

## Sweden's approach to China's Belt and Road Initiative

Still a glass half-empty

*Mikael Weissmann and Elin Rappe*



## **Executive summary**

In 2013 China's President Xi Jinping launched the "One Belt, One Road" (OBOR) initiative, later renamed the Belt and Road Initiative (BRI), which involves China undertaking to make infrastructure investments worth billions of US dollars in the countries along the old Silk Road connecting China with Europe. While commonly seen as an infrastructure initiative aimed at strengthening the Chinese economy, it is also a political project with far-reaching strategic aims.

This UI Paper outlines how China has approached the BRI with Sweden, how Sweden has responded and the perceptions of major Swedish stakeholders. It finds that Swedish officials are often *highly* cautious, maintaining a wait-and see policy. While also cautious, members of the business community are cautiously optimistic and have been more actively following BRI-related developments, seeking out avenues for potential business. The actual impact of BRI in Sweden, however, is so far very limited.

The Paper concludes that Sweden's approach to BRI has been too reactive and too passive. It argues that both the government and the business community need to engage more actively with the BRI in order to maximize its possible benefits. To this end, a national strategy is needed that includes the government and the business sector. Better coordination is also needed between government agencies and to link existing intra-governmental cooperation with the business community. Their importance cannot be overemphasized as the BRI is a political project, not an idealistic free-market endeavour.

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## **Keywords**

Belt and Road, One Belt One Road, OBOR, AIIB, BRI, Silk Road Economic Belt, New Silk Road, China, Sweden

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## The Belt and Road Initiative<sup>1</sup>

In 2013 the President of China, Xi Jinping, launched the “One Belt, One Road” (OBOR) initiative, later renamed the Belt and Road Initiative (BRI).<sup>2</sup> The BRI is a strategic approach to infrastructure development that involves China undertaking to make infrastructure investments worth billions of US dollars in countries along the old Silk Road connecting China with Europe. The aim of this UI Paper is to outline how China has approached the BRI with Sweden and the perceptions of major Swedish stakeholders. The response, from both the government and the business sector, has been cautious and thus far both too reactive and too passive. The government and the business community will need to become more actively engaged with the BRI in order to maximize the possible benefits. This will require a national strategy that includes both the government and the business sector.

The scope of the BRI is huge. The initiative is an expression of China’s desire to play a larger role in global affairs and to coordinate its manufacturing capacity with other countries. Currently, China is spending approximately US\$ 150 billion a year in the 68 countries that are part of the initiative.<sup>3</sup> The BRI is a conceptual framework for policies that aim to increase economic integration both within Asia and between Asia, Europe and Africa through a variety of activities.<sup>4</sup> Behind this broad strategic initiative there are many secondary motives. President Xi wants to invest China’s foreign exchange reserves in infrastructure. He also hopes to create new markets for Chinese companies, such as its high-speed rail constructors, and to export some of China’s excess capacity in building materials such as cement and steel. In addition, he hopes to create a more stable neighbourhood for China’s western provinces of Xinjiang and Tibet by

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<sup>1</sup> In addition to secondary sources on the Belt and Road Initiative in the Swedish and foreign media and official information, this chapter draws on interviews with representatives of the Foreign Ministry of Sweden, and Swedish government officials at the Swedish Embassy, Business Sweden and other government agencies working to promote Swedish companies abroad. We also conducted interviews with Swedish companies active in China and Central Asia, as well as researchers with expertise on China and Central Asia. The interviews were conducted in April to June 2016. Weissmann’s research was funded by a grant from the Marianne and Marcus Wallenberg Foundation (Grant no. 203.0162, see <http://www.ui.se/powershift/> for more information). A shorter version of the text was published by the European Think-tank Network on China (ETNC) in December 2016 as part of the report “Europe and China’s New Silk Roads”.

<sup>2</sup> The Belt and Road Initiative (BRI), sometimes known as the Belt and Road (B&R), is the new name for the OBOR initiative launched in 2013. OBOR in turn was the umbrella term for the Silk Road Economic Belt and the 21st-century Maritime Silk Road. The former concerns the land-based bridge largely analogous with the old Silk Road link between Asia and Europe, while the latter are ocean going links with South East Asia, Oceania and North Africa. Linked to BRI is the Asian Infrastructure Investment Bank (AIIB), also proposed by China in 2013, which opened its doors on 16 January 2016. To finance the BRI, China has also set up the “Silk Road Fund” aimed at commercial investments, pledging US\$ 40 billion.

<sup>3</sup> Economist, May 15, 2017, *The Economist*: “What is China’s belt and road initiative? The many motivations behind Xi Jinping’s key foreign policy”. <http://www.economist.com/blogs/economist-explains/2017/05/economist-explains-11>.

<sup>4</sup> Van der Putten, Frans-Paul; Huotari, Mikko; Seaman, John; Ekman, Alice and Otero-Iglesias, Miguel, “The Role of OBOR in Europe–China Relations” in European Think Tank Network on China’s (ETNC) report “Europe and China’s New Silk Roads” (December 2016). [https://www.clingendael.nl/sites/default/files/Europe\\_and\\_Chinas\\_New\\_Silk\\_Roads\\_0.pdf](https://www.clingendael.nl/sites/default/files/Europe_and_Chinas_New_Silk_Roads_0.pdf)

investing in the volatile countries of Central Asia, and believes that encouraging more Chinese projects around the South China Sea might support China's claims in the region.<sup>5</sup>

## Sweden and the belt and road initiative

China is Sweden's largest trading partner in Asia and a priority country in Sweden's export strategy.<sup>6</sup> Sweden exported to China worth SEK 46 billion in 2016 and its imports from China were worth SEK 59 billion.<sup>7</sup> Bilateral exchanges between China and Sweden are now more frequent than ever. Swedish ministers are regular visitors to China and there have been several visits to Sweden by Chinese leaders of varying importance in recent years. Today, 10,000 Swedish companies are trading with China and more than 500 are established there.<sup>8</sup> An increasing number of Chinese companies now invest in Sweden. Scientific and technological cooperation between the two countries has expanded to new areas such as bio-medicine, energy saving and environmental protection.

Thus, given China's economic importance to Sweden, a large-scale initiative such as the BRI being promoted by Xi Jinping—domestically, the most powerful Chinese leader since Mao Zedong—might be expected to engender great interest among Swedish policymakers and the business community alike. Thus far, however, responses have been quiet and often cautious. Swedish stakeholders have displayed a tendency to wait and see how developments unfold before making a decision on how to react. At first, the significance of the project was unclear. At the beginning of 2015, however, the initiative took a big step forward when China devoted US\$ 50 billion to the new Asian Infrastructure Investment Bank (AIIB) and allocated US\$ 40 billion for a Silk Road Fund to finance investment.<sup>9</sup> Sweden became a founding non-regional member of the AIIB, although it is somewhat indicative of Sweden's cautious approach that it decided to join the bank on the last day on which it was possible to register.

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<sup>5</sup> Economist, May 15, 2017, *The Economist*: "What is China's belt and road initiative? The many motivations behind Xi Jinping's key foreign policy". <https://www.economist.com/blogs/economist-explains/2017/05/economist-explains-11>.

<sup>6</sup> Sweden's export strategy, published September 2015

(<http://www.regeringen.se/contentassets/e2b2f540107143e99907cbe604a87ce2/sveriges-exportstrategi.pdf>)

<sup>7</sup> Business Sweden China's website, <http://www.business-sweden.se/Export/Marknader/Asien-och-Mellanostern/Kina/>.

<sup>8</sup> Business Sweden China's website <http://www.swedenabroad.com/en-GB/Embassies/Beijing/Business/Trade-between-Sweden--China/>.

<sup>9</sup> The Economist, "Where all Silk Roads lead", Apr 11th, 2015, <http://www.economist.com/news/china/21648039-through-fog-hazy-slogans-contours-chinas-vision-asia-emerge-where-all-silk-roads>.

AIIB's capital base is USD 100 billion, or twice as much as the European Bank for Reconstruction and Development. The combined capital base of the AIIB and other China-led initiatives such as the New Development Bank (NDB) and Contingent Reserve Arrangement (CRA) is about USD 250 billion, which is roughly on a par with the World Bank. European Political Strategy Centre, "The Asian Infrastructure Investment Bank: A New Multilateral Financial Institution or a Vehicle for China's Geostrategic Goals", *EPSC Strategic Notes*, 1, 2005, 24 April, [https://ec.europa.eu/epsc/sites/epsc/files/strategic\\_note\\_issue\\_1.pdf](https://ec.europa.eu/epsc/sites/epsc/files/strategic_note_issue_1.pdf).

The Silk Road Economic Belt, that part of the initiative most relevant to Sweden, is still in its early stages. So far, the focus has been mainly on China's closest neighbourhood, with a particular emphasis on Central Asia. While it is clear that Chinese funding has been targeted at Central Asia, in later stages the aim is that the initiative will be more focused on Europe.<sup>10</sup> China claims that the initiative has received a positive response from the 60 countries along the route as well as international organizations such as European Union (EU), the Association of South East Asian Nations (ASEAN), the Shanghai Cooperation Organization (SCO) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).<sup>11</sup>

The real impact of the BRI on Sweden has been very limited. While the BRI has received more attention in the past year or two, as of late May 2016 the Swedish Foreign Ministry was unable to identify any BRI projects in Sweden.<sup>12</sup> However, the Chinese Embassy uses a broader definition of a BRI project and at the same point identified Chinese attempts to bid for the construction of a Swedish high-speed railway and two private wind power projects as BRI projects.<sup>13</sup> China also emphasizes the importance of building a connection between China and Sweden—or, on a larger scale, between Asia and Europe—and that these kinds of infrastructure projects would give rise to a “win-win situation”.

There are still some uncertainties about the execution of the high-speed railway, as well as some scepticism in Sweden about the idea of Chinese companies building such a railway.<sup>14</sup> However, China sees this as its most important BRI project in Sweden. Chinese companies have already registered in Sweden and are just waiting for the decision to proceed to be taken by the Swedish Parliament. China has no experience of building high-speed railways in developed countries and Chinese companies would like to acquire this experience and a reputation for having these competences, which would open many new doors.<sup>15</sup>

## China's approach in Sweden

When discussing China's strategy for promoting the concept of the BRI in Sweden, it is important to remember that Sweden is at the very end of the Belt Road, which means that it is obviously not one of the most important countries in the BRI context. The Swedish Foreign

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<sup>10</sup> Interview with an official at the Chinese Embassy, Stockholm, May 2016. Also see Carlsson, Märta, Susanne Oxenstierna and Mikael Weissmann, *China and Russia: A Study on Cooperation, Competition and Distrust*, FOI-R--4087—SE (Stockholm: Swedish Defence Research Agency, 2015): 50, 70.

<sup>11</sup> Speech by Chen Yuming, the Ambassador of China to Sweden, at a seminar in Stockholm organized by ISDP in June 2015, [http://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zwjg\\_665342/zwbd\\_665378/t1273703.shtml](http://www.fmprc.gov.cn/mfa_eng/wjb_663304/zwjg_665342/zwbd_665378/t1273703.shtml).

<sup>12</sup> Telephone interview with Swedish government official in Beijing, May 2016.

<sup>13</sup> Interview with an official at the Chinese Embassy, Stockholm, May 2016. China considered these three initiatives to be BRI projects simply because they are about infrastructure.

<sup>14</sup> To follow the project's progress see <http://www.trafikverket.se/resa-och-trafik/jarnvag/nygenerationjarnvag/> (Swedish) or <http://www.trafikverket.se/en/startpage/planning/high-speed-railway/> (English).

<sup>15</sup> Interview with an official at the Chinese Embassy, Stockholm, May 2016.

Ministry believes that the BRI could lead to business opportunities for Swedish companies, but that these will come in China or Central Asia rather than for companies operating in Sweden.<sup>16</sup>

Diplomacy and business contacts are the tools used by China to promote the BRI in Sweden.<sup>17</sup> China promotes the concept by raising it in its diplomatic meetings with the Foreign Ministry, Swedish government officials and Swedish companies. The Foreign Ministry of Sweden shares this view of the strategy used to promote the BRI.<sup>18</sup> The Chinese Embassy in Stockholm has supported events on the BRI in Stockholm and made presentations to Swedish companies that have shown an interest in the Silk Road Initiative.<sup>19</sup>

China's promotion of the BRI in Sweden is targeted mainly at politicians. However, most of the BRI-related contacts in Sweden have been taking place between Chinese companies and various government agencies, such as the Swedish Transport Agency on the subject of the high-speed railway. In addition to business, Ambassador Chen Yuming has also mentioned the importance of student exchanges and increased cultural exchange between China and Sweden as important aspects of the BRI.<sup>20</sup> However, when asked directly what China has done to actively engage Sweden in the BRI, a representative from the Chinese Embassy responded: "Not much frankly".<sup>21</sup>

China welcomed Sweden's decision to become a founding member of the AIIB—but the fact that Sweden announced the decision on the last day that it was possible to register did not signal strong support for the Bank. Within the AIIB, China has not prioritized Sweden because it is a small country and because of its perceived lack of serious commitment.<sup>22</sup> This should be contrasted with countries such as the United Kingdom, which was eager to register to become a co-founder of the AIIB and realized early on the importance of President Xi's initiative.<sup>23</sup>

Even though Sweden is not one of the most important countries for China in the Silk Road Initiative, China still sees great potential for increased cooperation if Sweden were to decide to engage more actively in the BRI. From China's perspective, Sweden needs to join the infrastructure projects within the AIIB. According the Embassy, Chinese companies in Sweden want to cooperate more with Swedish companies, but so far the Swedes have been overcautious. There is particular interest in deepening cooperation with Sweden on high-tech manufacturing and emerging industries.<sup>24</sup>

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<sup>16</sup> Telephone interview with Swedish government official in Beijing, May 2016.

<sup>17</sup> Interview with an official at the Chinese Embassy, Stockholm, May 2016.

<sup>18</sup> Telephone interview with Swedish government official in Beijing, May 2016.

<sup>19</sup> Interview with an official at the Chinese Embassy, Stockholm, May 2016.

<sup>20</sup> Speech by H.E. Chen Yuming, the Ambassador of China to Sweden, June 2015, [http://www.fmprc.gov.cn/mfa\\_eng/wjb\\_663304/zwjg\\_665342/zwbd\\_665378/t1273703.shtml](http://www.fmprc.gov.cn/mfa_eng/wjb_663304/zwjg_665342/zwbd_665378/t1273703.shtml).

<sup>21</sup> Interview with an official at the Chinese Embassy, Stockholm, May 2016.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

## The Swedish response to the BRI

The Swedish governmental actors working on the BRI are mainly in the Foreign Ministry, Growth Analysis and the public-private partnership Business Sweden.<sup>25</sup> The Ministry for Enterprise and Innovation [Näringsdepartementet] has not been actively involved in these questions, but there are signs that this has been changing as the BRI has gained more attention in the past year or so. For instance, the former Minister for Infrastructure, Anna Johansson, participated in the “Belt and Road Forum for International Cooperation” in Beijing in May 2017. Nonetheless, besides the Swedish companies in China, the Swedish Embassy in Beijing, Growth Analysis and Business Sweden still seem to be the three musketeers working on the BRI on the ground in China. Business Sweden’s office in Istanbul monitors the Silk Road Initiative in Central Asia, as does the Eastern Europe department of the Foreign Ministry in Stockholm. Together with Growth Analysis and Business Sweden, the Swedish Embassy in Beijing has organized various seminars on the AIIB. The embassy also regularly organizes visits to Chinese infrastructure projects for Swedish companies, together with Growth Analysis.<sup>26</sup>

There are no formal agreements on the BRI between the governments of Sweden and China and there is no national strategy on the BRI. In fact, as late as a year ago there was scepticism in the Foreign Ministry about whether such a strategy was needed. The BRI was seen as an issue mainly to be handled locally by the embassy in Beijing.<sup>27</sup> While there have been some signs that this perception is changing, Sweden is still far behind other countries. Many other European countries have acted much more swiftly to monitor developments and investigate the possible business opportunities arising from the BRI. Poland, for example, is lobbying to change the route of the Silk Road Economic Belt to go through its territory.<sup>28</sup>

The business sector has been similarly lukewarm in its response to the BRI. When asked why Sweden was not working more on the BRI, a Swedish trade official responded that it would not start working on a new question before it had been given “a clear mission to do so”. While the BRI is mentioned in correspondence between the Foreign Ministry and its embassies, there has not yet been any real coordination on the issue.<sup>29</sup> This is unfortunate as coordination between the government and the private sector is beneficial when engaging with China, where there are close relations between the state and the private sector—sometimes to a point where it is difficult to draw a line between state and private.

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<sup>25</sup> Growth Analysis (Myndigheten för tillväxtpolitiska utvärderingar och analyser) is an analysis agency commissioned by the government to evaluate and analyse Swedish growth policy.

<sup>26</sup> Telephone interview with Christer Ljungwall, Analyst/Head of Office (Beijing), Growth Analysis, May 25, 2016.

<sup>27</sup> Telephone interview with Swedish government official in Beijing, May 2016.

<sup>28</sup> Telephone interview with Christer Ljungwall, Analyst/Head of Office (Beijing), Growth Analysis, May 25, 2016.

<sup>29</sup> Telephone interview with Swedish trade official working to promote trade in developing countries, spring 2016.



## Swedish perceptions of the BRI: rebranding or something new?

### Policymakers<sup>30</sup>

Swedish policymakers share the view that the BRI arouses some interest, but see the project as a whole as “not much new”.<sup>31</sup> To them, the BRI is a mere extension of China’s interest in strategic partnerships. Sweden’s policymakers perceive the BRI as a political project. One Swedish government official described the Silk Road Initiative as consisting of two parts. The first part is the emphasis on infrastructure projects that seeks to strengthen China’s economy, which is suffering from serious problems of overcapacity in steel and energy. The second is deeply intertwined with the political and the geopolitical dimensions of the project, and seeks to export China’s culture and increase China’s influence in the world. It is this second aspect of the project that is not highlighted enough.

As noted above, the position of Sweden’s policymakers can best be described as cautious, preferring to wait and see rather than be bold or proactive. Phrases such as “so far, we are being cautious” recur in our interviews when talking about perception of the BRI. Sweden’s policymakers perceive the Silk Road Initiative as a potential business opportunity for Swedish companies but doubt whether any of the projects generated by the initiative will be assigned to Swedish companies. They think there will be fierce competition and that Chinese companies are likely to win a majority of the procurements.

One of the Swedish government officials interviewed described the position of both the Foreign Ministry and Swedish companies based in China as *very* cautious so far. The representative explained that they have seen different initiatives by the Chinese Government come and go over the years and that they doubt whether the BRI will be any different. Both the Foreign Ministry and the Swedish companies that trade with China and Central Asia believe that the BRI could *perhaps* create opportunities for Swedish companies, but it is still too early to tell whether this will be the case.

So far, most of the work related to the BRI has happened locally at the Swedish Embassy in Beijing, where the BRI is described as an umbrella that China is now using for different kinds of investment and projects, both new and old. One of the Swedish government officials interviewed stated that a large part of the BRI is just about rebranding. Projects that were already planned have now been relaunched as BRI projects because this sounds good. The representative believes that the BRI will stimulate and lead to interesting projects, but at the same time is fully aware that Swedish companies are small in comparison with Chinese companies, which gives the latter an advantage. Furthermore, Chinese companies are at an obvious advantage in the Chinese market. Thus, Chinese companies are expected to win many of the engineering projects for railways, roads, seaports and pipelines that the programme will

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<sup>30</sup> This section is based on interviews conducted between April and June 2016 (see note 1).

<sup>31</sup> Telephone interview with Swedish government official in Beijing, May 2016

involve. Improved transport connections will also benefit Chinese exporters. Through these measures, China will both create and gain access to new markets.

The most likely avenue for Swedish participation in the BRI is Central Asia, a region where Sweden has comparative advantages as there is an extensive Swedish business presence there. One of the difficulties is that it is hard to know when business opportunities will arise or planned projects will start. To address this, the Foreign Ministry's so-called regional promoters, the embassy staff working on business promotion in different parts of the world, can play an important role by monitoring business markets. Swedish companies also possess a comparative advantage in the areas of seaport and airport construction. In addition, the Swedish government official in Beijing underlined Sweden's knowledge of sustainable development in relation to airports.<sup>32</sup> This is exactly the kind of green measure on which China's 13th five-year plan decided that China should focus.<sup>33</sup>

## **Business community**

The Swedish business community is best described as cautiously optimistic about the BRI. Swedish companies working in Central Asia and China are fully aware of the initiative and its potential. The Swedish companies based in China have been there for a long time and have extensive knowledge of China.<sup>34</sup> They are following the BRI closely to see what implications it might have for their businesses. They believe that the BRI could have positive effects on trade between China, Central Asia and Europe, and that the initiative has the potential to change the geopolitics of Asia.<sup>35</sup> Nonetheless, it is clear that the Swedish business community is still waiting to see whether there will be any business opportunities for them in connection with the BRI.

So far, the business community has taken only limited action in response to the BRI. A representative of a large Swedish industrial company explained: "We are where the customers are. We are not making any investments in advance. Whether the BRI will be a success or not depends on how smooth the transportation links will be".<sup>36</sup> New roads do not automatically lead to more trade, the interviewee explained, if other obstacles to the transport of goods remain, such as complicated customs procedures or time-consuming border controls. It will be vital to resolve these kinds of functional and bureaucratic issues if the Belt and Road trade between Asia and Europe is to be substantially increased.

The Chinese Government perceives the Swedish business community as positive towards the BRI, noting that "[i]n general people [the business community] in Sweden are always interested in hearing about BRI".<sup>37</sup> However, it is clear that the Swedish business community would prefer

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<sup>32</sup> Telephone interview with Swedish government official in Beijing, May 2016.

<sup>33</sup> Interview with an official at the Chinese Embassy, Stockholm, May 2016.

<sup>34</sup> Telephone interview with Swedish government official in Beijing, May 2016.

<sup>35</sup> Telephone interview with representative of a company with business in China and Central Asia, May 2016.

<sup>36</sup> Telephone interview with Swedish company with business in China and Central Asia, May 2016.

<sup>37</sup> Interview with an official at the Chinese Embassy, Stockholm, May 2016.

to see policies and concrete measures that benefit them, rather than more general, far-reaching initiatives such as the BRI. This is not surprising given the more legalistic and transparency-focused dynamics in Sweden and of Swedish businesses. The Chinese are disappointed by this, as they believe “we could reach a win-win situation” through increased cooperation.<sup>38</sup> Needless to say, the perspectives of the two sides are far apart.

## Academics

The idea that the BRI is not just comprehensive and focused, but also personal to President Xi has been a regular theme in discussions on the initiative with Swedish researchers focused on China and Central Asia. The importance of the project should not be underestimated, as President Xi has been responsible for major changes that centralize the Chinese foreign policymaking process, putting all the power in his own hands. He is also pursuing a foreign policy in which it is clear that China under Xi Jinping will not be a status quo power that accepts the world as it is.<sup>39</sup> President Xi’s increasing power is something many researchers, as well as many in the international media, find worrying. In April 2016, for example, *The Economist* described President Xi as “Chairman of everything”.<sup>40</sup> However, although not a status quo power, we should not expect China to become a *revisionist* power aiming to overturn or remodel the global order. China has moved beyond being merely a “dissatisfied responsible great power”,<sup>41</sup> to become what can best be described as a responsible reformer “striving for achievements”.<sup>42</sup>

Among the Swedish academics interviewed, it is common to see the BRI as an infrastructure initiative aimed at strengthening China’s economy. However, they also emphasize the political aspects of the project. To cite Dr Christer Ljungwall, “[BRI] is undoubtedly a political project. It is a far-reaching strategic political plan”.<sup>43</sup> The Swedish researchers interviewed all saw the BRI as a kind of rebranding. Many of the projects that China is relaunching as BRI projects existed before the BRI was invented, but are now being brought forward under this new umbrella. The researchers see the BRI as an important initiative that must be taken seriously, but whether it will be a success remains to be seen.<sup>44</sup> The novelty of the project is the Belt. The maritime trade route between China and Europe is already working well. Some Swedish academics also highlight the connection between the BRI and the AIIB. In their view, China is trying to keep the AIIB outside of the BRI, to involve as many co-founders as possible, but they

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<sup>38</sup> Interview with an official at the Chinese Embassy, Stockholm, May 2016.

<sup>39</sup> Weissmann, Mikael, “Chinese Foreign Policy in a Global Perspective: A Responsible Reformer ‘Striving For Achievement’”, *Journal of China and International Relations*, 3(1), 2015.

<sup>40</sup> *The Economist*, April 2nd–8th 2016, “Beware the cult of Xi”.

<sup>41</sup> Breslin, Shaun, “China’s Emerging global Role: Dissatisfied Responsible Great Power”, *Politics*, 30, 2010.

<sup>42</sup> Weissmann, “Chinese Foreign Policy in a Global Perspective”. See also Yan, Xuetong, “From Keeping a Low Profile to Striving for Achievement”, *Chinese Journal of International Politics*, 7(2), 2014. For a dissenting view, see e.g. Deng, Yong, “China: The Post-Responsible Power”, *Washington Quarterly*, 37(4), 2014.

<sup>43</sup> Telephone interview with Dr Christer Ljungwall, Analyst/Head of Office (Beijing), Growth Analysis, May 25, 2016.

<sup>44</sup> Interview with Dr Johan Engvall, Research Fellow with a focus on Central Asia, Swedish Institute of International Affairs, May 26, 2016.

see a clear link between the two projects.<sup>45</sup> Ljungwall is critical of Sweden’s passivity in relation to the AIIB. He argues that Sweden has done too little so far and expresses frustration that it has not been more proactive since joining the AIIB: “What is Sweden waiting for?” According to Ljungwall, the Swedish companies in China are highly competent and are just waiting for business opportunities from within the BRI.<sup>46</sup>

Several of the problems and risks related to the BRI remain unresolved. One question is who will pay for the investment. Swedish researchers believe that additional financial institutions will be needed. A key question is whether private investment will generate state initiatives or it will need to be the other way around. Another question that China must tackle is how to avoid neighbouring countries becoming anxious about China’s increased dominance in the region. A further risk is China’s assessment of the political situation in Central Asia and of potential security and environmental threats to the infrastructure projects.<sup>47</sup> Here, Dr Johan Engvall has noted that the Central Asian countries are all “stable” in the sense that they are not democratic states and all have strong leaders. At the same time, however, the Arab Spring demonstrated how apparently stable non-democratic regimes can suddenly collapse if their citizens become too disgruntled. Thus, long-term stability cannot be taken for granted.<sup>48</sup>

## Conclusions and policy recommendations

The differences between the perceptions of the BRI among Swedish officials and the business community are a matter of degree. The former are cautious—often *highly* cautious—in maintaining a wait-and see policy. While also cautious, the latter have been more cautiously optimistic as well as more active in following BRI-related developments and seeking out new avenues for potential business. It is also indicative that the BRI, four years after its inception, is only now receiving much attention, having been promoted from the Swedish representation in Beijing for the majority of its existence rather than from the Foreign Ministry in Stockholm. Nor has it been well researched or received the media exposure it deserves. This is different from many other countries, where there is fierce competition to be seen as “friendly” towards the BRI. The BRI has also had a great effect on education and academia in many countries, as universities, research institutes and think tanks compete to establish their own BRI centres or programmes.

Our view is that Sweden, as a strong advocate of free trade and with a large business community in China, should take a greater interest in such a large-scale initiative. The BRI is not just another project launched by the Chinese Government, but something significantly different. It should be understood as the most ambitious infrastructure initiative in the world today. Whether

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<sup>45</sup> Interviews with Swedish researchers, May 2016.

<sup>46</sup> Telephone interview with Dr Christer Ljungwall, Analyst/Head of Office (Beijing), Growth Analysis, May 25, 2016.

<sup>47</sup> Ibid.

<sup>48</sup> Interview with Dr Johan Engvall, Research Fellow with a focus on Central Asia, Swedish Institute of International Affairs, May 26, 2016.

it will be a success remains to be seen, but Sweden should nonetheless be involved from the beginning in order to gain the most benefits from its possible success. Sweden could benefit hugely from being part of the BRI, not only because of its export dependence, but also through its expertise on infrastructure development and high-tech manufacture, and its emerging industries in the environmental sector—all of which are areas that are highly sought after by China. Furthermore, Swedish businesses have a presence in and experience of working in Central Asia—a core geographical area of the BRI. The importance of being “in from the beginning” cannot be overestimated in the Chinese cultural context. As noted above, joining the AIIB on the last day on which it was possible to register did not create good will.

Given these facts, it is surprising to see how little Sweden has done to engage in the AIIB and to better coordinate the BRI at the national level. One possible explanation for this is that there seems to be a lack of understanding of how dedicated President Xi is to the BRI, as well as a reluctance to go along with concepts that have not been formalized. This reluctance to engage in non-formalized settings where there is a lack of transparency, and furthermore an expectation that most of the contracts will go to Chinese bidders, is clear from the interviews conducted with people in the government sector and in their statements on the subject, where there is a tendency to focus on the need for transparency and fair competition when it comes to contracts. It would of course be good if this were the case. It is not, however; and nor is it likely to become so in the future.

In short, Sweden’s approach to the BRI has been too reactive and too passive, and needs to become bolder and more proactive. It should be emphasized that this is not the task of either the government or the private sector, but something that needs to be done by both in conjunction. If done right, there should be substantial benefits for Sweden, not least given China’s importance to Swedish trade.

### **Policy recommendations:**

- The Swedish Government and business community should be less worried about the lack of transparency and clear rules and become more actively engaged in the BRI. There is a need to be proactive rather than reactive in order to maximize the possible benefits from the BRI.
- Sweden should develop a national strategy on how to work with China’s BRI. This should be a joint endeavour by government agencies and the private sector.
- Better coordination is needed between the different government agencies working on the BRI to facilitate this more proactive approach.

Finally, there is a need to link intra-governmental cooperation with the business community to give the latter a feeling of support when engaging in BRI-related projects, and trust that it will receive political support at home if it is needed. The importance of this cannot be overemphasized, as the BRI is a political project not an idealistic free-market endeavour. Here, there are benefits to be gained from better utilization of the in-depth expertise of Swedish scholars to grasp the complex interlinkages and political-economic dynamics of Chinese domestic and foreign policy.



# UI Paper



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