

“However, the situation could evolve in case the relationship between EU and Russia warm up. In that case, Russia would have much more options for supply and export, and would see its bargaining power significantly increase toward China” - French journalist Vivien Fortat reveals the specific role and place of China in the contemporary world politics, especially for cabar.asia.



**cabar.asia: The EU has not yet formulated its policy in the Central Asian region conceptually. While other players are already actively implementing their projects. Is the West too late with its initiatives in the region?**

**Vivien Fortat:** By other players I assume that you mean regional power such as China and Russia. USA has also abandoned its New Silk Road Initiative. For EU, I think it is even more complicated to have an ambitious central Asian policy.

First, the inner characteristics of Central Asia explain why it is not, for now, a priority for EU: it is far, the size of the market is limited (68 million people, with an average income lower than other markets like China or north Africa), there are very limited cultural ties (despite the interesting links between Germany and Central Asia), and on top of those issues, there is a very strong presence of two super power: Russia and China.

Of course Central Asia has also some very appealing characteristics for EU: significant amount of natural resources, strategic position between China, Russia and Afghanistan/Pakistan, a fast economic development; but given the context of budget restriction, EU tends to focus more on countries where it has a better chance to have significant economic success and political influence.

**cabar.asia: In May we could observe OBOR Forum in Beijing, which opened a new page in the positioning of China in the world. As far as we understand China is creating a global platform, where Beijing can form its own agenda. At least such assessments are the most popular in media. What is the evaluation of the Forum in the West, and how do you think for what purpose did the Chinese leadership undertake such an event? (After all, this will be a permanent platform and the next**

**Forum will be in China in 2019).**

**Vivien Fortat:** Well, I can not speak for the whole “West”, but my humble opinion is that the “West” is still not sure about what is behind OBOR. And sometime I am not even sure that Chinese are clear about it neither. For some people, it is, as you have mentioned it, a global platform created by China to implement a global long term strategy. But for other experts, OBOR is just a marketing concept, in which you do have some strategic project (i.e: the Piraeus harbor bought by COSCO in Greece), but that is generally speaking nothing more than cheap money to help Chinese company investing abroad in order to sustain chinese growth or create jobs abroad for jobless chinese workers. This is actually close to the official chinese position recently reaffirmed in Paris.

**cabar.asia: Moody’s Agency for the first time since 1989 decided to lower China’s credit rating. At the same time, China’s corporate debt is the largest in the world: 18 trillion. (170% of GDP). Nevertheless, Chinese officials say that they intend to invest billions of dollars through the program. Will Beijing be able to ensure its own OBOR initiative with uninterrupted investments against the backdrop of domestic problems in the economy?**

**Vivien Fortat:** The chinese corporate debt is definitely a major concern regarding OBOR initiative. However, the skills of the chinese government and financial sector should not be underestimated. Despite the fact that data remain uncertain regarding chinese finance and economics, I believe the leaders in China do have the data and do implement policies very seriously. They know that the economic situation should remain stable otherwise things will get very complicated from a political point of view (like it would in any other country). A large part of social and economic stability in China remains strongly related to State Owned Enterprise situation but chinese authorities started few years ago a policy aiming at not supporting anymore non strategic SOE that are not profitable. Despite some resistance, more and more of those SOE become private and the government let them “face their destiny” (adapt or bankrupt).

On top of that, there has been a significant improvement on the quality of the staff in chinese financial institution. Most of those people now have extensive experience and solid technical background.

Last but not least, an increasing number of chinese firms want to go on public stock exchange. This evolution forces them to be more careful about international standards regarding corporate governance, including corporate debt. We can expect that the corporate debt ration will get back to more reasonable level within the coming years.

**cabar.asia: On the whole, Russia's participation in OBOR initiative becomes ambiguous. How would you assess the interaction between Russia and OBOR in the conditions of anti-Russian sanctions?**

**Vivien Fortat:** Russia is in a complicated situation. Doors of the West remain closed for now, and I think the Crimea events have damaged for a long time the West-Russia relationship. So Russia strongly needs other economic and political partners. The only major one with common interest on short term is China.

At the same time, Russia does know that China is getting more and more influence, even politically, in Central Asia. It also knows that the China-Europe railway most efficient path should go through Russia.

*So, Russia and China in central Asia are now in what I would like to call coopetition: cooperation between competitors.*

However, the situation could change in case the relationship between EU and Russia warm up. In that case, Russia would have much more options for supply and export, and would see its bargaining power significantly increase toward China.

**cabar.asia: Over the past two years, the Chinese leadership has been increasingly talking about globalization and the need to share responsibility for world affairs. We know Xi Jinping's speech at the Davos forum, when Chairman Xi called for support of the globalization process and stated that China is ready to share some of the responsibility. Speaking at the G20 summit, the Chinese leader again drew attention to this issue. Do you think China is ready for global responsibility? Do Western countries perceive China as a global power?**

**Vivien Fortat:** It all depends on what do you call global responsibility. Yes, China is definitely able to be a leader on climate issues, for example, as it has shown during COP 21 and 22. But I don't see China being able to avoid a major military crisis so far and especially sending troops to stop a conflict. In that sense, DPRK crisis with USA is close to be a very interesting test for chinese diplomacy.

However, on the points China is not ready yet, China is getting ready. For military crisis, we have seen a sharp increase of involvement of China in UN operations. They always follow the same process and I should admit that it is quite astonishing to see how efficient it is. First they become "observers" to see how things work, then step by step they get involved until they have seen how things clearly work and have reached the sufficient level of skill,

they take big responsibilities.

As for Western countries perception, I do think that they perceive China as a global power except in the military field, for now. *However, as far as I know, China being a global power puzzled a lot Western countries because China has a very different mental frame and few Western officials have a good knowledge of chinese culture and language.*

**cabar.asia: Finally, we would be interested to know your opinion about the prospects for Central Asian-Chinese relations. How do you assess the Central Asian direction in OBOR Initiative today? What areas and specific projects are being emphasized?**

**Vivien Fortat:** The main interest of China in developing OBOR in Central Asia is the role of gate to the West and Russia played by Central Asia due to its geographical position. The infrastructures (roads, railways, telecommunications...) are the top priority here.

The second is central Asia as a new market for chinese companies, and especially those who face overcapacity in China. The case of cement industry is very interesting for example because there is a significant overcapacity in China, and this good is hard to export. Therefore, moving the factory to central Asia to sustain other OBOR infrastructure projects would be useful for China.

The third one is related to polluting industries. For several years, China is taking seriously the environment issues damaging its country. They are really strengthening the environmental law, and despite the fact that pollution is a very serious issue in China, the chinese authorities (at least the State) are trying to improve the situation. Several polluting industries (chemicals, textile...) have already outsourced their factories from China to south east asian countries. It should be the case in central Asia too, especially if the transport infrastructure between central Asia and Europe and Middle East improve through OBOR.

**cabar.asia: And the last. How in recent years has the attitude towards China changed in the West? Has the coverage of Chinese subjects increased in the West?**

**Vivien Fortat:** One could write a whole book on this! *But to my point of view West and China are still learning how to talk to each other and work together.* It is still hard in the West for example to find balanced opinion on China between China's lovers and China's haters. *The coverage of Chinese subjects in the West has strongly increased but focus a lot on negative side of China.* It is true that not everything is perfect in China, neither it is in the West, but considering only the negative aspects is not at all helpful to build trust and

establish mutually beneficial relationships. Worst than that, covering only China from a negative point of view provide biased information. A lot of people in the West sill believe that chinese firms are only able to copy and not to innovate. Go to Shenzhen, Shanghai, or any professional fair and you would be amazed to see how wrong it is.

*Vivien Fortat (Ph.D.) is currently a Risk Management consultant and freelance journalist. Originally from France, business schools regularly invite him to teach strategy, corporate and country risk management. He has worked in China and Japan for 4 years and is now preparing a book on New Silk Roads (OBOR).*

**The interview was prepared by the editor of cabar.asia Nargiza Muratalieva**



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