regions. For some, the OBOR or NSR is considered by other scholars as China's new kind of "neocolonialism" (Deals 2014); others view this as an alternative move by China to counter US hegemony (Deepak 2014) and therefore a signal to return to a "geo-political competition" (Mead 2014) by regional and world powers competing in two strategically conditioned regions in the world<sup>②</sup>, the Middle East and the Southeast East Asia.

Also, others believe that such initiative has long-term interests that is beyond economic and socio-cultural and that is "to recover its past glory." In the article written by William Yale, he argues that the 21<sup>st</sup> century maritime Silk Route is intended to serve diplomatic, economic, political, and strategic and security aspects of China's immediate external environment. This means that NSR intends to, first, pacify neighboring ASEAN countries that have been worried about China's rise; second, cement relations with the Indo-China countries such as Malaysia, Cambodia, Sri Lanka and Pakistan; and, third, strengthen China's energy security and source of stable supply.<sup>③</sup> In addition to making Iran more economically connected at the expense of other regional countries as argued by Jeffrey Payne in the early stage of this article. As mentioned earlier, this is not, easily achieved. As observed by a regional logistic experts and chief architect of the Bangladesh-China-India-Myanmar Corridor (a westward leg of the South Silk Road) Liu Jinxin, the "greatest challenge facing the One Belt and One Road strategy is in China's public relations strategy."<sup>④</sup>

In the Middle East region, Gut Luft writes in January 26, 2016 in Foreign Policy that "President Xi decided to use the crisis in the Muslim world as an opportunity to raise the curtain on China's new Middle East strategy, one that finally involves China getting off the sidelines and plunging into the Middle East's stormy waters."<sup>⑤</sup> Although there are huge promises of certainty on the Chinese project, it would take decades to put all these projects into being. One hindrance which can be look into in the near future is the possible reactions of the Putin Russia in Central Asia given that Putin may try to re-establish influence over Russia's former sphere of influence in Central Asia. At this early period, Putin seemed to welcome this initiative. However, it is also too early to conclude that such warm reception will continue in the long run. China needs to double its efforts in maintaining acceptable public relations strategy with Russia. Another political challenge that can hamper China's vision in Central Asia and the Middle East is the US. The US does not allow a rising power to offset its political and strategic interests in crucial regions in the world, such as Central Asia, Middle East and Southeast Asia together with the Pacific.

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<sup>①</sup> Ibid.

<sup>②</sup> Gan Junxian, Mao Yan, "China's New Silk Road: Where Does It Lead?" *Asia Perspective*, No.40, 2016, pp.105-130.

<sup>③</sup> William Yale, "China's Maritime Gamble," *The Diplomat*, April 22, 2015.

<sup>④</sup> Bryan Eyster, "China New Silk Roads Tie Together Three Continents," *China Dialogue*, April 17, 2015, <https://www.chinadialogue.net/article/show/single/en/7849-China-s-new-silk-roads-tie-together-three-continents>.

<sup>⑤</sup> Gut Luft, "China's New Grand Strategy for the Middle East," *Foreign Affairs*, January 26, 2016.

This article follows the liberal economic liberalism approach China has pursued to foster and promote more cooperation and healthy competition, and not necessarily war or conflict. Hence, economic activities that involved people-to-people interactions promote political cooperation and conflict avoidance although other political economists may not necessarily agree on this proposition.

A strengthened ASEAN and Middle Eastern economy would possibly increase the ASEAN and Middle East countries' political leverage to negotiate with greater economic power such as China and even the US and EU in the case of the Middle East countries. On the other hand, the more economically and socio-culturally closed people in the region has the greater possibility of regional security cooperation in which China and ASEAN, which, together with Japan and South Korea, could address regional security impediment such as the South China Sea, Korean Peninsula, nuclearization, piracy and non-traditional security challenges. This is perhaps one reason why initiatives to increase Chinese-Arab cultural exchanges are necessary, both at present but more importantly for the future relations between China and the region.

### Conclusion

This paper discussed the possible implications of the China New Silk Route initiative both for the economic and political spheres of the ASEAN member states and the Middle East region. As illustrated above, there are various areas within ASEAN, GCC, and non-GCC member countries, where China could explore this initiative. It is widely presented that given the financial constraints facing many ASEAN member states in realizing its vision for ASEAN Economic Community, ASEAN Security-Political Community, and ASEAN Socio-Cultural Community, the Chinese OBOR and NSR initiatives will undoubtedly help in the speedy and fast facilitation of infrastructural projects within the region, as required for ASEAN realization of its vision. This also applies to highly developed economies in the region such as Saudi Arabia, United Arab Emirates, Bahrain, etc.

China would probably not only be a source of future financial investment, construction and steel materials, but also a huge potential for their future energy revenues. On the other hand, China can also help facilitate trade transactions between Middle East countries with Europe, Asia and the Pacific given the plan to reinvigorate the land and maritime silk routes, which would serve as the conduit to various networks of trading and commercial activities in the future.

Of course, it is not to deny the presence of other foreign investors as important partners. However, given the geographical proximity in which ASEAN, Middle East and China are located, it is but practical to make use of the opportunities they can offer to one another. It is understandable, however, that some ASEAN countries are not so welcoming of this initiative given their alliances with the US and given the current territorial disputes that conditioned their relationships. Additionally, others are still locked up in the *prisoner's dilemma* in which they are worried about the real intention of China in the region and the world. Thus, the future of Chinese maritime initiative in the Southeast Asia will possibly depend on how Southeast Asian countries prioritize their individual interests vis-a-vis regional interests. The future also depends on the change of perception of the national leadership of a regional country vis-a-vis China.

It is, however, important to note that the disagreement in the South China Sea is just one aspect in the Southeast Asian countries' bilateral relations with China. Any ASEAN member country cannot afford to neglect the reality that China is already an economically

powerful nation and that the Chinese economy is very much tied up with the economy of Southeast Asian countries and the world.

ASEAN countries and China have traditionally been close to each other. The old maritime silk route that connected them and the Asian heritage they share have certainly defined their closeness in the ancient time until today. However, international politics of the Cold War and of today put some sort of challenge in their relations as one country's interests may be influenced by a superior country or by the development that happen regionally or internally, and define the new direction of their domestic and foreign policy.

In the case of the Middle East, China has no apparent political problem with many if not all of the Middle East countries. Its greatest challenge can be seen from regional security issues involving regional countries. Aside from this, China may also face fierce competition with the US, Europe and Russia in the region, given that the Middle East is their traditional area of interests. Regional political and ideological conflicts involving these regional actors remain a hindrance to a successful Chinese OBOR initiative, but a careful and balanced Middle East approach, which China prioritizes, may create favorable economic and political benefits for China.

ASEAN-GCC countries can also help strengthen trade and economic activities using Chinese OBOR initiative. Not only can ASEAN and GCC strengthen connectivity between themselves and the rest of the world, it would also give them an opportunity to find more new markets for their products. Given a number of countries, which lie along the maritime and land-based OBOR projects, ASEAN and GCC can without doubt benefit from this.

It is always rewarding to take the risk in engaging in a new but mutually beneficial project, then clinging to old ways with no significant or inclusive economic and political incentives the parties involved. Moreover, trying new things requires a calculated and mutually-inclusive approach to avoid creating ground for future political and economic disturbances.