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The Revitalization of the Great Silk Road: American and Chinese Initiatives

Abstract. The article is devoted to the implementation of the two New Silk Road initiatives put forward by the USA and The Chinese People's Republic in order to revitalize ancient trade routes. Authors analyze strategic objectives and different approaches used by the two powers in pursuing their strategies. The attitude of the academic communities towards the projects is also considered. The article conveys aspects of the US-Chinese rivalry.

Key words: New Silk Road, the USA, China, Central Asia.

Introduction

In light of last events the Eurasian space is becoming a key element in the process of revitalization of the Great Silk Road – a new milestone in the development of the mutually reinforcing partnership between East and West. Such tendency can be a turning point that empowers national and international initiatives, such as those launched by the USA, China, Turkey, Kazakhstan, and Turkmenistan, as well as TRACECA, CAREC, SPECA, and INOGATE, among others.

The current situation in the region with various unfolding New Silk Road initiatives not only resembles the historical prerequisites, but looks even more promising. New Silk Road projects are instrumental in laying the foundation for regional cooperation, creating political flexibility, improving economic growth, offering trade diversifications, investing in transportation, and in mining and energy sectors. All of these represent a historically unprecedented chance for Eurasian states to become important players in the world economy. Besides, for many countries located on the path of the ancient Silk Road, particularly the landlocked Central Asian states, international trade is the only option to sustain economic growth and development. The New Silk Road initiatives – large- and small-scale, bilateral and multilateral, governmental and private – indicate a positive climate for building a new trade

and exchange system that could bring prosperity to the region much like the historic Silk Road.

Methods

Deep understanding of the Great Silk Road origins reveals root causes why two major economies in the world are pursuing policy directed to its revitalization. Comparative method enables to determine features of the two projects, their common grounds and essential differences. Such scientific interest is rather clear as given initiatives, on the one hand, promote economic development for the countries situated along the Great Silk Road, but on the other hand, create a threat to existing international system competing with each other.

Main body

History of the Great Silk Road

What was the Silk Road? The original Silk Road came into being during the westward expansion of China's Han Dynasty (206 BC-220 AD), which forged trade networks throughout what are today the Central Asian countries of Kyrgyzstan, Tajikistan, Kazakhstan, Uzbekistan, Turkmenistan, and Afghanistan, as well as modern-day Pakistan and India to the south. Half of the Silk Road, which winded along between Xi'an to the east bank of the Mediterranean, was located in Xinjiang. Xinjiang was a place where many famous historical people

visited. Lots of historical relics and items of rare cultural interest were left in Xinjiang.

China was the earliest country to raise silkworms and produce silk. The outstanding diplomat Zhang Qian of the Han Dynasty traveled the road between 138BC to 139BC. He led a diplomatic mission and took gold and silk products to Loulan (now Ruoqiang), Weili, Huqa, Kashi, Hotan, Wusum (now Ili River valley), Dawan, Kangju, Dayuesi and a number of other regions in Xinjiang. His assistant visited Anxi (now Iran), India and a number of other countries. These countries and regions in turn also sent diplomatic missions to China, which brought a busy trade to Xinjiang.

The Silk Road was also called «Silu» in Chinese. In the 19th century, when the name of Silk Road was first used by a German geographer, it just included the land road from China's Xinjiang to central Asia. Later it was expanded gradually and reached West Asia, Europe and Africa. It took in land and water routes. It was not only an important transportation route connecting the ancient world, but also a synonym for economic and cultural exchanges between the Western world and the oriental world.

Owing to the Great Silk Road Central Asia became the epicenter of one of the first waves of globalization, connecting eastern and western markets, spurring immense wealth, and intermixing cultural and religious traditions. Valuable Chinese silk, spices and other goods moved west while China received gold and other precious metals, ivory and glass products. The route peaked during the first millennium, under the leadership of first the Roman and then Byzantine Empires, and the Tang dynasty (618-907) in China. But the Crusades, as well as advances by the Mongols in Central Asia, dampened trade. By the 16th century, Asian commerce with Europe had largely shifted to maritime trade routes, which were cheaper and faster.

The significance of the historic Silk Road lies in its unique nature – no authority or government could ever claim a monopoly on creation and control of the Silk Road. There was not a blueprint of the Silk Road for a very simple reason – the Silk Road was so big and complex that its economic strength and capabilities were unmatched by even its contemporary authorities. The Silk Road emerged as a result of the multifaceted agglomeration of various demands, with supplies and expectations emanating from various sources ranging from the mighty empires to the smallest towns and villages. The Silk Road gradually lost its value and importance in the modern period due to developments in maritime transportation and political circumstances in the region.

Development of the U.S. New Silk Road Strategy

The New Silk Road is an initiative of the United States for Central Asia and Afghanistan, which aimed to integrate the region and boost its potential as a transit area between Europe and East Asia. Actually the concept of the Silk Road revival was used by American politicians in order to promote democracy and protect national interests of the USA in the region. On 30 June 1999 Senator Sam Brownback in the Congress of the USA introducing his «Silk Road Strategic Act» noted that Silk Road Strategy provides comprehensive policy of the USA towards the countries of the South Caucasus and Central Asia on the basis of democracy building, free market policies, and human rights [1].

The U.S. analytical community began playing a dominating role in developing a systemic approach to the further development of the U.S. strategy in the Central Asian region. The Greater Central Asia concept, the basic postulates of which were proposed by well-known American analyst Frederick Starr in 2005, particularly fits the bill in terms of providing a new vision of this region. This concept regards Central Asia as a relatively large zone (much larger than the five post-Soviet republics and Afghanistan) with rather undefined borders and Afghanistan as its nucleus. Thus, Washington intended to tie Central Asia and Afghanistan and possibly other neighboring countries into a single military-strategic and geopolitical region. Between 25 and 26 April, the U.S. held a congressional hearing, focusing on the Great Central Asia strategy. In June, just a few days before the SCO Summit opened, the United States called together Central Asian countries for an international conference entitled «Electricity Beyond Borders» to discuss energy cooperation between Central Asia and South Asia in Istanbul, Turkey. Having come this far, the United States got a clear strategy to use energy as a breakthrough issue in order to set its Great Central Asia vision into action. Therefore, The GCA concept confirmed the importance of the Central Asian region in the foreign policy and security priorities of the USA.

The main idea of Frederick Starr's concept is geopolitical penetration into Central Asia by creating a new integration union with the participation of other South Asian countries, as well as Afghanistan. The United States' strategic objectives in greater Central Asia are several:

- 1) to advance the war on terrorism, building U.S.-linked security infrastructures;
- 2) to enable Afghanistan and its neighbors to

protect themselves against radical Islamist groups and drug traffickers;

3) to strengthen the region's economies and relevant government institutions to the point where the region can serve as an economic and political bridge between the Middle East and southern and eastern Asia;

4) to develop vigorous regional trade and adequate transport;

5) to foster participatory political systems that can serve as models for other countries with Muslim populations [2].

Frederick Starr proposed making economic interaction with the CA countries as a top priority. Despite the weak contacts that existed in this sphere at the end of the 1990s, the USA understood that not one geopolitical concept would be successful without economic backup. So the U.S. State Department defined creation of power and transport corridors along with mutual trade development as the basis for implementation of the GCA concept.

It should be noted that the attitude of the academic communities inside CA to the GCA project was extremely ambivalent. On the one hand, the analysts were interested in the development of geo-economic processes, while on the other, they were calling on the heads of their governments to treat Washington's geopolitical projects with caution.

Today the US New Silk Road Strategy aims to advance liberalization of trade, foster economic cooperation, increase trade volume, and establish people-to-people connections between and within South and Central Asia. The initiative came to life in 2011 in India when US Secretary of State Hillary Clinton called for the revitalization of the ancient Silk Road: «[Let's build] an international web and network of economic and transit connections. That means building more rail lines, highways, [and] energy infrastructure, like the proposed pipeline to run from Turkmenistan through Afghanistan through Pakistan into India (TAPI). It means upgrading the facilities at border crossings. And it certainly means removing the bureaucratic barriers and other impediments to the free flow of goods and people» [3].

For the United States, the New Silk Road refers to a suite of joint investment projects and regional trade blocs that have the potential to bring economic growth and stability to Central Asia. Following the surge of thirty thousand additional troops into Afghanistan in 2009, which President Barack Obama's administration had hoped would lay the groundwork for complete withdrawal a few years later, Washington began to lay out a strategy for supporting these initiatives through diplomatic means. These plans

emphasized the need for Afghanistan to build an economy independent from foreign assistance. This is a shift in US policy in the region from a security-oriented approach to the new trade-driven and economy-oriented approach. Thus, the United States is promoting the New Silk Road initiative linking Central and South Asia in four key areas:

1) regional energy markets;

2) trade and transport;

3) customs and border operations;

4) business and people-to-people.

As then Deputy Secretary of State William Burns outlined in a major 2014 policy address, a centerpiece of the U.S. strategy has been building a regional energy market for Central Asia. More than 1.6 billion consumers in India, Pakistan, and the rest of South Asia are increasingly demanding energy supplies that Kazakhstan or Turkmenistan with their hydropower and natural gas reserves are capable of providing.

One of the major U.S. initiatives is the proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline, which could provide major economic dividends to Afghanistan. It has been a focus of U.S. policy. Turkmenistan is home to the world's second-largest deposit of natural gas, and the TAPI would allow it to diversify its exports away from China by delivering energy to India and Pakistan. But the \$10 billion project has been repeatedly delayed by difficulties in securing investors. Without the possibility of an equity stake, which Turkmenistan has refused to allow for foreign companies, major Western oil companies have so far balked at the project.

In addition to the \$1.7 billion that the United States has directed toward energy projects in Afghanistan since 2010, the State Department has spent over \$2 billion to build some 1,800 miles of national roadways. That is a small fraction of the \$62 billion the U.S. has spent on the Afghan security forces.

In 2011, the U.S. Agency for International Development (USAID), helped create the Almaty Consensus, a «Regional Cooperation Framework» among Central Asian nations. Its projects include reducing trade barriers, developing export capacity and supporting World Trade Organization (WTO) accession for Afghanistan.

These initiatives include the Cross-Border Transport Accord (CBTA) between Afghanistan, Tajikistan, and Kazakhstan, the Central Asia-South Asia electricity transmission project (CASA-1000), which would allow Tajikistan and Kyrgyzstan to transmit hydropower electricity to consumers in Afghanistan and Pakistan, and the Transit-Trade Agreement

to allow Afghanistan to export goods duty-free into Pakistan. Finally, Afghan border checkpoints are proposed to better facilitate trade between Pakistan and Central Asia via Afghanistan. The United States committed \$15 million to the CASA-1000 project, but its role – in contrast to China's tens of billions of direct investments in Central Asia – is largely to facilitate these efforts diplomatically.

As we can see the New Silk Road initiative is focused on Afghanistan as a main hub for economic integration and transportation. It is expected that the Silk Road initiative would help to provide the much-needed support to Afghanistan after US troops will leave the region in 2014. Another important objective of the New Silk Road initiative is to provide economic boost for Afghanistan's neighbors, including Central Asian republics. Although possessing great economic potential and vast natural resources, Central Asia remains one of the least integrated regions in the global economy. The «New Silk Road» can promote economic growth throughout the region as well as integration into the world economy by introducing modernized infrastructure and effective cross-border trade.

Clearly the United States' interests in Central Asia are not only limited to promoting economic growth in the region. The United States aims to assist Central Asian republics on many fronts, including «addressing transnational threats, building the infrastructure and connectivity necessary for regional economic development and cooperation, and providing space for civil society groups, rule of law and human rights concerns» [4]. In order to achieve these objectives, the United States plans to use a combination of diplomatic engagement and bilateral and multilateral assistance.

The New Silk Road strategy also bears a political dimension such as promoting democratic norms, values and human rights. For obvious political reasons, Iran, despite its location, convenient trade routes and influence in the region, is completely left outside of the New Silk Road. The United States lies in distance to the region and does not have a significant direct economic benefit from trade relationships with Silk Road countries. Thus, the US New Silk Road strategy could be perceived as an attempt to create political leverage on Central Asian states to counter Russia's influence on the region. On the other hand, remote promotion of the New Silk Road could also be seen as an indication of willingness to facilitate development processes in Central Asian states. Accordingly, Afghanistan and its neighboring Central Asian countries generally support establishing trade links across borders.

Anyway, the countries have differing views on the impact the U.S. policy will have on the region. Those who support the strategy consider it a reasonable way to forge economic links among major regional actors. They presume that a bolstered regional economy will foster security after the departure of Western troops from Afghanistan.

With a few exceptions, however, experts from Central Asia, Afghanistan, the United States, and Europe who were interviewed on the prospects of the New Silk Road initiative are skeptical. The survey was conducted with the support of the Hollings Center for International Dialogue.

Critics argue that the New Silk Road unnecessarily «geopoliticizes» what should be a standard trade policy. The policy is designed to deliberately exclude Russia, Iran, and China. It signals that the United States «has some sort of master plan or master idea behind pushing» regional projects that were in place before the New Silk Road was even introduced, says Alexander Cooley, professor of political science at Barnard College [5].

Central Asian political leaders, businessmen, and entrepreneurs consider Afghanistan to be too culturally different and too inherently unstable to be a viable trade partner. The countries fear spillover of drug trafficking and insurgency from Afghanistan if trade links were to open.

Afghanistan is still seen as «a bit of an alien,» says Fariz Irnazarov, country director for the Central Asian Development Institute. Current Central Asian rulers are content trading with China and Russia; «You can't convince Central Asian governments that Afghanistan is part of the region,» he continues.

On the other hand, entrepreneurs in Afghanistan see Central Asia as a promising economic market. For them, there are abundant possibilities from shuttle trading to energy sector cooperation, says Moheb Mudessir, a BBC correspondent from the Afghan Service. The rich natural resources of Central Asia could play an important role in Afghanistan's developing economy. Once international aid declines after 2014, Afghanistan hopes to become a transportation hub between Central and South Asia. And yet, Central Asia remains «one of the least involved neighbors in Afghan politics,» he says [6].

It should be noted that nowadays the USA is seeking new approach which will deepen Washington's cooperation with the region. During the UN General Assembly on September 27, 2015 in New York, Secretary of State John Kerry met with Kazakhstan's, Kyrgyzstan's, Tajikistan's, Turkmenistan's and Uzbekistan's Ministers of Foreign Affairs to set up the new C5+1 format for dialogue between

the U.S. and Central Asian states. As a first manifestation of this dialogue platform, J. Kerry made a Central Asian tour in early November.

The declaration of the C5+1 meeting indicated cooperation and partnership in development fields such as economic competitiveness and jobs; regional trade; climate change and alleviation of the consequences of the Aral Sea drying up; water management; the American University in Central Asia; professional and education exchanges; English language teaching; and preservation of cultural heritage. Yet it did not explicitly address questions such as counter-terrorism, counter-drugs, regional security, and situation in Afghanistan, democratic reforms, and human rights. According to the Central Asian experts, the first C5+1 meeting hardly constituted a breakthrough in the U.S.-Central Asia relationship. This format is laden with both benefits and liabilities. On the positive side, it reinforces the message that the U.S. favors a region-centric approach and cooperative response in its relations with Central Asia. However, the meeting was also secretive and non-transparent. Its output was largely symbolic and declarative [7].

Chinese «One Belt, One Road» initiative

In the past 25 years, the defining development of that period has been the economic growth of China. One of the key recent policies launched by China is the «One Belt, One Road» initiative announced by President Xi Jinping. China's strategy is conceived as a two-pronged effort. The first focuses on overland infrastructure development through Eurasian space – the «Silk Road Economic Belt» – while the second foresees the expansion of maritime shipping routes through the Indian Ocean and the Persian Gulf – the «Maritime Silk Road».

In 2013, Chinese President told an audience in Kazakhstan that China intends to create a vast network of railways, energy pipelines, highways and streamlined border crossings both westward – through the mountainous former Soviet republics – and southward, toward Pakistan, India, and the rest of Southeast Asia. In general, the routes run through the continents of Asia, Europe and Africa, connecting the vibrant East Asia economic circle at one end and developed European economic circle at the other.

China has multiple reasons for pursuing the «One Belt, One Road» strategy. Slowing growth of world economy puts pressure on the country's leadership to open new markets for its consumer goods and excess industrial capacity. Furthermore, promoting economic development in the troubled western province of Xinjiang is also one of the ma-

major concerns, as is securing long-term energy supplies.

In accordance with the Renminbi (RMB) international Report 2015, done by the International Monetary Institute (IMI) of Renmin University of China, there is another strategy along with the Belt and Road Initiative that serve both China's national and global interests. It is RMB internationalization. Ben Shenglin, the executive director of IMI, believed China has made good progress with RMB internationalization since 2009 when China first started cross-border RMB trade settlement service on a trial basis [8].

As the Belt and Road Initiative are executed, the RMB internationalization will facilitate financing of the encompassing countries, and Chinese regions will further integrate resources, policies and markets to connect with the outside world. Growing foreign trade and Chinese investment, and more Chinese companies going global under the implementation of Belt and Road Initiative will also add support for RMB internationalization. Therefore, Belt and Road Initiative is a great undertaking beneficial to all along the line.

The Silk Road Economic Belt Initiative has generated intense public interest. According to Mr. Nurpeissof, the leading economic expert of the World Economy and Policy Institute under the Fund of the First President of the Republic of Kazakhstan, «China's initiative to build the Silk Road Economic Belt has sparked great interest among economists, experts, and politicians in all corners of the world. Chinese President Xi Jinping unveiled the initiative while delivering a lecture at the Nazarbayev University in Astana. This fact demonstrates that China sees Kazakhstan as an important strategic partner in this project».

Promoting maritime cooperation Chinese president subsequently announced plans for the maritime Silk Road development at the 2013 summit of the Association of Southeast Asian Nations (ASEAN) in Indonesia. To accommodate expanding maritime trade traffic, China will invest in port development throughout the Indian Ocean, in Bangladesh, Sri Lanka, the Maldives, and Pakistan.

On 28 March 2015, the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the People's Republic of China jointly released an action plan on the principles, framework, and cooperation priorities and mechanisms in the Belt and Road Initiative after President Xi Jinping highlighted the strategy the same day while addressing the opening ceremony of the 2015 annual conference of the

Boao Forum for Asia (BFA). The plan is based on the four principles of openness and cooperation; harmony and inclusiveness; market operation; and mutual benefit, emphasizing policy coordination, connectivity, unimpeded trade, financial integration and people-to-people bonds.

Accordingly, to the plan, on land, the Initiative will focus on jointly building a new Eurasian Land Bridge and developing China-Mongolia-Russia, China-Central Asia-West Asia and China-Indochina Peninsula economic corridors by taking advantage of international transport routes, relying on core cities along the Belt and Road and using key economic industrial parks as cooperation platforms. At sea, the Initiative will focus on jointly building smooth, secure and efficient transport routes connecting major sea ports along the Belt and Road. The China-Pakistan Economic Corridor and the Bangladesh-China-India-Myanmar Economic Corridor are closely related to the Belt and Road Initiative, and therefore require closer cooperation and greater progress [9].

The pivot point of the Chinese strategy is transport infrastructure development. According to Xi Jinping, new infrastructure could «break the bottleneck in Asian connectivity». The Asian Development Bank, highlighting the need for more such investments, estimates that the region faces a yearly infrastructure-financing shortfall of nearly \$800 billion.

Another priority area for implementing the Initiative is facilities connectivity. Countries along the Belt and Road should improve the connectivity of their infrastructure construction plans and technical standard systems, jointly push forward the construction of international trunk passageways, and form an infrastructure network connecting all subregions in Asia and between Asia, Europe and Africa. At the same time, efforts should be made to promote green and low-carbon infrastructure construction and operation management, taking into full account the impact of climate change on the construction.

Special attention should be paid to the concept of an Information Silk Road. States along the Belt and Road should jointly advance the construction of cross-border optical cables and other communications trunk line networks. In order to improve international communications connectivity, they should undertake measures on building bilateral cross-border optical cable networks at a quicker pace, planning transcontinental submarine optical cable projects, and development of spatial (satellite) information passageways to expand information exchanges and cooperation.

In 2014, China concluded deals worth \$30 billion with Kazakhstan, \$15 billion with Uzbeki-

stan, and \$3 billion with Kyrgyzstan, in addition to spending \$1.4 billion to help revamp the port of Colombo, in Sri Lanka. By November 2014, China had announced the creation of a \$40 billion Silk Road Fund.

In 2015, China finalized plans for the Asian Infrastructure Investment Bank (AIIB), which aims for \$100 billion in initial capital. Despite opposition from the United States, the AIIB attracted fifty-seven founding members, including U.S. allies such as the United Kingdom, Germany, and Australia. The negative U.S. reaction to the AIIB underscores the extent to which some U.S. policymakers fear that China's efforts will undercut Western institutions like the World Bank and expand the influence of the Shanghai Cooperation Organization (SCO), a regional security and economic pact. As against to them, some experts in the sphere of international relations believe that the AIIB will make those countries less dependent and less vulnerable to Russia, which has been a central focus of U.S. policy for decades. It will bring an enormous amount of capital into this region and others [10].

It is noteworthy that China is pragmatic and business-oriented in its Silk Road approach. China does not have any ideological or political agenda interweaved in its Silk Road investments and is quite cautious about maintaining its political neutrality in the region, including refraining from investing in disputed projects. For example, China announced that it will remain uninterested in investing in the construction of the Rogun Dam until Tajikistan and Uzbekistan resolve their disputes. On the other hand, having one of the largest economies in the world and playing a leading role in the Shanghai Cooperation Organization (SCO), China yields considerable potential to change the dynamics in the region. Consequently, while Central Asian countries welcome Chinese investments and opportunities for business partnership, they do not want to be dependent predominantly on the Chinese partnership.

According to American experts, The Belt and Road Initiative has just as much (if not more) to do with China's domestic economic goals as it does with grand geopolitical visions. It's simultaneously a means for developing China's inland regions, even while ensuring their growth is efficient and technologically focused, giving China a boost in its bid to move up the global value chain. However, today scholars contrast the OBOR (One Belt, One Road) project with the sometimes-discussed, but more often dismissed U.S. vision of a New Silk Road. Actually 'the Chinese are committing hundreds of billions of dollars, the U.S... not much,

if any.» Further, the Chinese have established several funding vehicles to support new infrastructure developments – from the Silk Road Fund to the Asian Infrastructure Investment Bank (AIIB). Most importantly, the Chinese initiative signals China's rise and a commitment to lasting future engagement with the region. Meanwhile, the New Silk Road for the U.S. is associated with a legacy of regional withdrawal [11].

Politically speaking, China hopes that the OBOR initiative stabilizes Beijing's western Provinces, as well as the neighboring trouble spots, like Pakistan or Afghanistan. As China finances most infrastructure projects Beijing is also able to increase its political influence. Many countries along the Silk Road depend on Chinese infrastructure investments.

Anyway, the overarching goal for China is to be an active part in the establishment of a multipolar world order. China seeks to play a constructive role in the reform of the international system. The Belt and Road Initiative is intended to be the foundation of a new type of international relations. The Chinese officials speak on the establishment of a «community of common destiny». Core elements are more connectivity in Eurasia, «win-win-cooperation», «mutual progress and prosperity» as well as upholding the UN principle of non-interference in the internal affairs of other states.

So far, Chinese initiative has not been imbedded in an overarching international framework and primarily is a concept, a meta-strategy. It is still unclear whether the initiative will be realized through a bilateral or multilateral process.

Conclusion

Today, the idea of a «New Silk Road», an intertwined set of economic integration initiatives seeking to link East and Central Asia, has taken hold in the United States and China – for very different reasons. In 2011, the United States launched its vision of greater Central Asian economic and infrastructure integration in the hopes of supporting political stability as it withdrew from Afghanistan. By 2013, Chinese President Xi Jinping put forward initiative «Silk Road Economic Belt» that would streamline foreign trade, ensure stable energy supplies and promote Asian infrastructure development.

It remains to be seen if the United States and China will clash over their competing plans for developing energy resources in Central Asia's Turkmenistan, creating infrastructure in Pakistan, or winning political influence with local governments throughout Asia. Washington mainly sees the «One Road, One

Belt» initiative, and in particular its financial institutions, as a potential threat to the international order, based on three major arguments. First, it will duplicate the existing network of financial institutions, in particular the World Bank and the Asian Development Bank, and weaken them by lowering the international standards of governance. Second, it will contribute to weakening the dollar-based international system by strengthening the Chinese currency, the Renminbi, as a global trade asset. Thirdly, it creates a rival financial system that may side-step the international order of global governance.

For other Western actors, in particular the Europeans followed by the South Koreans and the Australians, which support the new multilateral financial institutions, the American reluctance may be more a question of leadership than one of substance. They are more inclined to recognize that the global economy is increasingly influenced by China and that Beijing has not been fairly rewarded in the governance of the (US-led) financial institutions, which may have led Beijing to consider alternative options. Moreover, the current financial institutions are not tailored to finance and manage as huge an initiative as the New Silk Road. Yet, the needs in infrastructure development in Asia have been valued by the Asian Development Bank at some \$8 trillion over the decade.

The most serious argument concerns the risks of lowering the international standards of governance through the setup of new or involvement of existing non Western-led financial institutions. The Europeans argue that international standards would be better secured if Western countries were inside the institution than by trying to influence it from outside. Furthermore, the Europeans say that Beijing has to be taken on its word when claiming that it wants transparent and rules based financial institutions. The designation of former ADB Vice-Chairman, Mr. Jin Liqun, as AIIB's chairman is considered a positive first indicator, as well as the apparent decision by China not to secure veto power in the institution.

Yet despite all assurances and expectations, the New Silk Road and the institutions that will underpin it may indeed profoundly impact the current global order. The Chinese initiative ironically demonstrates that if the current order cannot adapt to new economic realities, it faces the risk of being bypassed. Anyway, many economic and political aspects of the New Silk Road remain unanswered and the project is unevenly advanced.

Other powers like India and Russia, meanwhile, are seeking to define their own approach to regional integration. While these ambitious projects hold the

potential to reshape one of the world's least integrated areas, all must contend with local rivalries,

logistical roadblocks, security risks and political uncertainty.

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