The Belt and Road Initiative: a Geopolitical Approach

Analysis of China’s regional integration mega-project and its footprints in the global arena

BA Thesis in Chinese Studies

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Abstract

For millennia, ideas, goods and people traveled through the routes that linked ancient China and the Mediterranean Sea. These routes were known later as the Silk Road and were opened for adventurous and courageous people whose initiative linked civilizations for centuries.

Nowadays the concept of a New Silk Road has been picked up as China’s diplomatic cornerstone. China aims at building a new integrated Eurasia and Africa in which unimpeded trade, investment, people-to-people bonds, etc., are built in a global vision or pluralist order in which all nations will be able to exercise their right to pursue their own path of development and governance.

This thesis outlines the reasons and goals of China’s Initiative and its footprints in the global order. Therefore, it introduces the global framework in which this initiative was formulated and then discusses the economic alternative that the New Silk Road means to the economic global order and its geo-political implications.
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1. Introduction

1.1 The American-led global economy from World War II

After World War II the American economy comprised half of that of the world and thus the United States of America led the second cycle\(^1\) of global integration, building a new liberal global scenario, the “PaxAmericana” (Kolosov, 6). After a period of isolation after the World War II China started opening up under Deng Xiaoping’s reforms starting in 1978. Then she acceded to this global integration scenario benefiting from joining the World Trade Organization (WTO) in 2001 and soon learning of the usefulness of the institutions that support the new globalized economic order. The benefits China enjoyed within the American-led global order were described by what was called “the shooting scenario” (Nathan, 1) which foretold that the economic benefits deriving from joining the global economic order would enhance inner political openness, adoption of liberal ideology and democratic development. The shooting scenario, however, turned out to be wrong and the Chinese Communist Party State enjoyed the social and political benefits of economic growth. At the same time, moreover, those benefits turned the Chinese government into the main advocate of globalization in the international arena.

In 2008 the subprime crisis in the United States of America hit the global economy. This crisis ensued from financial speculation that damaged the real economy and hollowed out the domestic manufacturing industry, causing and exacerbating the rise of unemployment in the developed nations and leading to increased social polarization. Thus, the perception of the failure of the globalized economic order was widespread among developed societies, a perception that hides the fact that the elites of those countries did not share the benefits from the globalized order with the rest of society (Mahbubani, 34). Nonetheless the liberal order crisis wreaked with the political ecosystem in the Western world, weakening the centrist and progressive forces that used to underpin the world liberal order causing a loss of credibility of neo-liberalism as governing ideology (Yafei, 31). Therefore, nowadays globalization problems signal that the current round of economic globalization, after 40 years of development, is ready for a major turning point and the 2008 crisis may be roughly assumed to represent the end

\(^1\) Understanding that the first cycle refers to Colonialism.
of the second cycle of globalization led by the United States of America after World War II.

Deriving from the economic crisis, the changes in the production model of capitalism, and as response to the global economic environment, a tendency was observed within the current regionalism to configure mega-regional Free Trade Agreements (FTA) in an intercontinental integration process aiming at forging economic areas between two or more continents and countries which do not share borders. Such economic projects are led by different regional powers with the objective of shaping them according to their benefit. Obama’s American administration launched two regional mega-projects in order to maintain the US’s place as a hegemony in the center of the global stage: the Trans-Pacific Trade Partnership (TTP) and the Trans-Atlantic Trade and Investment Partnership (TTIP).

The TTP is a multi-regional Free Trade Agreement with the countries along the Asia-Pacific coast. It was complementary to the “Pivot to Asia” (Gabusi, 27) policy that intended to reaffirm the American supremacy in the Asia-Pacific region by attracting all the countries in the area, except China and North Korea that were explicitly left out of the TTP FTA in order to impede China from participating in the configuration of the new post-crisis economic order.

On the other hand, the TTIP was a draft FTA between the United States of America and the European Union (EU) aiming at unifying the two largest and most developed markets in the world. The TTIP was never signed nor ratified since the American administration that followed the one of Obama’s withdrew from the negotiations.

1.2 China’s rise as a geo-economic superpower

Through the American-led cycle of global integration and its predominantly neo-liberal global economic order Chinese GDP went from US$1339.41 bn in 2001, the year in which China joined the WTO, to US$11202.92 bn in 2016. This increase in China’s GDP raised the country to the category of a geo-economic superpower. Geo-economic superpowers tend to become geo-political powers causing tensions with the previously existing hegemon or geo-politic superpower. A rising China is seen by its government as a re-emerging China taking its place in the central stage of the world where it belongs.
and where it had been placed till the aggressions by Western powers during the 19th century humiliated the Middle Kingdom.

The current Chinese leader Xi Jinping’s dream of “national rejuvenation” (Golden, 1) seeks the consolidation of the nation’s wealth and military might, the enhancement of the legitimacy of the Chinese Communist Party rule, and the taking of central stage in world affairs. In order to achieve its goals the Chinese government has undertaken institution-building activities in both national and international levels in order to influence the global economic governance (Gabusi, 23).

In line with the Chinese-rooted counter-hegemonic foreign policy orientation that advocates multipolarism and connective leadership, and in response to the weak recovery of the global economy and the American policy in the Asia-Pacific region, the Chinese leadership launched its own regional integration mega-project: 一带一路 nowadays translated as “Belt and Road Initiative” (BRI). This project represents China’s advocation for a more inclusive globalization as a distinctive Chinese contribution to global economic governance.

In the 2016 United States elections Donald Trump was elected as president, setting back the TTP and TTIP and arousing questions about the future of globalization and the global role of the United States. Trump’s election to office and the erosion of the States’ moral authority by the “America First” (Golden, 2) policy are symptoms of the obsolescence of the existing model defined by the “Washington Consensus”. The relative decline of the hegemon and its multi-regional mega-projects leaves the Belt and Road Initiative as the only existing international initiative within a global framework, which can be seen as China’s alternative proposal for the future of the global system (Fardella, 125).

Nonetheless China’s rise and its proposed global initiative have raised suspicious in other nations. Some critical voices have claimed that the BRI poses a risk to the human rights due to China’s tendency to silence international criticism towards human rights violations, and especially since the initiative is based on the lack of political demands. In further discussion we will see that some of the features of the agreements under the BRI, between China and thirds nations, establish a relationship far from the principles of equality between countries and mutual benefit. It is worth mentioning that the BRI is China’s initiative that intends to ease the replacement of the
actual global order hegemon from within the global order itself, which poses a potential conflict between the previously existing and the rising power. In the past, such transition of power/world leadership were often resolved through wars.

2. 一带一路 Belt and Road Initiative

The Silk Road Economic Belt was first introduced by Chinese leader Xi Jinping at the University of Nazarbáyev, Astana, during a visit to Kazakhstan in September 2013. Xi Jinping raised the initiative of jointly building the Silk Road Economic Belt for the integration of the region through infrastructure building along the countries situated on the original Silk Road through Central Asia, West Asia, the Middle East and Europe (Müller-Markus, 2).

The same year in October 2013, Xi Jinping first proposed the creation of the 21st Century Maritime Silk Road in a speech at the Indonesian Parliament. It is a complementary initiative to that of the Silk Road Economic Belt and both were made priority foreign policy by the Chinese Communist Party leadership. These initiatives were made comprehensive in the Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road (Vision2). The vision of the Belt and Road Initiative is to build a connection infrastructure by building economic land and maritime corridors that connect China, Eurasia, the Middle East, Europe and Africa (Müller-Markus, 2).

The BRI was officially presented at the Boat Forum in 2015 and it is based on the presumption of the maintenance of the global free trade regime and open world economy while adhering to the “Five principles of peaceful coexistence” (Gabusi, 26), still very much a part of Chinese foreign policy since the Bandung Conference in 1955. The five principles of peaceful coexistence, in line with the spirit of the United Nations Chart, are as follows: mutual respect for each other's territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and cooperation for mutual benefit and peaceful coexistence.

The BRI is a response to the TTP and TTIP agreements, domestic economic slowdown, United States’ pressure in the Asia-Pacific region and the deterioration of

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relationships with China's neighbors. Hence the BRI attempts to outline features desirable in a new phase of globalization and to answer to China’s domestic and international interests by projecting Chinese power into Eurasia. It is intended to create demand abroad in order to solve China’s overcapacity, reduce upward pressure of labor cost on the coast by promoting better integration of its coastal and inner provinces, promote the renminbi as an international currency and establish a framework for investment of China’s foreign reserves which are believed to be over 30 percent of the world’s currency reserve (Gabusi, 27).

The BRI offers a solution to the assumption that the lack of economic connectivity and regional integration impedes development in Eurasia. Therefore, the BRI provides support to the development of regional infrastructure suffered from insufficient state budget while seeking to project a new image of China, a new position within the international order aiming at leveraging the benefits from the former phase of globalization in order to generate new momentums for the decades ahead (Bijian, 29). In this sense China picks up the baton in transforming the global economy and the labor division among countries while at the same time cultivating connective leadership.

Thus, the Belt and Road Initiative is geographically structured along six corridors and the New Maritime Silk Road, aiming at structuring the region and bringing the infrastructure gap in Asia and beyond. I will analyze both the Silk Road Economic Belt economic corridors and the New Maritime Silk Road as well as the financial institutions built in order to provide sufficient international investment in the several joint infrastructure enterprises under the Belt and Road Initiative, and show how the Asian Infrastructure Investment Bank and the Silk Road Fund work as tools both to fund infrastructure projects and promote China’s interest in the region.
Figure 1 (Lommes): Proposed economic land corridors of the Silk Road Economic Belt, New Maritime Silk Road and member countries of the Asian Infrastructure Investment Bank.

2.1 Silk Road Economic Belt

In its infancy, the Belt and Road Initiative was conceived as both a domestic economic strategy and an international affairs initiative seeking to strengthen China’s connections with Central Asia and Europe through infrastructure development, primarily railways (Fardella, 126). The Silk Road Economic Belt is structured along six land corridors, four of them genuinely planned under the Belt and Road Initiative and other two pre-existing economic corridors that now fall under the Belt and Road Initiative.

New economic corridors under the Belt and Road Initiative (Huang):

- New Eurasian Land Bridge, running from Western China to Western Russia and Europe and the Baltic region through Kazakhstan.
- China - Mongolia - Russia Corridor, running from Northern China to Eastern Russia.
- China - Central Asia - West Asia Corridor, running from Western China to Turkey, the Persian Gulf and the Mediterranean.
- China - Indochina Peninsula Corridor, running from Southern China to Singapore.
Pre-existing economic corridors that now fall under the Belt and Road Initiative and are officially classified as “closely related to the Belt and Road Initiative”:

- China - Pakistan Economic Corridor, running from Southwestern China to the Indian Ocean through Pakistan and the Port of Gwadar.
- China - Myanmar - Bangladesh - India Corridor, running from Southern China to Myanmar.

Europe is China’s main trade partner and the largest single market in the world, therefore the Belt and Road Initiative aims at connecting China to Europe through most of the economic corridors under the Initiative, either directly by railway service or by the Maritime Silk Road through the economic corridors that link China to the Indian Ocean. Nowadays European exports are not deeply affected by railway connections while the positive effects of the infrastructure building would be much more evident on imports from China. Nonetheless railways infrastructure would allow companies to save from 25 to 30 days. In this order a greater capacity volume, service lines and logistic investments would lower railway cost, therefore increase trade volume, estimating that by 2050 about 2.5 to 5 percent of total shipments would travel by railway (Fardella, 129).

Pakistan is China’s all-weather ally in the South Asia region. The governments of Pakistan and China signed a Free Trade Agreement in 2007 and agreed on the construction of the China - Pakistan Economic Corridor that links China to the Indian Ocean at the Pakistani Port Gwadar. As part of this Economic Corridor agreement, tax exemptions were granted to Chinese companies, investments were made in infrastructure from the North of Pakistan to the Port of Gwadar as well as in the port infrastructure, etc. (Jacob, 90)

2.2 Maritime Silk Road

The Maritime Silk Road, also known as the 21st-Century Maritime Silk Road is complementary to that of the Silk Road Economic Belt and involves countries located along the coast of South China Sea, Indian Ocean and the Mediterranean Sea, with participation of countries from Southeast Asia, South Asia, the Middle East, Africa and Europe.

Due to higher cost, railway services cannot reach a high amount of the total import/export flows, thus making the Maritime Silk Road the most relevant initiative in
terms of volume (93 percent) and value (61 percent). In 2015 the maritime trade flow between Europe and East Asia amounted 42 percent of the total global trade. Since Europe is China’s largest trade partner, investing in infrastructure in the Mediterranean Sea is economically viable and complementary to the Belt and Road Initiative (Fardella, 127).

The Maritime Silk Road is the first mega-regional integration initiative that seeks to integrate the African continent. The Chinese government bears both diplomatic and economic reasons for the integration of Africa within the Belt and Road Initiative, discussed further below. Thus, as part of the Chinese interest in Africa several projects were approved during 2015 - 2016 under the Belt and Road Initiative (De Jesús Rocha Pino, 102):

- Expansion of the Suez Canal.
- Several projects in port infrastructures.
- Nuclear reactor in Sudan.
- Roads in Namibia.

3. Asian Infrastructure Investment Bank and Silk Road Fund

The Belt and Road Initiative was formulated in the assumption that the lack of infrastructure, economic connectivity and regional integration impeded the economic development in Eurasia. Hence the BRI was launched as regional integration mega-project with Chinese characteristics in order to bring the Eurasian infrastructure gap that suffered from insufficient state budget and in order to promote China's commercial and geopolitical interest in the region (Gabusi, 27).

Infrastructure projects funded by the Asian Development Bank (ADB), International Monetary Fund (IMF) and the World Bank (WB) can be found in the region. The ADB affirmed that Eurasia’s infrastructure would need an investment mounting up to US$ 730 bn a year by 2020 in order to bring the infrastructure gap and to stabilize economic growth (Huang, 319). There is plenty of literature that proves how the United States of American and Japan have affected the decision making of the ADB and WB due to their domestic politics and in order to promote their own interest in the region. On the other hand, the United States congress has constantly refused to increase China's voting rights at the international funding institutions. Therefore, and as part of the Belt and Road Initiative, the Chinese government launched the Asian Infrastructure
Investment Bank (AIIB) and the Silk Road Fund (SRF), hence showing the resilience of the global financial regime created by the West while diluting European and American control over developing countries (Golden, 2) by offering a new financial alternative. Such alternative is one with Chinese characteristics, which essentially involves a lack of political demands, and thus poses a real financial alternative to those countries suffering from economic sanctions preventing them from accessing international funding from international funding institutions led by the West.

3.1 Asian Infrastructure Investment Bank

The Asian Infrastructure Investment Bank was first submitted to the Chinese leadership by 2013 and the initiative was launched at a ceremony in Beijing in 2014. In 2014 and 2015 the AIIB worked in close connection with the IMF, the WB and the ADB, and by 2015 the bank had in place its Article of Agreements, allowing the AIIB to start operations in 2016 with a capital of US$ 100bn, two thirds of that of the ADB or half of that of the WB (Gabusi, 29).

The bank obtained global status when on 12th March 2015 the United Kingdom decided to join the AIIB, followed soon by more European and Western countries like Germany, France and Italy joining as founding members, thereby establishing it as a multilateral development bank aiming to support the building infrastructure in the Asia-Pacific region. It was this warm response of the Europeans that turned the bank into another international funding institution playing by the global rules since Europe would only have supported an institution with credible commitment to the highest Western standards (Gabusi, 31). The subsequent joining of South Korea and Australia left the United States and Japan in isolation and suffering from a clear diplomatic knockout, and turning, as a side effect, the AIIB into a battle for global influence since the United States’ total refusal in taking part in its membership. Although the AIIB must necessarily play by the global rules and despite the presence of Western countries and other regional powers within its membership (Russia and India), China’s high voting share and its position in the center of the stage allowed the Chinese government to employ the AIIB as a tool in order to promote its Belt and Road Initiative.

China is the single largest stakeholder with a 26.6 percent of the voting rights and holds veto power in major AIIB decisions requiring a supermajority of 75 percent. Despite this position of power, some analysts think that with the admission of new
members the Chinese government would be ready to accept a dilution of its voting rights (Gabusi, 30). Although the AIIB works as any other international funding institution, China holds for the time being a much larger voting share within it than the United States in the World Bank or Japan in the ADB. The regional members of the AIIB hold 75 percent of the total capital stock and 9 out of 12 members of the Board of Directors represent regional members. India and Russia sit a great distance from China as second and third-largest investors with a share of 7.51 percent and 5.93 percent of the voting rights (Gabusi, 30).

The high share of voting rights held by China allows it to employ the AIIB as a complementary tool to promote the Belt and Road Initiative. I further discuss the employ of the AIIB as China’s tool by analyzing the activity of the bank in 2016 and 2017. All 12 loans approved by the AIIB involve seven countries all part of BRI in 12 projects that can all be related to one of the six BRI corridors.

Loans Approved by the Asian Infrastructure Investment Bank, June 2016-May2017\(^3\) (Gabusi, 33):

<table>
<thead>
<tr>
<th>Approval date</th>
<th>Country</th>
<th>Project</th>
<th>Sector</th>
<th>Loan US$m</th>
<th>Co-financing (US$m)</th>
<th>BRI corridor (author's classification)</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.03.2017</td>
<td>Indonesia</td>
<td>Dam Operational Improvement and Safety - Phase II</td>
<td>Multisector</td>
<td>125</td>
<td>WB (125)</td>
<td>Maritime Road</td>
</tr>
<tr>
<td>22.03.2017</td>
<td>Indonesia</td>
<td>Regional Infrastructure Development Fund</td>
<td>Multisector</td>
<td>100</td>
<td>WB (100)</td>
<td>Maritime Road</td>
</tr>
</tbody>
</table>

\(^3\) Excluding governments and commercial borrowings. ADB, Asian Development Bank; EBRD, European Bank of Reconstruction and Development; EIB, European Investment Bank; IFC, International Finance Corporation; OGLG, Oman Global Logistic Group; SEZAD, Special Economic Zone at Duqm; WB, World Bank. (Gabusi 2017)
<table>
<thead>
<tr>
<th>Date</th>
<th>Country</th>
<th>Project Description</th>
<th>Sector</th>
<th>Amount</th>
<th>Partners</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.03.2017</td>
<td>Bangladesh</td>
<td>Bangladesh Natural Gas Infrastructure and Efficiency Improvement</td>
<td>Energy</td>
<td>60</td>
<td>ADB (167) Bangladesh - China - India - Myanmar</td>
<td></td>
</tr>
<tr>
<td>08.12.2016</td>
<td>Oman</td>
<td>Duqm Port Comercial Terminal and Operational Zone Development</td>
<td>Transport</td>
<td>265</td>
<td>SEZAD (88.33) Maritime Road</td>
<td></td>
</tr>
<tr>
<td>08.12.2016</td>
<td>Oman</td>
<td>Railway System Preparation</td>
<td>Transport</td>
<td>36</td>
<td>OGLG (24) Maritime Road</td>
<td></td>
</tr>
<tr>
<td>27.09.2016</td>
<td>Pakistan</td>
<td>Tarbela 5 Hydropower Extension (T5HEP)</td>
<td>Energy</td>
<td>300</td>
<td>WB (390) China-Pakistan</td>
<td></td>
</tr>
<tr>
<td>24.06.2016</td>
<td>Indonesia</td>
<td>National Slum Upgrading</td>
<td>Multisector</td>
<td>216.5</td>
<td>WB (216.5) Maritime Road</td>
<td></td>
</tr>
<tr>
<td>24.06.2016</td>
<td>Pakistan</td>
<td>National Motorway M-4</td>
<td>Transport</td>
<td>100</td>
<td>WB (100) China-Pakistan</td>
<td></td>
</tr>
<tr>
<td>24.06.2016</td>
<td>Bangladesh</td>
<td>Distribution System Upgrade &amp; Expansion</td>
<td>Energy</td>
<td>165</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>24.06.2016</td>
<td>Tajikistan</td>
<td>Dushanbe-Uzbekistan Border Road Improvement</td>
<td>Transport</td>
<td>27.5</td>
<td>EBRD (62.5) China-Central Asia and West Asia</td>
<td></td>
</tr>
</tbody>
</table>
The first thing to note is that all countries involved are BRI countries and all projects can be related to one of the BRI corridors. It can be noticed that apart from the energy distribution system in Bangladesh, all projects are co-financed by other Multilateral Development Banks (MDB). The AIIB loans were given generous support from Western led MDB, European Banks taking the largest share, showing that these projects were not dominated by China’s interest only but based on international standards. Nonetheless, the trade relations in goods between China and these seven countries has been growing at a higher rate than China’s trade with the rest of the world (Gabusi, 34).

Export Growth Rate, Seven Recipient Countries 2006-2015 (Gabusi, 36)

<table>
<thead>
<tr>
<th>Country</th>
<th>Export growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>2.7</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>18.8</td>
</tr>
<tr>
<td>Indonesia</td>
<td>15.4</td>
</tr>
<tr>
<td>Myanmar</td>
<td>25.7</td>
</tr>
<tr>
<td>Oman</td>
<td>22.6</td>
</tr>
<tr>
<td>Pakistan</td>
<td>17.0</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>21.8</td>
</tr>
<tr>
<td>World</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Import Growth Rate, Seven Recipient Countries, 2006-2015 (Gabusi, 37)

<table>
<thead>
<tr>
<th>Country</th>
<th>Import growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>29.6</td>
</tr>
</tbody>
</table>
From the analysis of the first loans approved by the Asian Infrastructure Investment Bank in relation to China’s trade flow with the recipient countries it can be inferred that the bank is promoting Chinese geopolitical and commercial interest. All the first loans are granted to BRI countries whose trade relations with China have grown at a higher rate than the rest of the world; hence China seems to have been injecting money into the regional economies in order to expand their capacity to spend on Chinese manufacturing goods (Gabusi, 39). In terms of geopolitics it can be noticed that three of the seven recipient countries are of strategic importance to China’s regional power relations: all-weather ally (Pakistan), a strategic country in the South China Sea (Indonesia), and an important source of oil (Oman). On the other hand, the other recipient countries are either of regional relevance or related to energy supply security.

3.2 Silk Road Fund
The Silk Road Fund (SRF) is a stated owned Investment fund of the Chinese government established in December 2014 and aiming at increasing investments along the Belt and Road. It is an economic development initiative primarily covering Eurasia. The Chinese government made the SRF US$ 40bn strong, Chinese institutions and Banks being the main stakeholders.

4. Geo-politics of the Belt and Road Initiative
Since the beginning of the economic crisis in 2007 and 2008 the geopolitical order led by the United States of America and based on neo-liberal global economic institutions has entered a crisis stage. The main regional powers in response to the economic crisis and in order to assert theirs influence in the global economy launched regional
integration mega-projects aiming at forging Free Trade Agreement between two or more continents.

The Chinese government led by Xi Jinping launched the Belt and Road Initiative. The Belt and Road Initiative is China’s alternative to the Western neo-liberal order and constitutes an inclusive plan that seeks integrating Eurasia and its African neighbors. The key features of the BRI are the abandoning of political demands as requirements for joining the initiative, its five principles of coexistence (mentioned above) and financing connectivity and infrastructure projects based on China’s experience in infrastructure development as the leading force for economic development.

The BRI is seen by some analysts as China’s “Marshall Plan” (Kolosov, 15). Although the BRI needs to be economically viable for China, and the support provided by Western-led financial institutions underscore it as a market-based initiative, it can be stated that the investments do not only follow market-based incentives since the BRI and the Asian Infrastructure Investment Bank promote China’s commercial and geopolitical interest. Foreign aid as an investment and profitability may be complementary, increasing social stability in the region and creating proper conditions for trade and investment (Cheng, 311). Thus, all its features make the Belt and Road Initiative a socially useful product for China’s diplomatic sphere. On one hand, it works as an inclusive integration project open to all countries willing to cooperate and promoting a new vision of global governance, based on connective leadership and rejection of zero-sum game. On the other hand, the BRI and the AAIB related with the differences in economic weight of the participants countries make them more dependent on China than China is on them, socializing the states in an informal hierarchy with China in the center, thus advocating a Sino-centered global system.

Therefore, Trump’s American withdrawal from the TTP and TTIP after his election to office, and the American obsession in controlling the Middle East resulting in neglect of other regions, have both facilitated China’s rise as political power, displacing the United States and the European Union as major sources of foreign aid to Africa and Latin America. The prevalence of the Belt and Road Initiative as the only existing major integration initiative with a global framework, offers, on one hand, an alternative to the neo-liberal led global order and, on the other hand, it is
complementary with the AIIB in diluting the United States and European influence over developing countries. Thus, the BRI and the AIIB constitute the cornerstones of China’s diplomatic sphere toward the establishment of the “PaxSinica” (Golden, 1).

I shall now further analyze the geopolitical implication of the Belt and Road in the various regions that I believe are more affected by it as regional integration mega-project.

4.1 Asia and Russia
China is today’s largest trade partner of every Asian country. The effects of the Asian Infrastructure Investment Bank loans and the connection infrastructure initiative, both by land and sea, launched by the Chinese government, place China at the center of the connectivity network. It justifies the inference that the specific weight of China in the trade flows within the area will keep increasing in the decades to come, due to a higher economic capacity of the recipient countries’ population to buy Chinese manufacturing good as well as the export of China’s industrial overcapacity in order to provide those countries with the industrial products and services that are lacking at home.

Nonetheless, the different realities within Asia pose a risk to the success of the Belt and Road Initiative. China is the main power in Asia in terms of politics and economy, a situation that has given rise to the concerns of Russia (at least before Russia was targeted with European economic sanctions) and India among others. China also holds territorial claims in both the East and South China Seas, which collide with territorial claims from Japan and countries in Southeast Asia along the South China Sea. These territorial concerns have been fed up due to the increase of China’s military might, whose military budget has increased at the same ratio as its GDP. China’s military budget has gone from US$ 17bn to US$ 152bn, an increase of about 900 percent (Nathan, 1), allowing China’s military to have its own carriers, submarines, etc., and intensifying China’s military presence in its “near seas”.

China has interests in Central Asia for several reasons: the development of China’s Western provinces, and the fight against terrorism, social unrest and secession threats. Central Asia is also a central part of one of the BRI corridors which has its other edge in the Baltic area and East and Central Europe eventually reaching Germany. Therefore, it is highly relevant for its potential to reach the European market. This interest has placed China as the main source of aid and investment in the region, one
that used to be in Russia’s backyard. This shift in the area has raised concerns in the
Kremlin. Russia, back in 2013, held competing interests in the region and portrayed the
Belt and Road Initiative as China’s anti-Russia strategy aiming at increasing trade and
investment in the former Soviet Republics, therefore replacing Russia’s role in the
region. Russia had its own integration initiative, the Eurasian Economic Union (EAEU).
It aimed at coordinating economic policies for unimpeded trade and investment.
Nonetheless, the American “Return to Asia” and Western sanctions forced the Kremlin
to turn to the East. Russia’s need for modernization and long-term development
(Timofeev, 62) made the Belt and Road Initiative a valuable contribution to Kremlin’s
interest and its “Turn to East” policy. Hence Russia and China made a joint declaration
in May 2015 by which Russia accepted China’s role in Central Asia while China would
treat the EAEU as an equal negotiating party. Russia consequently accessed the
infrastructure development and investment provided by the BRI, accelerating its
integration in Eurasia at low political and economic cost, while retaining influence in
the region by accepting that China will become the major investor in Central Asia. On
the other hand, China secures several potential entries into the Eurasian region,
diversifies sources of raw material supplies and the aim of its relationship with the
EAEU is to secure the necessary regulations for the region. Nonetheless, many risks
confront the success of the BRI in Central Asia. The assumption is that great investment
in infrastructure development will ease the tensions and threats within the region,
threats to the BRI and China’s interest, such as Islamic terrorism, social unrest or
secession movements. The BRI assumes that an improvement of the “hardware” may
also improve its “software”, but it might turn out the other way around and in this sense
a regional security agenda integration is needed, and in that task the EAEU may prove
an effective tool.

China’s military might has allowed it to display a greater military presence in
what China considers the “near seas”. In the East China Sea, China is engaged in a
territory dispute with Japan. Japan is a traditional United States’ ally and American
military forces are deployed on Japanese soil. China further holds territorial disputes
with the countries along the South China Sea. Some of those countries are part of the
Trans-Pacific Trade Partnership (alongside with Japan and South Korea), and thus under
American influence; some of them even host American military forces. All of these
realities pose a risk to the long Chinese coastline, surrounded by American allies and American troops. I think this situation is one of the main reasons why China’s government launched the BRI as a mega-project to promote connectivity through Eurasia to access the European market. China wants to secure its connectivity with China’s main trade partner and China’s energy sources. Nowadays up to 80 percent of energy imports travel through the Malacca strait, an area with a strong American military presence. Nonetheless, the US withdrawal from the TTP and Trump’s questions on the American military support to Japan and South Korea have given a twist to this situation. In the South China Sea, the new president of the Philippines has softened Philippines’ tone on the territorial dispute in exchange for a large trade and investment package; the Malaysian government has approved its first purchase of Chinese vessels for the Malaysian navy; and Vietnam has stepped up diplomatic and military relations with China. On the other hand, concerning the East China Sea territorial dispute, Japan is isolated. The new South Korean president promised closer relation with China, and the doubtful American support may eventually force Japan to either compromise with China’s claims or prepare for a heavier rearming of its own military (Nathan, 2).

Two of the BRI corridors link China with the Indian Ocean. One is the China - Myanmar - Bangladesh - India Corridor, running from Southern China to Myanmar. The other is the China - Pakistan Economic Corridor, running from Southwestern China to the Indian Ocean through Pakistan and the Port of Gwadar. China’s interests in South Asia are due to its big potential market and the access to the Indian Ocean, which by avoiding the Malacca straight, is the fastest sea route to the Persian Gulf, Africa and Europe. In this area Pakistan plays the role of China’s all-weather ally but the tense relations between India and Pakistan pose a risk to the BRI in South Asia. India is the South Asian main regional power and the discussion there about China’s initiative has been geared not to the economic but to the geopolitic sphere. There is an emerging consensus in India to portray the BRI as a long-term strategic initiative to turn China’s economic might into diplomatic influence. In addition, the China-Pakistan Economic Corridor (CPEC) runs through territory that India claims is illegally occupied by Pakistan. Hence it indicates China’s lack of commitment in securing India’s interests. Similar concerns have increased due to the multiform support lent by China to Pakistan’s security establishment. India, in its position of regional power, also mistrusts
China’s BRI in its capacity to undermine the South Asia Association for Regional Cooperation (SAARC). The SAARC is a regional platform controlled by India but stuck in its purpose due to a consensus way of resolution and the traditional perception of India-Pakistani relations as inherently antagonistic because of historical and religious differences. Nonetheless India’s government fears that India’s central role in the region and within the SAARC is threatened by China’s initiative that would turn China into “de facto” arbitrator in South Asia (Jacob, 85). However, India’s generally poor infrastructure is a challenge for Asia’s nations to become interconnected. In the case of Pakistan there are also some concerns due to the characteristics of the China-Pakistan Free Trade Agreement (CP-FTA), the repayment of Pakistan’s debt to China and concerns on China’s maneuvers due to the delay of implementation of the CPEC. The CP-FTA allows only Chinese businessmen to invest in the nine special economic zones around the country, involves tax exemptions for Chinese companies and has meant the loss of thousands of jobs to China. The CPEC needs to generate enough jobs to replace those lost to China but some concerns have been raised as the companies that benefitted in the construction of the corridor are Chinese companies employing Chinese labor force; some reports even state that under the CPEC some power stations are being equipped with Chinese industrial goods exempted from Pakistan’s import duty and sales tax. Regarding the delay in the implementation of CPEC some voices fear that China’s government would either dilute its commitment or China would support the Pakistani army taking over the government (Jacob, 93).

Iran is a case worth mentioning. To China, Iran is an important emerging economy with rich energy resources and a market of about 80 million people. Iran’s revived international status could have a potential role in creating a balance of power in the international arena (Shariatinia, 49). Iran is located in the China - Central Asia - West Asia Corridor, running from Western China to Turkey, the Persian Gulf and the Mediterranean Sea. On the other hand, to Iran, the BRI could mean the revitalization of the silk route in the context of the Silk Route Economic Belt, thus a helpful tool towards reviving Iran’s geo-economic status, expanding its room to maneuver in the international arena and developing ties with China. Iran’s need of transport infrastructure and the capabilities of China’s companies could pose a great opportunity in the relation between both countries. Nowadays Iran is member of the AIIB, observer
at Shanghai Cooperation Organization and about 24 percent of Iran’s overall trade is connected with China. Nonetheless, Iran is the only major economy that is not part of the WTO and the international economic sanctions and Iran’s protectionist policies are a challenge in the operational understanding between both countries under the Belt and Road Initiative. Notwithstanding the Iran-China joint commission there is a lack of coordination in the area of macro policies and a mechanism based on coordinated macro-management in transport, custom clearance, etc., will be needed in order to smoothen international transport and enhance connectivity.

4.2 Europe
Europe is currently the largest and most developed market in the world. It is China’s main trade partner and does not pose an ideological threat to the BRI as well as China’s model and strategy of international connective leadership. Both Europe and China have become strategic partners. On one hand China’s and AIIB’s projects and loans are backed up by European MDBs, and on the other hand China has given support to the European Commission’s Investment Plan for Europe, also known as “Juncker Plan” (Vangeli, 105). China has given such support by committing financial support through the Silk Road Fund. It seems plausible that the size of the European market and EU’s lower profile in world’s leadership make the infrastructure connection with Europe a top goal for China’s global agenda and economic interest. The Asian Infrastructure Investment Bank was warmly welcomed by many European countries that joined as founding members. This investment integration between Asia and Europe and the perspective of a deeper economic integration have raised some voices among the United States’ scholar community which labels this process as the “Chinese European Century” (Müller-Markus, 4), warning that an increase in China’s investments and trade may increase China’s influence in Europe.

China’s BRI corridors are assumed to reach Europe through two railway corridors under the Silk Road Economic Belt and the Maritime Silk Road. The New Eurasian Land Bridge, running from Western China to Western Russia and Europe and the Baltic region through Kazakhstan. This BRI corridor will have its main European hubs in Germany, Poland and the Czech Republic, sources estimating that up to 80 percent of the total European railway trade with China would go through this corridor, thus boosting the competitive advantage of the industries located nearby (Fardella, 130).
The China - Central Asia - West Asia Corridor, running from Western China to Turkey, the Persian Gulf and the Mediterranean, converge with the Maritime Silk Road in Southeast Europe. In Greece, the China Ocean Shipping Company (COSCO) spent €5bn in the acquisition of 67 percent of the Port of Piraeus and invested massively in the port’s infrastructure. The development of the Port of Piraeus has already increased the importance of the Mediterranean Sea as an import/export hub for China. China also plans to connect the Port of Piraeus to Central and East Europe through the China-Europe Land-Sea Express Line, connecting Budapest and Belgrade to Piraeus through Macedonia, thus making this corridor one of China’s possible main gateways for Central and East Europe.

The countries of Central Europe and Southeast Europe (CESEE) are in the crossroad between the different areas of both the Europe-Asia Land Bridge Economic Corridor and the maritime routes. The CESEE lie in the hub region of Eurasia and are the only route to enter the European market (Vangeli, 104). These CESEE were the first European countries to sign a Memorandum of Understanding with China in early 2017. It was China’s initiative to create a territorial organization around the CESEE, the 16+1, as a mechanism of BRI implementation, consequential with China’s diplomacy trend of adding BRI around the world. Nowadays the 16+1 is the most complex international institutionalized platform focus on CESEE, thus showing China’s shift from passive game player to game maker. The CESEE economy policies are dependent on abundant external financial support and still have significant demand for large-scale transportation and energy infrastructure, projects that China seeks to promote under BRI as an opportunity to export and prevent overcapacity in its own infrastructure construction industry. To the CESEE this is an opportunity to raise their economic and political importance, abandon the European periphery and alleviate the interregional inequalities. From a diplomatic approach, the ties with China are a gateway to other Asian countries, placing China in the center of this diplomatic relations. To China it is an entry point of the BRI into the most advanced single market since, out of 16 members of the 16+1 platform, 11 are fully integrated into the European Common Market while the other 5 are partially integrated. Therefore it poses an opportunity to learn an adjustment to European regulations at a lower cost (Vangeis, 105).
Hence the Belt and Road Initiative is an opportunity to Europe to benefit from a major connectivity with other world regions nowadays impossible to access and to diversify the energy supplies. However, Europe needs to find balance and watch over its security and independence due to the heavy Chinese investments in strategic sectors like nuclear power, energy, communication, etc. Some scholars point out that nowadays the European countries’ national interests follow sheer economic logics, lacking all strategic vision. It is also worth commenting that China’s model for economic connectivity and connective leadership is an alternative to the ideas of Democracy and Human Rights, core ideas among Western nations and traceable to the French Revolution (Müller-Markus, 2). Thus Europe needs to be cautious in its relationship with China and find balance between the benefits of the possible future global economic order and the advocation of its own connectivity agenda and defense of European values.

4.3 Africa
The Belt and Road Initiative is the first integration plan seeking to integrate the African continent. The United States’ efforts towards controlling the Middle East meant that the American government left room in other regions to maneuver and China has been picking up the baton. Nowadays China is the main investor and source of aid in Africa and has promoted China’s BRI as a connectivity project without intervention in domestic affairs or making political demands. Therefore the Maritime Silk Road competes with Western countries, offering funding to those African countries without access to Western-led international funding institutions due to economic sanctions.

In the economic sphere China is interested in Africa in order to relocate China’s productive industry, mineral and raw material supplies and to help China’s companies in acceding a region with high need of investment and infrastructure building. Therefore the BRI answers to China’s economic agenda and Africa’s industrial development needs. Nonetheless warning voices have been raised concerning the threat to Africa’s natural environment, the competition of China’s firms against Africa’s productive sectors and the employment of Chinese work labor by Chinese companies. Some have pointed that this China-Africa relationship of exchange of raw material for investment resources is a new way of colonialism, and Hillary Clinton portrayed China as a rival
power focused on raw resources exploitation without commitment to human rights (De Jesus Rocha Pino, 98).

In diplomatic terms the Forum of China-Africa Cooperation is an official forum between the People’s Republic of China and all the African nations except two, Burkina Faso and Swaziland, whose diplomatic relations are with the Republic of China (Taiwan). China’s interests in this forum is to promote the integration of the continent within the Belt and Road Initiative and to employ its soft power and economic diplomacy in order to turn Burkina Faso and Swaziland’s diplomatic support from the Republic of China (Taiwan) to mainland China.

5. Conclusion

China’s Belt and Road Initiative is China’s diplomacy cornerstone. It is a regional integration mega-project. The BRI aims at peacefully changing the balance of power in the region and diluting any influences already built by the United States within the global order. By strengthening trade routes and supplying chains, as well as securing flow of its goods and services, China aspires to secure political support for its global vision of a pluralist order in which all nations will be able to exercise their right to pursue their own path of development and governance (Vangeli, 103). Thus the BRI is a reflection of China’s normative power and ability to define the principles and standards in international cooperation and development while being recognized as legitimate in the eyes of other countries.

China is mainly interested in peaceful change in the balance of power and its aspirations to gain diplomatic legitimacy is due to a lack of sufficient military might to secure its economic integration plan. Peace is needed in order to secure China’s huge investments in Eurasia and Africa. Although peace prevails for the time being there are several threats to the success of the BRI. Some of them are the lack of trust China inspires in some countries due to China’s legal system and unfair conditions in FTA with third nations. China is never in danger of losing control over state or privately operated enterprises due to its legal system. Nonetheless since 2006 China has promoted legislation that makes it difficult for foreign enterprises to settle in the country. On the other hand China’s joint ventures has being used to force sharing technologies.

Europe has a major role to play as the main economic partner and as the most developed integrated group of nations on the other edge of the BRI. If European
countries benefit from connective opportunities while remaining strong in their convictions and unity, perhaps they would be able to play an important role in the configuration of the new global order that China offers. Europe could benefit from better connection networks with countries in Eurasia and Africa. A success of the BRI in the African continent could mean industrial development and reduction in poverty which would also have a positive impact on Europe and diminish the migration flows that are currently posing a threat to the European integration process. Nonetheless the European nations should watch out overt China’s maneuvers in order to avoid inner competition between states that could cause cracks within the EU if it is not ready to allocate a more prominent role of the CESEE countries. Europe needs to take a pragmatical approach to China’s BRI remaining watchful on Europe’s security and interest.
Works Cited


