

The Rise of China: Community of Common Destiny or Sino-centric Order

A Comparative Analysis of the Belt and Road Economies

by

Kyoungseo Hong

A thesis submitted in partial fulfillment

of the requirements for the degree of

Master of Arts

Program in International Relations

New York University

May 2021

Akram Esanov

Professor Akram Esanov

Professor Asli Peker

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DEDICATION

I dedicate this thesis to my mom and dad who have given me every opportunity to pursue what I love. Thank you for your unconditional love, support, and many sacrifices.

ACKNOWLEDGEMENT

This thesis would not have been possible without Prof. Mehmet Tabak, who has been my mentor since my day one at NYU and is one of the most inspiring scholars I know. His sophisticated insights, kindness, support, encouragement, and patience have led me to successfully complete my master's degree. I am also truly grateful to Prof. Tabak for guiding me throughout my application process for PhD programs and the many office hour conversations he had kindly offered to discuss my academic career in the future.

Moreover, I would like to thank my thesis supervisor, Prof. Akram Esanov, who has given me invaluable advice and thoughtful suggestions for PhD programs and pursuing an academic career in international trade and economics. I am also forever grateful to Prof. David Denoon for enriching my knowledge in political economy in the Asia-Pacific and the many opportunities to participate in the seminars and conferences hosted by the Center on U.S.-China Relations.

Lastly, I am so thankful to my husband, Arion, who has endured many stressful times of completing my master's studies by my side. I am very lucky to have him in my life.

ABSTRACT

The Belt and Road Initiative (BRI) is a momentous project by China to create an economic network that stretches from China to other parts of Asia, Africa, and even Europe. China advertises it as a project to achieve peaceful development via win-win cooperation between itself and the other countries included in BRI. Its critics, however, see BRI as a project to establish a Sino-centric order, which, if successful, would eventually allow China to achieve regional and even global hegemony at the expense of the United States. Much of the scholarly work on this issue lacks nuanced answers to this puzzle. This study maintains that the impact of BRI cannot be accurately assessed without understanding its intended scope, specific projects it entails, and the China-specific problems it is designed to solve. Also, the variant aims, needs, and capacities of the host countries or regions and the counter-initiatives of other great powers, especially the United States, must be considered. Accordingly, this study examines BRI's (mainly) economic impact in South Asia, the ASEAN countries, Central Asia, and Africa. It then considers the counter-initiatives of the United States and its allies, such as Japan. The study finds that while BRI has thus far enabled China to increase its overall influence, the emergence of an unchecked regional, not to mention global, Sino-centric order in the foreseeable future is unlikely. Also, it finds that the claim of "win-win cooperation" is generally valid but varies in relation to each country/region, within which BRI-related "winners" and "losers" also exist.

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1. Introduction

One of the key pieces of a complex architecture of plans toward a bolder Chinese statecraft under President Xi Jinping is the Belt and Road Initiative (BRI). Launched as one of the most ambitious infrastructure projects in its scale and reach, BRI is a blueprint for the nation's vision to create an economic network that stretches from China to Asia, Africa, and Europe, significantly expanding its economic and political influence. BRI, reminiscent of the ancient Silk Road, is a massive infrastructure project launched by President Xi to expand China's investment and trade ties. According to the Chinese government, BRI aims to prompt regional economic integration between China and other Asian, African, and European countries through enhancing infrastructural and institutional connections.

In the keynote speech at the first Belt and Road Forum for International Cooperation in Beijing in 2017, President Xi hailed BRI as “the project of the century” – “*What we hope to create is a big family of harmonious coexistence.*”¹ In this sense, BRI is described as a project to achieve a “Community of Common Destiny” (CCD), a slogan used by the Chinese Communist Party (CCP) to describe its aim of adhering to the path of peaceful development by constructing win-win cooperation between China and the countries included in BRI.² Its critics, however, see it as an attempt to establish a Sino-centric order (SCO). The present study attempts to shed some light on this question.

¹ For full text of President Xi's speech at opening of Belt and Road Forum for International Cooperation: http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm

² The core principle of CCD, a hallmark of President Xi's vision for ‘transforming the global governance’ (全球治理变革), is China's aspiration to “take an active part in leading the reform of the global governance system (积极参与引领全球治理体系改革)” and to subsequently build a community of common destiny through the spirit of “peace, development, cooperation and mutual benefit” (The State Council of the People's Republic of China, 2017).

The impact of BRI cannot be accurately assessed without understanding its intended scope, specific projects it entails, and the China-specific problems it is designed to solve. Accordingly, this study includes an informative section to describe the nature, scope, and purported aims of BRI (Section 4). Once this is done, it becomes rather evident that the answer to our question depends on China's variant aims in different regions covered by BRI, as well as the aims and capacities of the host regions or countries.

In other words, this study argues that the answer to our question varies in the regions directly and indirectly impacted by BRI. To reveal this variation, it divides the vast BRI region into several geographical areas: South Asia (Section 6), the ASEAN countries (Section 7), Central Asia (Section 8), and Africa (Section 9). In so doing, the study reveals that the variation is due to a set of region-specific (or even single country specific) variables. These variables are of geopolitical, historical, cultural, and economic nature. They help us identify specific enablers and limits to China's influence. Overall, a complex set of variables help explain whether BRI is bringing about Chinese primacy, multipolarity, multilateralism, or a synthesis of these in each area. However, given that BRI is most crucially an economic project, this study focuses on the economic variables more than the other variables.

Here, I briefly explain the variables in each region. First, South Asia is a key region with important variables in several contexts. Despite the region's geographical proximity to China, South Asian states have fostered different relationships with China in the post-colonial period. This reflects different geostrategic positionings of each country to China and the different economic status and needs. While Pakistan, Bangladesh, Sri Lanka, the Maldives, Nepal, and Afghanistan have provided support to BRI, India has been opposing the initiative due to its

confrontational relationship with China (Anwar, 2020, p. 163). Such dichotomy has also been significantly reflected in the overall dynamics associated with the puzzle of this paper.

Second, the countries in the ASEAN are another crucial piece in explaining which direction BRI is heading. The infrastructure gaps, the complex historical relationships with China, and the strong security partnership with the United States are variables in different contexts that impact the regional governance and ultimately the debate of CCD vs. SCO. Although the ASEAN countries are longstanding American allies and security partners with significant U.S. strategic interests, the region is also crucial to China in terms of geo-politics and economics.³⁴

Third, this paper views Central Asia as a region with fairly complementary needs and benefits with China. China sees Central Asia as one of the main economic routes of BRI. The China-Central Asia-West Asia Economic Corridor lies in the region; at the same time, Central Asia, which does not have direct access to the ocean and major maritime shipping routes, can greatly benefit through significant economic and infrastructure improvement earned from BRI. This relationship is expected to demonstrate a synthesis of Chinese primacy, multipolarity, and multilateralism more clearly in this specific region.

Fourth, the economic development variable will operate most prominently in Africa, where the region's infrastructure, financial, and capital investment needs have greater significance than historical, cultural, and geopolitical factors. It is understood that China's approach to

³ For instance, the most notable example is the Malacca Strait dilemma, a term coined in 2003 by President Hu Jintao. The Malacca Strait's strategic location is critical to China as it is the shortest sea route between the Indian Ocean and the Pacific Ocean, linking major economies such as Middle East, China, Japan, and South Korea.

⁴ Vietnam is an old foe and a recent ally as suggested in the U.S.-Vietnam Bilateral Relations Fact Sheet by the Bureau of East Asian and Pacific Affairs on January 21, 2020: "Since the normalization of bilateral relations in 1995, U.S.-Vietnam relations have become increasingly cooperative and comprehensive, evolving into a flourishing partnership that spans political, economic, security, and people-to-people ties." For a full text, refer to <https://www.state.gov/u-s-relations-with-vietnam/>.

“development partnership” is trade than aid, thus perfectly fitting BRI’s primary objective of building a peaceful coexistence (Breuer, 2017, p. 2). While the economic variable has made successful progress, deepening the Sino-African relations, some challenges, including intra- and inter-state conflicts and the region’s internal opposition associated with the narrative of modern imperialism are also in the picture. This will be reflected to the answer of our puzzle.

China’s rise is also related to the future of American hegemony. In this sense, BRI has broader geopolitical implications, and so should be of interest to those studying the increasingly important issue of Sino-American rivalry. The examination of BRI will illustrate China’s growing influence in many of the areas impacted by BRI, which is seen as coming at the expense of American influence. This is to say, the Sino-American competition is another crucial piece of our puzzle. More specifically, the extent and nature of China’s influence in the BRI regions is now—and will be in the future—shaped by the measures taken by the United States to curtail it. Accordingly, Section 10 examines the nature and impact of such counter measures.

To recapitulate, the present study argues that the impact of BRI will vary in different geopolitical, historical, cultural, and most importantly, economic contexts. These variations will be explained through exploring the BRI region in several regions: South Asia, the ASEAN, Central Asia, and Africa. The paper illustrates that a complex set of variables reveal whether China’s massive infrastructure project is producing Chinese hegemony, competitive multipolarity, cooperative multilateralism, or a synthesis of these in each area.

2. Literature Review

2.1. China’s Place in the Emerging World Order

The nature and future of American global preeminence has been a matter of constant debate among policymakers and scholars since the initial years of the Cold War, leading Samuel P. Huntington to question the merits of repeated declarations of the end of American preeminence (Huntington, 1988). During the last few decades, the debate has become increasingly related to the rise of other regional powers, especially China, leading to various predictions regarding the nature and structure of the emerging world order. Although there are variations in each, these predictions may be divided into four perspectives for analytical purposes.

One perspective holds that China will certainly become the global hegemon in the near future. Arguably, the most elaborate and trenchant defense of this view is given by Martin Jacques (2012). According to him, it is a matter of *when*, not *if*, China will “rule the world.” Jacques adds that “an increasingly powerful China will seek to shape the world in its own image... in coming decades, the West will be confronted with the fact that its systems, institutions, and values are no longer the only ones on offer” (p. 415).

In response to this prediction, Joseph Nye (2015) maintains that, despite the rapid growth rate of its gross domestic product (GDP), vast population, and possession of the world’s largest army as well as more than 250 nuclear weapons, China still lags far behind the United States in all three dimensions of power (coercion, payment, and attraction), especially in soft power. He predicts that the United States will retain its primacy during the next three decades or so.

Nevertheless, Nye agrees that the situation is more “complex.” To describe it, he uses the analogy of a “three-dimensional chess game.”

On the top chessboard, military power is largely unipolar and the United States is likely to retain primacy for quite some time. But on the middle chessboard, economic power among states has been multipolar for more than a decade (well before the 2008 financial crisis), with the United States, Europe, Japan, and China

as the major players, and others gaining in importance. The bottom chessboard is the realm of transnational relations that cross borders outside government control. It includes non-state actors as diverse as bankers electronically transferring funds, terrorists transferring weapons, hackers threatening cyber security, and threats such as pandemics and climate change. On this bottom board, power is widely diffused, and it makes no sense to speak of unipolarity, multipolarity, or hegemony (pp. 95-96).

In an important sense, this “complex” picture agrees with the third perspective, which envisions a multipolar world in the making. There are many versions of this perspective. For instance, Charles Kupchan (2012) envisions a multipolar world that belongs to no one. “The 21st century,” he quips, “will not be America’s, China’s, Asia’s, or anyone else’s; it will belong to no one.” Amitav Acharya (2016) envisions a similar world, which he dubs a “multiplex world.” He also questions the claim that the new world order will likely continue to remain “liberal.” According to Acharya, other forms of order will form alongside the “liberal order” or ideologies put in place under American leadership after the end of the Cold War. G. John Ikenberry (2011), on the other hand, expects the “liberal order” to survive the American decline.⁵

This study mostly focuses on the related questions of China’s rise and the future of American hegemony within the context of the regions directly affected by BRI. In so doing, it seeks to offer more concrete answers to these questions than the global and often abstract generalizations of the authors just mentioned. In this sense, it generally agrees with Jan N. Pieterse (2018), who stresses that there has been a momentous power shift from the West to the East, in which China increasingly looms large. Still, he envisions a multipolar world of “moving

⁵ Ikenberry (2011) describes “the American Century” as the “liberal ascendancy,” arguing that the United States had helped create a distinctive type of “liberal hegemonic order” after World War II. He further argues that this order has faced “a crisis of governance” and that “the great shift is being triggered by a return to multipolarity and the rise of rival global powers with their own order building agendas” (p. 6).

complementarities,” in which “multiple centers and zones of influence engage in shifting relations of cooperation and competition; shifting combinations of centers generate fields that imprint epochs of development” (pp. 40-47). As this study seeks to illustrate, the BRI regions entail “moving complementarities,” in which China assumes increasingly central but variant roles, which entail a mixture of multilateralism and the overall enhancement of its preeminence.

In fact, Mingjiang Li (2012) interestingly links this multilateralism to China’s current global strategy. “Among the Chinese policy community,” he observes, “there is a strong conviction that multilateral diplomacy is a powerful instrument for the building and acceleration of a multipolar world. It is their firm belief that multilateralism is an effective tool for checking the unilateral impulses of the United States” and increasing China’s “share of decision-making power in various international institutions” (p. 38). To reiterate, this study argues that BRI is designed to create a China-led multilateralism, which is assuming different configurations in different regions. It also maintains that the United States will continue to undermine China’s ambitions, though with limited access.

2.2. BRI: A Road Towards a SCO or CCD?

To further clarify the impact of BRI on the future of the international system, it is useful to engage with how the existing literature describes it. Some observers, such as, Yuen Yuen Ang (2019), maintain that “The effects of BRI have been anything but harmonious” (p. 1). She reasons that the Chinese-backed railway projects in Indonesia, Malaysia, and Thailand have stalled, as Beijing’s partner governments have complained about excessive costs, corruption, and what Malaysian Prime Minister has termed a “new version of colonialism.” Moreover, the World Bank (2018) predicts that “there definitely are significant economic and policy challenges, and the realization of the potential benefits of BRI is by no means automatic.” The prevailing questions in

the minds of leaders, especially the Western leaders, include: “What are China’s strategic objectives for BRI?” and “Are there any hidden Chinese agendas?” Conversely, the minds of leaders in developing countries such as Southeast Asia and Central Asia were boggling with questions like, “Will BRI be another repetition of a historical colonial pattern in the twenty-first century?” and “Will the Chinese loans be payment for submitting to China’s leadership and hegemony?”

BRI is also viewed as a tool for promoting China’s national economic development by boosting exports, improving access to natural resources, and supporting its important domestic industries (Ernest and Young, 2016). In this sense, the initiative can be understood as the Chinese strategy of solving overcapacity in its capital goods and construction-oriented industrial sectors. Moreover, William H. Overholt (2015) views that the initiative initially begins with a set of domestic problems and then eventually expands as a Chinese grand strategy which counters the U.S. “pivot” or “rebalancing” to Asia (p. 1). He also claims that the Chinese vision embedded in BRI closely resembles the U.S. global grand strategy in the post-World War II era of which its core tenet included “to rejuvenate Western Europe and Japan and to develop the ‘third world’, binding all to the United States, while protecting that strategy with a strong military” (ibid., p. 2). This vision is linked to the aspiration of the Chinese government to establish its *primacy* within the sphere of BRI. In short, the views presented above characterize BRI as a strategy to create a SCO.

On the other hand, Feng Yuan (2019) argues that BRI is China’s initiative to strengthen its networks with neighbors through “destiny of common community” (p. 94). More specifically, the initiative is a measure to “strengthen its influence and decision-making power in Asia” through the economic networks, such as the ASEAN-China Free Trade Agreement (FTA), Free Trade Area

of Asia-Pacific (FTAAP), or the Asian Infrastructure Investment Bank (AIIB) – “to win over Asian countries from the U.S. negotiation table of the TPP” (ibid., p. 94). According to Yuan, BRI further strengthens China’s ability to achieve these aims, which include the creation of multilateral institutions it expects to orchestrate, rather than allowing the United States to dominate such institutions (p. 96). Instead of a SCO created after China’s own image, it is understood here that the concept of multilayered multilateralism - the combination of bilateral *partnerships* and multilateral initiatives – are being used to promote China’s vision of CCD.

Zeng Lingliang (2016) also argues that BRI, which he calls “a systematic project,” can be a critical project which can boost regional integration by “promoting orderly and free flow of economic factors” and lead to greater benefits than a free trade area (p. 523). In fact, the author claims that the initiative surpasses regional economic integration and partnership for two reasons: first, it proclaims to be “a way for win-win cooperation” that promotes “common development and prosperity” and “a road towards peace and friendship”; second, “it aims at promoting practical cooperation in all fields, not limited to specific economic field” (p. 523). According to Lingliang, they will eventually build a community of shared interests and responsibilities (CCD).

To somewhat simplify it to make a point, the existing literature tends to assume the emergence of a single model from China’s BRI, applicable to all regions it encompasses, though there is a disagreement on whether it will be more in line with the SCO model or the CCD one. This paper argues that the initiative has shown different patterns, thus establishing a synthesis of strong Chinese leadership, competitive multipolarity, and multilateralism in different regions.

3. Research Design

Once again, this study argues that the impact of BRI varies in different geopolitical, historical, cultural, and economic contexts. Most importantly, the paper will focus on economic variables. Thus, in each case, different economic dynamics, such as different developmental needs and aims of the BRI-hosting countries, as well as what China needs from them, will reveal answers to our puzzle. To explain this variation, this study divides the BRI region into several regions: South Asia, the ASEAN, Central Asia, and Africa. The purpose of this geographical division is to provide more precise and nuanced answers to the puzzle of CCD vs. SCO in relation to BRI. In other words, each area reveals different answers and variable about the *puzzle*.

Due to space considerations, this study does not cover every specific region or country impacted by BRI. The regions it covers is determined by the degree of the impact of BRI. For instance, although it is a significant piece of BRI, Europe is less extensively incorporated into BRI, and so will not be studied extensively. However, as the United States is still an important and dominant actor in the present system, the study also devotes a section to examine the extent to which the anti-BRI measures taken by the United States might curtail, or else shape, the Chinese influence in the region. In other words, the issues of Sino-American rivalry, American hegemony, and the future of the current U.S.-led liberal international system significantly hinge on the extent and shape of BRI.

As noted previously, the shape of BRI varies from region to region, as a different set of variables come into play in each. The present paper examines four such regions. First, South Asia is a critical region in examining the various dynamics associated with BRI. BRI's currently most successful project – the China-Pakistan Economic Corridor (CPEC) – runs through South Asia, and BRI's most critical country, India, is also located in this region (Anwar, 2020, p. 163). While China and South Asia are geographically very close, sharing borders with all South Asian overland

countries (except Bangladesh), their relationship with China in the post-colonial era has evolved differently, reflecting the region's patterns of international relations, including the India-Pakistan competition, the geostrategic positioning of each country to China, the domestic politics within each country, and the different economic status and needs.

Second, the study will look at the ASEAN countries. While BRI is a representative foreign economic policy under the Xi administration in the nation's effort to implement a more proactive approach to foreign affairs, the initiative also reflects Deng Xiaoping's essentially conservative aim of Chinese foreign policy: "to create a stable external environment for China's domestic economic growth" (Jie, 2018, p. 3). In this sense, participation of the ASEAN countries is critical to the success of BRI. Nevertheless, the countries of the ASEAN are in a similar situation as Japan and South Korea in East Asia, as they are also geographically very close to China, but at the same time, they are traditional U.S. allies, and most countries in the region are vital security partners with the United States. While BRI can potentially achieve an array of economic benefits to the region's diverse economies and promote industrialization in less developed countries there, the ASEAN leaders have been cautious in fully embracing the initiative due to several reasons: 1) the complex historical relationships with China, 2) security partnership with the United States, and 3) concern of potential alteration to the region's governance and order. Again, in each case, the different variables in several contexts will reveal the answer in relation to BRI.

Third, Central Asia is another critical region to the successful implementation of BRI. The region is a key part of BRI and home to a number of major BRI projects, as Central Asia hosts one of the main routes connecting China and Europe through "the China-Central Asia-West Asia

Economic Corridor."⁶ Again, dynamics of the geopolitics and power politics become an issue here. The potential possibility of greater Chinese influence via BRI can impact the region's relationship with Russia, who lost control of the region following the collapse of the Soviet Union and seeks to expand its influence once again, as well as the United States, who also has an interest in the region that is home to significant trade routes and rich in natural resources. In fact, Central Asia can be viewed as the region where the needs and aims of both China and the receiving countries are complementary to a large extent. As China sees Central Asia as a key region as the BRI hub associated with major projects and economic routes of the initiative, Central Asia, which does not have direct access to the ocean and major maritime shipping routes, can greatly benefit through significant economic and infrastructure upgrades relished from BRI.

Fourth, in addition to the Asian neighbors, the paper will look at BRI projects in Africa to examine how the initiative functions in the developing world, where infrastructure financing is so desperately needed that political externalities are of secondary concern. BRI is critical to Africa in fostering economic development through large infrastructure projects to fill their infrastructure gap and ultimately building a bridge to the global market. Although political aims are reflected in the region, the study will mainly focus on the economic variable of the African countries as their needs for economic development and capital are prioritized. The analysis of the region will concentrate on three countries that have the strongest relationship with China and the heaviest investment of BRI: Egypt, Kenya, and Djibouti.

⁶ BRI consists of six economic corridors, the collections of projects constructing routes that link China and the BRI-participating regions. They include 1) the New Eurasian Land Bridge, 2) the China-Central Asia-West Asia Corridor, 3) the China-Pakistan Corridor, 4) the Bangladesh-China-Myanmar Corridor, 5) the China-Mongolia-Russia Corridor, and 6) the China-Indochina Peninsula Corridor.

This paper employs a mixture of qualitative and quantitative methods to utilize the variables mentioned above. It uses the rich evidence from the existing literature to qualitatively frame and defend its argument. More specifically, the study will employ a comparative method. By comparing different areas, it attempts to establish patterns and dynamics between economic potentials and capacity of the different areas and can lead to understand how these will converge to reveal an answer to the research puzzle. It also employs descriptive statistics to explain the overall progress and situation of the BRI-states and the program. The statistical data is retrieved from primary sources, such as reports and policy papers published by reputable research institutes and databanks, such as the World Bank, Brookings Institutions, Center For Strategic & International Studies (CSIS), and more.

The ultimate aim of collecting and organizing this information is to provide more nuanced answer to the ongoing debate on whether BRI is likely to produce a CCD or a SCO. However, it is necessary to first assess the scope and aims of BRI more generally.

4. The Scope and Aims of BRI

4.1. BRI's Scope

The main aim of this section is to describe how China's Belt and Road Initiative (BRI) came about and to clarify its aims, limits, and scope. This will help us better discern the various dynamics in each area and reveal different outcomes with respect to the *puzzle* of this paper. I begin with an overview of its scope.

BRI, which is also called the New Silk Road, was launched by President Xi Jinping in 2013 with a vision to boost global connectivity and market integration along the route of the historic

Silk Road.⁷ The Belt and Road is composed of two parts. The first part is the “Silk Road Economic Belt” that links China, Central Asia, Russia, and Europe, connecting China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia as well as with the ASEAN, South Asia, and the Indian Ocean. The second part is the “21st Century Maritime Silk Road” connecting China’s coast to Europe through the South China Sea and the Indian Ocean as well as to the South Pacific.

Figure 1. Belt and Road Initiative Map



Source: Future Directions International (2020)

The purported aim of this massive project is summarized by President Xi: “China will actively promote international cooperation through the Belt and Road Initiative. In doing so, we hope to achieve policy, infrastructure, trade, financial, and people-to-people connectivity and thus

⁷ Established during China’s Han Dynasty (207 BCE– 220 CE), the ancient Silk Road was a network of trade routes connecting the East and West, facilitating the economic, cultural, political, and religious interactions throughout what are today the Central Asian countries of Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, as well as present-day India and Pakistan to the south, then ultimately extending to Europe (Chatzky and McBride, 2020).

build a new platform for international cooperation to create new drivers of shared development” (Xi, 2017, p. 61).

China’s BRI program potentially encompasses 65 countries, with 65% of the global population, 60% of global trade, and 29% of global GDP (McKenzie, 2017). Joshua P. Meltzer (2017) estimates that China could invest over \$500 billion USD into the BRI projects by around 2022; once completed, BRI is projected to cover over 4.4 billion people and generate a gross domestic product of over \$21 trillion. As of 2017, the cumulative total of China’s construction projects (mainly infrastructure) is USD 480.3 billion for the BRI-participating economies, which is 59% of the global total of USD 814.3 billion (OECD, 2018).

The financial sources of the BRI projects include the Chinese development banks (the China Development Bank, the Industrial and Commercial Bank of China (ICBC), the Bank of China, the Export-Import Bank of China (CEXIM), and the China Construction Bank), the Silk Road Fund, the New Development Bank, and the Asian Infrastructure Investment Bank (AIIB).⁸ Among them, CEXIM and the China Development Bank are the two major players, accounting for 40 percent and 31.5 percent of the total loans, respectively; the next largest sources of the BRI-financing came from China’s major state-owned commercial banks, including the ICBC and the Bank of China (Liu et al., 2020, p. 139).

Analysts have pointed out that these Chinese-backed financial institutions can potentially enhance financial cooperation in the region while also reconfiguring the present U.S.-led global financial landscape. Simeon Djankov and Sean Miner (2016) see BRI as having the potential to

⁸ For details, please see China’s Belt and Road Initiative in the Global Trade, Investment and Finance Landscape (OECD, 2018). Available at <https://www.oecd.org/finance/Chinas-Belt-and-Road-Initiative-in-the-global-trade-investment-and-finance-landscape.pdf>.

“reestablish Eurasia as the largest economic market in the world [and] effect a shift away from the dollar-based global financial system” (p. 10). China thus seeks to create new international institutions or economic frameworks that could function as parallel alternatives to the Bretton Woods institutions, such as the WTO, World Bank, and IMF. These aims are linked to the related questions of the potential emergence of SCO and the decline of U.S.-led international order, especially in the crucial sphere of finance.

Overall, as Jacques (2009) argues, “China’s criticism of the Western-dominated international system and its governing institutions strikes a strong chord with the developing world at a time when these institutions are widely recognized to be unrepresentative and seriously flawed” and adds that China has been “in the vanguard of the movement to reform the IMF” (p. 10). The greater financial influence will necessitate greater engagement in the BRI economies through the initiative.

4.2.BRI as Geopolitics – “Goeconomics”

China has both geopolitical and economic motivations behind the initiative. Experts see BRI as one of the main pillars of the Xi administration’s attempt to build a bolder Chinese statecraft, alongside the Made in China 2025 economic development strategy (Chatzky and McBride, 2020). Understanding the dynamics of economic statecraft can provide a foundation prior to analyzing the specific impacts of BRI in each region. I first begin with how BRI functions as the Chinese foreign policy instrument, which is related to China’s aim to circumvent the American policies of containment.

Economic statecraft, which is utilized by political leaders in purposely using economic resources to exert influence in pursuit of foreign policy objectives, is understood to be China’s

method in promoting and realizing its economic foreign policies, most notably BRI. The use of economic instruments to accomplish geopolitical objectives, which is termed “geoeconomics” by Robert D. Blackwill and Jennifer M. Harris, is “a forgotten tradition [that] stretches back to the nation [the United States]’s founding.” They argue that as the approach of economic statecraft has faded away in the United States, the “U.S. adversaries are embracing it,” most notably China itself (2016, p. 99). David A. Baldwin (2020) also claims that as it has emerged as a major actor in the international system since 1985, China has made increasing use of economic statecraft (p. xi).

James Reilly (2021) highlights two types of institutional capacity that can determine whether a state is able to successfully implement economic statecraft: “1) the degree of functional autonomy, coordination, and continuity within bureaucratic process; and 2) state capacity to extract and channel domestic resources to target countries” (p. 5). Based on these views, it can be understood that the approach the Chinese Communist Party (CCP) has adopted fits with the concept of economic statecraft, as its government owns major banks and enterprises in many key strategic sectors, exercising extensive authority over the nation’s economy. Subsequently, considering China’s economic structure, the economic statecraft scheme is perceived as a critical tool in implementing BRI, a CCP-backed massive infrastructure project, which is “the latest and largest manifestation of the use of competitive tournaments with prizes designed to entice and reward agents for implementing China’s economic statecraft” (ibid., p. 10). Accordingly, Blackwill and Harris claim that China is “the world’s leading practitioner of geo-economics,” and its adroit use of economic power for political purposes include its recent economic initiatives, such as the AIIB and none other than BRI.

4.3.The Aims of BRI

4.3.1. The Geopolitical Aims of BRI

The significance of BRI can be understood in the context of changes in the Chinese foreign policy orientation, supported by its practice of “geo-economics.” The Xi administration’s drive toward the “China Dream”⁹ lies in a rejuvenated China that is internally prosperous as well as more internationally engaged. In devising a plan to find a stable position in an increasingly unstable and complex world, the Xi administration announced this new economic program in its continuous efforts to boost its global status and to build economic resilience to external shocks, which is especially critical today with the fractured global value chains due to the pandemic and the ongoing U.S.-China tensions. Experts generally agree that China’s new strategy was also urged by the 2007-2008 financial crisis, which illustrated that the policies of the United States could have a negative effect on the rest of the world.

After the global financial crisis, the G-2 (Group of 2) system emerged, and the Obama administration adopted the “Pivot to Asia” policy in 2012, which subsequently initiated the Trans-Pacific Partnership (TPP). The TPP is viewed as “containment of China” (Bhala, 2017). This view is observed in President Obama’s Statement on the Signing of the TPP in 2016: “TPP allows America – and not countries like China – to write the rules of the road in the 21st century, which is especially important in a region as dynamic as the Asia-Pacific.”¹⁰

As the United States openly embraced containment policies in the Asia-Pacific, China sought to create trade routes through both land and sea channels that later become BRI. For

⁹ The “China Dream” is President Xi’s vision to “make China great again” – calling for “the great rejuvenation” of the Chinese nation and its former position as the Middle Kingdom at the center of the world (Allison, 2017).

¹⁰ Statement by the President on the Signing of the Trans-Pacific Partnership (<https://obamawhitehouse.archives.gov/the-press-office/2016/02/03/statement-president-signing-trans-pacific-partnership>)

President Xi, BRI served as a pushback to the Obama administration’s “pivot” and ultimately the TPP (Chatzky and McBride, 2020). In countering this “pivot”, BRI has a potential to curb the American influence in the Eastern hemisphere and to achieve its own economic and political aims more freely. One of the main aims of the present study is to assess the extent to which this potential has been realized. The paper will also assess the American countermeasures against BRI to maintain its influence and presence in the Asia-Pacific (see Section 10).

Since its launch in late 2013, BRI has been at the center of controversy. Many Western countries and pundits have interpreted the initiative as part of China’s hidden geopolitical strategy to expand its influence and presence in the international system. Nevertheless, BRI has certainly witnessed improvements and achievements in construction of infrastructure, promotion of trade and investment, and financial cooperation (Sohu News, 2018). Moreover, Zhexin Zhang (2018) argues that although BRI definitely carries geopolitical weight, “a major consideration behind its proposal is to mitigate tensions and enhance mutual trust with neighboring countries, so as to ensure a peaceful environment for China’s development” (p. 331). The author adds that BRI is “an open and inclusive mechanism” on the principles of “wide consultation, joint contribution and shared benefits” which “welcomes all willing countries – including the United States – to participate” (ibid., p. 332).

However, BRI is often interpreted through a geopolitical lens rather than a purely economic one, viewing it as China’s attempt to gain political leverage over its neighbors (Cai, 2017). Such views are associated with the idea of a more assertive Chinese foreign policy agenda, of which BRI is one of the main pillars along with the AIIB, and the narrative of debt-trap diplomacy, and predatory lending. These potential roadblocks will be later discussed in Section 4.4. Such limitations are mainly concerned with the idea of expansion of influence and thus directly linked

to the puzzle of this paper – whether BRI will head towards building dominant Chinese hegemony, multipolarity with several global powers, peaceful multilateral CCD without dominance, or a mixture of these – and to the emerging international order, which can be also perceived as the U.S. hegemonic liberal international order.

Nevertheless, it is true that China’s expanding global engagement has largely increased the stakes of competition and cooperation, and this raises new questions on potential changes or continuation of the current international balance of power. In fact, Fabio Indeo (2018) states that “whether the twenty-first century Silk Roads will usher in a new era of cooperation or competition in the international system is too early to tell” (p. 28). However, understanding the different dynamics through the prism of various contexts can build up and provide helpful answers. After all, the immense economic impact of China’s way of globalization and pursuit of a strong global economic leadership will highly likely alter the structure of the present global political economy.

4.3.2. The Economic Aims of BRI

BRI encompasses a multitude of projects that are designed to promote the flow of goods, investment, and people. The newly established connections built from the BRI projects are expected to reroute economic activities and reconfigure the present global value chains (GVCs), which then raises the question of whether such alterations are designed to produce CCD, SCO, or a combination of both.

Infrastructure and policy gaps in countries along the BRI economic corridors hinder trade and foreign investment. In fact, trade in the BRI economies is estimated to be 30 percent below potential, and foreign direct investment is estimated to be 70 percent below the expected potential (Ruta et al., 2019). Through BRI, the economies in the project’s economic corridors can expect an

increase in trade from the reduction of trade costs from the improved transport and logistics infrastructure. Especially, for the landlocked countries, such as Uzbekistan, it is an opportunity not only to expand trade through building new transport corridors and trade routes, but also to be engaged in global economic integration via the new channels. The issue of reducing the trade costs is critical as trade costs occur from the infrastructure of both hardware and software.¹¹ Once the original BRI plan is realized, it could reduce the costs of infrastructure as the project prioritizes to tackle the issues of the hardware infrastructure and funding.

Further, many countries along BRI are poorly connected and in need of infrastructure and industrialization. Thus, this transnational project could potentially be more appealing to them. Since China is a key trading partner for many countries, especially for countries in Asia, they find the initiative as a great opportunity to create new trade and business channels since the initiative promotes trade from building new logistics infrastructure. If successfully completed, BRI is expected to reduce travel times along the economic corridors by 12%, increase trade between 2.7% and 9.7%, increase income by up to 3.4% and lift 7.6 million people from extreme poverty (Freund & Ruta, 2018).

Michele Ruta et al. (2019) have quantified the economic effects of BRI on shipment times and trade costs.¹² First, they showed that the initiative can reduce shipment times for the BRI economies by 3.2 percent on average with the rest of the world and by 4 percent within the BRI corridor economies (ibid., p. 48). Such reduced shipping times would decrease trade costs to a great extent. Implementation of the BRI transport infrastructure projects would reduce aggregate

¹¹ The total trade costs include policy barriers (tariffs and non-tariff barriers), transportation costs, fees for customs clearance, and commissions.

¹² Ruta et al. (2019) uses a combination of geographical data and network algorithms to compute the reduction in travel times between 1,000 cities in 191 countries and sectoral estimates of “value of time” transform reductions in shipment time into reductions in trade costs.

trade costs for the BRI corridor economies with the rest of the world by 2.8 percent on average and within the corridor economies by 3.5 percent (ibid., p. 49). Thus, the initiative will not only have positive economic impact on the BRI economies, but also have positive economic spillovers in the context of shipment times and trade costs on non-BRI economies.

Moreover, in today's increasingly interdependent and interconnected system in which production processes are globally fragmented and supply chains have expanded internationally, trade costs are a critical component in industrial development. When a production process takes place over multiple countries, a country with high trade costs will become less competitive in carrying out its role in the production fragmentation process. Therefore, the trade facilitation effects earned from BRI will contribute to enhancing trade flows and industrial development for not only China itself, but also the participating economies. In this sense, the BRI-participating economies are likely to find BRI and its provision of hard infrastructure and funding to be attractive, which can be linked to the principles of the CCD.

The economic impact of BRI can also be understood in the context of regional integration via trade integration relished from the reduction of trade costs, of which the enhanced infrastructure and lowered trade costs are expected to promote. Conceived as a strategic response to the TPP led by the Obama administration, the Regional Comprehensive Economic Partnership Agreement (RCEP) is one of the pillars of China's signature foreign economic policy instruments, along with BRI and Made in China 2025, boosting China's regional economic leadership and curbing the American influence in the region. Ji Xianba (2020) claims that the RCEP offers China "a platform to promote a preferred form of state-centric regionalism (as opposed to the TPP's neoliberal recipe) that preserves critical policy leeway and ideological legitimacy for its socialist market economic system" (p. 1).

In addition to the similar nature of the RCEP and BRI, the two signature Chinese foreign economic policies are understood to be “essentially complementary in design” in a way that “the former reducing intangible policy barriers and the latter physical logistical hurdles to greater commercial cooperation and exchange across the vast Afro-Eurasian supercontinent” (Xianba, 2020, p. 1). Based on their interrelated nature, BRI can benefit the RCEP in creating a more comprehensive framework and ultimately boost free trade and connectivity in the region.¹³

Given the fact that the RCEP provides preferential access to each country’s markets, there are two divergent perspectives: while some analysts view the effects of the RCEP promoted by BRI as Asia’s two-pronged cooperative efforts along trade and infrastructure lines to “reclaim past not just material but also civilizational glory” (Xianba, 2020, p. 1), others view them as China’s way to address some of its excess capacity in industries since the BRI infrastructure projects supported by the initiative would boost external demand for Chinese exports (Meltzer, 2017). This is to say, BRI is not designed as a purely altruistic project to help other countries or to achieve “civilizational glory.” In promoting trade and development in other countries, China expects to address some of its own actual and projected economic problems.

In fact, many Western analysts have criticized China’s intended attempt to solve its domestic problems by using BRI. In this narrative, BRI is understood to serve as a tool for China to cultivate export markets and to resolve its overcapacity issue and boost Chinese incomes and domestic consumption. There is also a debate on whether BRI is a Chinese system of accumulation,

¹³ RCEP has been criticized for lacking depth in terms of its contents as most countries in the treaty already have bilateral free trade agreements with each other. Thus, it has garnered criticism for what some experts call “low-quality” bilateral or trilateral agreements that are not only too narrow, but also overlap.

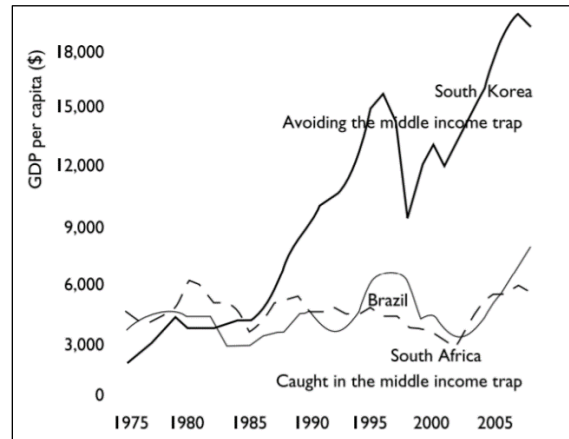
which intends to solve its overproduction problem at home, thus establishing an internal-external linkage.

These issues hinge on what some perceive as an exploitative core-periphery relationship with its less developed neighbors, which can be explained through the world system theory: “the embedded inequalities of a system in which nation-states gave quite different development stages and positions within a seemingly integrated world economy” (Xing, 2019, p. 45). The theory further explains how the core-periphery relationship operated in the capitalist world system:

The capitalist world system is characterized by a series of cyclical rhythms and by recurrent features such as economic prosperity or crisis, and upward or downward mobility. More importantly, this series of cyclical rhythms is followed by the rise and decline of new guarantors (new hegemons) of the world system, each with its own unique pattern of control (p. 44).

The core-periphery framework is especially related to China’s aim to solve the “middle-income trap,” which is an expected economic phase in which wages in a country rise to the point that growth potential in export-driven low-skill manufacturing reaches a limit before attaining the innovative capability to further boost productivity and compete with advanced economies. Homi Kharas and Harinder Kohli (2011) explain the middle-income trap by comparing the three middle-income countries over the time period between 1975 and 2005: Brazil, South Africa, and South Korea. This is shown in Figure 2:

Figure 2. Countries that have Avoided or are Caught in the Middle-Income Trap



Source: Hami Kharas and Haringer Kohli (2011), p. 282

In a steadily growing economy, the GDP rises continuously over time, which indicates positive growth, toward higher income levels, and this has been the experience of South Korea as shown in Figure 2. Nevertheless, many middle-income countries fail to achieve this pattern. Instead, they experience bursts of growth followed by periods of stagnation or even decline, or stay at low growth rates (Kharas and Kohli, 2011). Having first coined the term by comparing regions like Latin America and the Middle East to the East Asian economies' experience successful slowdowns, Indermit Singh Gill and Homi Kharas (2007) explain the concept of a middle-income trap:

How rapid growth from low-income to middle-income levels - fueled by cheap labor, basic technology catch-up, and the reallocation of labor and capital from low-productivity sectors like traditional agriculture to export-driven, high-productivity manufacturing – is often followed by lower growth. As the rural labor force shrinks and wages rise, the factor accumulation that once propelled high growth eventually loses strength. Unless new sources of economic growth are found, a country may find itself unable to compete with either low-wage countries that dominate mature industries or high-income countries that dominate innovative, high technology industries (p. 1).

According to many analysts (Chatzky and McBride, 2020; Woo, 2012; Lewin et al.), China is close to reaching this phase, and in this scenario, it will struggle to shift to producing higher-

value goods and services and will inevitably move its lower-value goods to the peripheries, such as countries in South Asia or Central Asia. It is important to understand the relationship between China's pursuit of BRI and its wish to avoid the middle-income trap. This can be understood through the world-systems perspective. The core countries are those that benefit the most from the surplus derived from the GVCs while the peripheries barely gain any benefits. While the economic activities of the core countries are capital-intensive, those of the peripheral countries are the labor-intensive ones. China's hegemonic ascent can entail significant changes to the global economy as the nation, which makes up almost 20 percent of the world's population, has been moving from peripheral state to semi-peripheral state in a short period of time (Grell-Brisk, 2017).

China is currently in the process of rebalancing its internal economic structure from its high-investment model toward the one that more heavily relies on domestic consumption, and this will even further intensify the CCP's promotion of BRI. Subsequently, BRI can mean China's growing needs for raw materials and energy, which is also linked to the core-periphery framework. In the core-periphery relationship, core states are often quite dominant over periphery states. While the aim of BRI lies in fostering economic development for all states in the program, inequity of development can be augmented when viewed from this world-system perspective. As the ability of core nations to produce more products faster, they also sell those products back to periphery nations using the raw materials that the periphery provided. Then, once the core states have gained power in trade and capital over periphery states, they gain the ability to *control* trade barriers and *influence* the economic practices of periphery states.

Nevertheless, the rise of China is part of this system's "rhythmic cycles", thus it is driven to act as "a new political and economic system guarantor" due to the subsequent economic integration and market dependence on the system's mode of production and capital accumulation

(Xing, 2019, p. 45). This might mean a world with *Chinese characteristics*, at least in the regions heavily impacted by BRI, which also happened to be the ones that need the initiative badly for their own development.

4.4.Limits

The major limitations of BRI come from large variations in the structure of regional governance in the context of both politics and economics. Analysts problematize three approaches of BRI: 1) the debt-trap diplomacy, which analysts have criticized for the Chinese government's use of BRI as a "cover to extend astronomical loans that will leave its partners beholden to Chinese interests"; 2) the predatory lending, which some analysts criticized in referring BRI as a Chinese attempt to buy an "empire" (Ang, 2009; Chatzky and McBride, 2020; World Bank, 2018); 3) the lack of project transparency. Despite China's attempt to translate its economic might into diplomatic goodwill, many of its neighbors, especially countries of Southeast Asia, have expressed concerns. For instance, in November 2018, the Malaysian prime minister has temporarily suspended Chinese infrastructure investments and openly questioned their sustainability and transparency, entailing multiple rounds of renegotiations (Carnegie Endowment for International Peace, 2018). These renegotiations demonstrate how the countries in China's "backyard" have expressed growing concerns about the economic risks of accepting too many Chinese loans and ultimately being submitted to its enormous influence.

According to this "debt trap" narrative, China provides infrastructure funding to poorly connected developing economies under ambiguous loan terms, ultimately making them beholden to China for economic, military, or political favor. Analysts find BRI as China's effort to deploy its economic might in service of its strategic goals, laying the groundwork for a Sino-centric order.

BRI spending in developing countries has raised serious concerns about debt sustainability. According to John Hurley et al. (2018), eight BRI-states – Djibouti, Kyrgyzstan, Laos, the Maldives, Mongolia, Montenegro, Pakistan, and Tajikistan – are at a high risk of debt distress due to the Chinese BRI loans (p. 6). These countries would need support to pay the BRI loans and will likely turn to the IMF and other smaller lenders, many analysts predict.

The IMF has found multiple aspects of BRI troubling, repeatedly warning of unsustainable debt levels and predatory lending. To alleviate such concerns, an IMF program must include BRI debt restructuring or re-evaluating proposed infrastructure investments to determine if they are financially sound (Gerstel, 2018). While BRI provides funding for much-needed infrastructure to developing countries, this issue of unsustainable debt must be resolved. In emphasizing the need for cooperation between China and the IMF, Gerstel (2018) suggests that “at a minimum, the IMF will need to see the terms of BRI loans to complete the necessary debt sustainability analysis”.

In fact, China and the IMF have already made progress on their cooperative relationship in managing multilateral development banks (MDBs) and BRI. They announced the opening of the Chinese funded China-IMF Capacity Development Center in April of 2018 to support BRI, and China also announced its International Development Cooperation Agency to manage BRI decision-making under a single agency, which the IMF had not only acknowledged but also acclaimed of (ibid., 2018). It is understood that China’s cooperation with the IMF will alleviate some of the most widely criticized limitations associated with BRI, such as transparency or debt sustainability, as “it will reduce the risk that recipient countries forfeit strategically important assets in return for Chinese debt forgiveness” and “countries facing financial distress from BRI loans will have limited options for support outside of China and will fall deeper into debt” (ibid., 2018, p. 2014). While the BRI projects have made progress in many areas, it is suggested that adopting

these reforms will further legitimize the initiative and perhaps ease some of the economic tension between China and the United States.

5. South Asia

South Asia is both a complex and critical region for China's BRI. While South Asia is a rapidly growing market with its 2.5 billion population size, making it a lucrative place for investment, the region is associated with various dynamics that can reveal different answers to our puzzle. Although many South Asian countries share similarities in their language, political structure, economy, and culture, the region is far from a homogenous group (Anwar, 2020, p. 162). In the post-colonial period, each South Asian country's relationship with China has evolved differently, reflecting different patterns in the region's positions in the international system, including different economic needs and geopolitical aims. At the same time, BRI's most successful project, the China-Pakistan Economic Corridor (CPEC), lies in South Asia, but it is also associated with a set of regional security and geopolitical implications.

Despite the geographical proximity with China, South Asian states have fostered different relations with China since the post-colonial period. Howell (2020) claims that the region's heterogeneity may contribute to the difficulties in regional cooperation. South Asia is comprised of eight countries: Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. These countries make up nearly one-fourth of the world's total population. The region is also one of the most densely populated areas in the world (ibid., 2020). And, due to its vast population size, South Asia is comprised of various ethnic and religious groups, including one-third of the world's practicing Muslims (ibid., 2020).

With the lack of the region's internal cooperation and economic stability, "South Asia's relevance has been largely relegated to the global periphery, except for India" (Howell, 2020, p. 2). Due to the underdeveloped economies along with internal strife, the region does not have proper leadership (again, except India). Subsequently, this left many of the smaller economies in the region in weakened bargaining positions in international organizations and the international system in general, ultimately resulting in the inability to provide better lives and opportunities to their citizens. It is understood that "the inability to secure financial backing from outside entities, and the lack of cooperation in amongst themselves, have left the South Asian nations in a precarious predicament of lacking financial viability to engage in national development to raise itself out of destitution" (ibid.). Such economic circumstances necessitate China's engagement and assistance through BRI.

5.1. The Success of the China-Pakistan Economic Corridor (CPEC)

One of the flagship projects of BRI in South Asia is the China-Pakistan Economic Corridor (CPEC) considering the speed and the depth of its progress. Antara Ghosal Singh (2019) claims that the CPEC has reached "the early harvest stage" with "more than 20 of the 30 early harvest projects under construction or completed" (p. 2). While CPEC aims at improving the China-Pakistan relationship as well as a long-term sustainable development for Pakistan, it also deteriorates their relationship with India. The latter is opposed to CPEC arguing that the project, which is highly Pakistan-controlled, runs through Kashmir – a region of the northwestern Indian subcontinent claimed by both India and Pakistan, thus violating the Indian sovereignty. While the issue of sovereignty states as be the reason for opposing the CPEC, the key reason is understood as India's concern for the geopolitical implications of the project (Chakma, 2019). Subsequently, BRI projects, including the CPEC, have intensified the Sino-Indian rivalry in the region. In recent

years, India has increased its economic engagement through aid, trade, investment and connectivity projects in its neighboring countries, “ostensibly to counter the Chinese BRI projects” (p. 2).

Nevertheless, the CPEC, a \$ 62 billion infrastructure project, has emerged as the most successful corridor among the six existing economic corridors in BRI (Shafie, 2017). Analysts view that the CPEC will boost economic growth of both Pakistan and China, creating a complementary relation. First, the CPEC will enhance economic cooperation with the world’s biggest trader, China, decrease trade costs through advanced modes of transportation, and subsequently offer improved connectivity which will shorten travel time (Alam et al., 2019). Some literature question whether CPEC will generate spillovers that would benefit the domestic Pakistani economy of which the focus is often on whether it will boost local employment.¹⁴ In fact, Hijazi et al. (2017) argue that the CPEC construction projects have produced 389,405 jobs for Pakistani people.

Aiming to open China to the Indian Ocean and the Middle East, the CPEC connects the Western Chinese province of Xinjiang with Gwadar Port in Indian Ocean through an oil and gas pipeline along with high-speed railways and highway roads. The significance of the CPEC is associated with China’s oil imports from the Middle East. China imports nearly 52% of its oil supplies from the Middle East, and in 2015, China imported \$69 billion from the Middle East out of its total oil imports worth of \$134.3 billion (Rahman and Shurong, 2017). With the CPEC, the distance for the Middle East oil supplies to reach China would be reduced from the original 12,000 kilometers by sea routes to 3,000 kilometers overland road, and consequently, it will drastically

¹⁴ Many analysts suspect that Chinese labor and managers are being brought to Pakistan to work on the CPEC construction projects and that Chinese contractors are sourcing their inputs of construction materials from Chinese firms (Griffiths, 2017).

reduce the time of transporting the energy supplies from the Middle East to China to about 6 days as compared to 32 days via the existing sea routes (ibid., 2017).¹⁵

Connecting both routes through the Gwadar Port in Pakistan by a 3,000-kilometer network of roads, railways, and pipelines originating in Kashgar in China's Xinjiang Uighur Autonomous Region, the CPEC allows China to obtain numerous alternative routes that could avoid the vulnerable Straits of Malacca, associated with the famous "Malacca Dilemma" (Anwar, 2020, p. 166). In this sense, the CPEC is considered as "a crucial gateway to transport goods from China's western provinces to the Arabian Sea and ensure China's energy supply from the Middle East" (ibid., 2020, p. 167). For China, the strategic economic policy mechanism of the CPEC is industrial cooperation for rapid industrialization and sustainable economic growth for all. Khan et al. (2020) argues that industrial relocation from China and other BRI-states to Pakistan relished from the BRI projects is highly possible. They explain the strategic economic policy mechanism of industrial cooperation.

It can provide the huge opportunities of investments for regional investors to invest in diverse sectors such as energy, packaging, manufacturing firms, pharmaceuticals, processing units, agriculture machinery, assembly of cars, printing and packaging, light engineering, and the other small and medium enterprises. They will enjoy a ten-years exemption from custom duties and taxes for all capital goods imported into Pakistan for the development, processes and maintenance (p. 208)

5.2. Challenges – Geopolitics and Security

However, Anwar (2020) cautions that this successful BRI economic corridor may bring "a set of regional security implications for South Asia, mainly driven by New Delhi's three main

¹⁵ More specific examples of the successful CPEC projects in South Asia include the Gwadar Port, the Sahiwal Coal Power Project, and the Gwadar International Airport all in Pakistan. Among them, the Gwadar Port has already been made operational, transporting Chinese merchandise to Middle East and Africa.

concerns – territorial sovereignty, security, and the deepening China-Pakistan strategic partnership” (p. 167). David P. Nicolas (2008) also argues that “Despite being promoted by China as the creation of a win-win environment throughout the Indian Ocean region, realist scholars argue that China’s motivations are to utilize this infrastructure to create overseas bases, threaten India’s perceived sphere of influence, and increase Chinese influence by challenging the regional order” (p. v).

The CPEC lies in the highly disputed territories of Jammu and Kashmir, where the borders of China, India, and Pakistan meet. As noted previously, India believes that Jammu and Kashmir are its territories and that the China-Pakistan joint CPEC project as a violation of its territorial sovereignty. In addition to such territorial tensions, India is also concerned about how the CPEC could result in an increased Chinese military presence in disputed territories which will bring serious security implications for India (Anwar, 2020, p. 166).¹⁶ India views China’s position on Kashmir as symbolic of the deepening China-Pakistan strategic partnership. Former Indian foreign secretary Subrahmanyam Jaishankar claimed that “the interactive dynamics between strategic interests and connectivity initiatives – a universal proposition – is on particular display in our continent” and cautioned against countries using connectivity “as an exercise in hard-wiring that influences choices” (Baruah, 2018, p. 2). China’s growing collaboration with India’s neighbors has definitely created tensions between the two Asian giants – China and India – who are competing to maintain its prominence in the region.

In South Asia, the CPEC is currently the most prominent BRI project with enormous influence in many ways, and it has certainly created mutual – mostly economic - benefits for not

¹⁶ “China argues that the deployments [of its troops] are necessary to protect Chinese assets in Pakistan. Over 30,000 Chinese nationals are said to be employed constructing CPEC-related projects across Pakistan” (Anwar, 2020, p. 167).

only China and Pakistan, but also smaller neighboring economies through enhanced connectivity, thus generating spillover effects. Nevertheless, the region is also very vulnerable and sensitive to how the Sino-Indian relations proceed. BRI, in South Asia, underscores the growing Sino-Indian competition in the subcontinent and the Indian Ocean region, ultimately threatening the regional order and stability. In fact, the Sino-Indian rivalry can give some leverage to smaller countries because they have options, such as the United States, China, *and* India. The region displays a synthesis of competitive multipolarity between two Asian giants along with the United States and cooperative multilateralism through the CPEC.

6. ASEAN

Implementation of BRI in Southeast Asia is pivotal to the success of the program as China sees the ASEAN countries as part of the “land bridge” connecting China to Southeast Asia, South Asia, the Indian Ocean, and the China-Indochina Peninsula Corridor sea route (China-South China Sea-Indian Ocean-Europe) (Jusoh, 2018, p. 10). On the other hand, ASEAN requires improved infrastructure to spur economic growth through increased trade, competitiveness, and connectivity in the region and with the rest of the world. Thus, understanding the dynamics of implementing BRI in the ASEAN countries provides different answers to the puzzle of this paper, ranging from fear caused from historical relationships with China to opportunities for improved infrastructure to drive economic growth.

For the ASEAN countries, there is a *dilemma* of being eager BRI participants and traditional U.S. allies, “unsure with which superpower to side on issues such as the South China Sea and international trade wars” (Jie, 2018, p. 3). Situated in similar situations as Japan and South

Korea in East Asia, the ASEAN countries are the ones expected to face potentially overwhelming influence by the initiative and associated with the dynamics that could challenge the existing regional governance. This section will first cover the mutual benefits relished by both, China and the ASEAN countries, and then analyze the “dilemma” in the context of geopolitics and security. Subsequently, these dynamics will help to reveal an answer to our puzzle regarding whether BRI might lead to CCD, SCO, or a synthesis of the two outcomes.

6.1. A Symbiosis

The ASEAN countries require improved infrastructure for economic development through increased connectivity, trade, investment, and competitiveness. More specifically, the ASEAN Development Bank (ADB) estimates that the total infrastructure investment needs in the region from 2016 to 2030 will be between \$2.8 trillion and \$3.1 trillion (Jusoh, 2018, p. 10). Jusoh further emphasizes the importance of such tremendous infrastructure needs.

These infrastructure needs are important to support the increasing amount of ASEAN trade, with total merchandise trade increased from \$4 trillion 2010 to \$5 trillion in 2017. The total merchandise trade is expected to increase as ASEAN grows from the sixth largest economy in the world to the fourth largest economy in the world by the year 2050, with an annual expected GDP growth of 5.25% between 2016 and 2020 (ibid., 2018, p. 10).

Most BRI projects in the ASEAN states include railways, roads, and power projects.¹⁷ As Figure 3 shows, Indonesia, Vietnam, and Cambodia have the most BRI projects. BRI not only offers resources to help the region to realize its infrastructure development goals, but also has subsequently increased the investment and trade between China and the ASEAN countries. With BRI, China’s foreign direct investment (FDI) inflows into the ASEAN states increased from

¹⁷ For more details on the projects, refer to Table 1: BRI Projects in ASEANA 2013-2108 (Jusoh, 2018, p. 11).

\$197.19 million in 2014 to \$719.50 million in 2017 (Jusoh, 2018, p. 12). In return, the BRI projects, most notably the Muara Terminal Project in Brunei (\$3.4 billion), the Melaka Gateway Project in Malaysia (\$2 billion), and the Morowali Industrial Park in Indonesia (\$1.6 billion), will increase investment in the region’s logistics sector, ultimately having spillovers through other investments, such as manufacturing, oil, mining, and agriculture (ibid., 2018, p. 12). Such increase in investments will largely contribute to filling in the investment gaps in infrastructure, which “if not addressed, will have a negative impact on the overall economic growth in ASEAN” (ibid., 2018, p. 13).

Figure 3. Total BRI Projects of ASEAN Member Countries



Source: LSE IDEAS drawn by the researcher

China is one of the ASEAN’s main trading partners, taking about 16% of the total trade (Leelafaungslip, 2021). Thus, it is very important for the ASEAN states to build a stable and strong economic relationship with China, and China’s BRI will strengthen such course. On the other hand, ASEAN is the location of the China-Indochina Peninsula Economic Corridor linking the Pearl River Delta Economic circle with Southeast Asian countries, making the region a critical and strategic juncture – the “land bridge” - for the success of the initiative. Both China and ASEAN have gains through BRI, which can potentially generate a multilateral framework, the CCD.

6.2. The “Dilemma”

Nevertheless, some analysts find a set of geopolitical and security challenges in the ASEAN states with the implementation of China’s BRI. ASEAN is a region full of various geopolitical and security dynamics. It is understood that the ASEAN states are “adept at hedging and diversifying their relations with other powers to ensure that balance of power exists, amid increasing challenges,” and “the geo-economic effects generated by BRI have been translated into geopolitical contentions between China, other major powers, and ASEAN” (Gong, 2018, p. 647). The major powers with strong interests in the region, here, include the United States, Japan, and India. Then, the section will discuss how BRI has been shaping the ASEAN-China security relations.

6.2.1. Geopolitics: Geoeconomic Competition

As previously discussed, the ASEAN states are traditional U.S. allies. The United States has remained as the preeminent player in regional affairs in the region for decades. Just recently, the American regional primacy has been threatened by China’s rise, yet many analysts, especially Western analysts, view that the fundamental features of the American primacy in the region will remain. David Shambaugh (2018) argues that the United States has a “broad and durable set of security ties, diplomatic interactions, and commercial presence across the region” while China has several advantages in trade, diplomatic influence, and proximity (p. 87). On the other hand, others argue that China’s active engagement has just recently begun, which can imply the possibility of stronger Chinese influence and presence in the coming years.

With the priority in maintaining the regional strategic primacy, it is important for the United States to remain an influential actor in the region. For this, Xue Gong (2018) adds that

“ASEAN member states’ participation in BRI does not preclude them from participating in U.S. security cooperation” (p. 651). She explains that according to the ASEAN (2015), several Southeast Asian states have strengthened their security cooperation with the United States in the past few years. Moreover, even Vietnam, which is a nation that had a ferocious war with the United States in the 1960s, has largely increased its bilateral defense cooperation with the United States (Obama White House Office of the Press Secretary, 2016).

Another top investor in Southeast Asia is Japan with strong industrial interests. In fact, Japan has been implementing its own transnational transportation infrastructure projects since the 1960s through the Asian Development Bank (ADB) (Gong, 2018). China’s recent push into infrastructure financing and investment in the ASEAN countries has spurred Japan’s “boldness in infrastructure investment” in the region, leading to several infrastructure investment standoffs between China and Japan in the high-speed railway sector (*ibid.*, p. 648).¹⁸ Interestingly, the Sino-Japanese competition has led the ASEAN countries to “play off the two rivals against each other,” ultimately gaining some leverage in between (*ibid.*, p. 649). The author further describes how China’s BRI has led to a “catalytic effect” on Japan’s infrastructure programs in the region:

In response to China’s BRI, Japan launched its Partnership for Quality Infrastructure in 2015, with USD 110 billion pledged for infrastructure development in Asia. In addition, Japan has also pledged to invest USD 200 billion in global infrastructure. The pledge is considered as a direct response to the promotion of China’s BRI throughout Eurasia. Also, the Japan-led ADB increased its lending from USD 26.9 billion in 2015 to USD 31.5 billion in 2016. To compete with China’s regional infrastructure, Japan amended its operating chapter of the Japan Bank for International Cooperation (JBIC) to take further risks and increase support for Japanese companies’ overseas infrastructure businesses (p. 648).

¹⁸ Japan was originally the frontrunner for the Jakarta-Bandung High Speed Railway (HSR) project, but as the Sino-Japanese competition intensifies, Japan had to compromise with a cheaper bilateral loan for its financing (Gong, 2018).

In fact, Japan's attempt to curb the Chinese presence in Southeast Asia is expected to earn positive support from India, who opposes the Sino-Pakistani partnership through BRI. All these dynamics associated with major powers and the BRI-states build up to reveal how there exists a combination of both multipolarity in competitive terms and a multilateral framework consisted of partnerships.

Lastly, India is another player that has been directly affected by China's rapid rise and more proactive approach to international affairs today. With the rapidly rising Chinese economic and military power, India also seeks to promote initiatives that can improve connectivity with the ASEAN states to compete with China in the Indian Ocean region.¹⁹ Moreover, it was found that India plans to build road and inland waterway linking Sittwe in Myanmar with Northeast India, This was understood as a great opportunity for India to increase its connectivity with the ASEAN countries, ultimately accelerating the pan-Asian integration in the future (Bhattacharyay et al., 2012).

6.2.2. Security

The South China Sea case has hindered the progress of the BRI maritime projects (Gong, 2018). Some analysts view that the BRI maritime cooperation may be a tool for China to strengthen its presence and influence in the highly disputed South China Sea (Palit, 2017). Although Vietnam has been supporting the BRI projects, the nation is also cautious about the security and geopolitical implications due to the historical distrust and unresolved South China Sea issues (Gong, 2018). Meanwhile, although Indonesia does not have issues with the sovereignty of the South China Sea,

¹⁹ These connectivity projects include the Asian Highway Network sponsored by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the ongoing India-Myanmar-Thailand trilateral highway (IMTTH) that will run through Laos, Cambodia, and Vietnam.

it remains wary of China's economic and political influences, ultimately slowing down the progress of the BRI maritime projects.²⁰

Followed by its rapid economic growth, China has stepped up territorial and maritime claims over the South China Sea. According to Nicola Casarini (2018), "These claims are not only based on economic and security considerations, but also on national identity and the renewal of China's past glories", which is linked to President Xi's vision of a Chinese dream (p. 26).²¹ This is understood to bring a "glaring division between China and the West when it comes to the application of international law to sovereignty disputes in the South China Sea" (ibid., 2018, p. 27). The United States has remained an important actor in the region's security affairs through bilateral and multilateral frameworks to "restrain China's ambition to challenge the current regional order" (Gong, 2018, p. 650).²² The South China Sea sovereignty issue is associated with the U.S.-China tug-of-war over influence in Southeast Asia. As China continues to challenge the existing regional order and the rules-based system in the South China Sea, the ASEAN countries inevitably have to be cautious in fully embracing the BRI projects. These security matters which are tightly linked to the issue of regional governance reveal that there may be a potential multipolarity in the region. Therefore, combining the dynamics of the economic symbiosis discussed in Section 7.1 and the "dilemma" in the present section (Section 7.2), it can be understood that the region reveals a synthesis of both multilateralism and multipolarity, especially

²⁰ This is evident in the incidents near the Natuna Islands. For more details, refer to Herlijanto (2017).

²¹ "Xi's closing speech at the 2018 National People's Congress chimed with an increasingly assertive foreign policy, in particular when he cited China's island-building campaign in the South China Sea as one of the key accomplishments of his Presidency. This implicitly linked his vision of a Chinese dream and the rejuvenation of the country with the idea of restoring the glory of the ancient times when China presided over a Sino-centric order in East Asia" (Casarini, 2018, p. 2).

²² "For example, the ASEAN-U.S. Plan of Action (2016-2020) enables the United States to deepen bilateral and multilateral diplomatic and security engagement through many ASEAN-led mechanisms. Examples include the ASEAN-U.S. Summit, the ASEAN-U.S. Dialogue, and the Joint Cooperation Committee (JCC) Meeting, ARF, ASEAN Defence Ministers Meeting Plus, and the EAS" (Gong, 2018, p. 650).

with respect to security-related dynamics. This also indicates that within the same regions or countries, different issue-related orders are likely to emerge simultaneously.

7. Central Asia

Central Asia is regarded as a critical region for China's BRI program as it is included in the New Eurasian Land Bridge and the China-Central Asia-West Asia economic corridors.²³ As such, BRI has the potential to drastically change the economic and political dynamics of Central Asia (Chance, 2016). From China's perspective, there are three important variables at play that explain the importance of Central Asia to the success of BRI. First, Central Asia was an essential transit for the ancient Silk Road due to its geostrategic location connecting East Asia and Eurasia (Hoh, 2019). Second, the five countries – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan – are very rich in natural resources, including uranium, gas, and oil, which are “essential to China's large energy demands” (ibid., 2019, p. 244). Third, Central Asia is the main land corridor of BRI, thus the region is a critical transportation hub and a bridge to other lucrative markets, such as West Asia, the Gulf Region, Russia, and Europe.

The five Central Asian countries also expect to benefit from BRI for several important reasons. As Avinoam Idan points out, “the major geographic characteristic of the Central Asian countries established following the breakup of the Soviet Union is the fact that they are landlocked”. This entails many difficulties for them in such spheres as foreign policy, security, human development, and economics (2018, p. 1).²⁴ Lacking connectivity and access to global

²³ Further information on the BRI economic corridors, see Ramasamy et al. (2017), Trade and trade facilitation along the Belt and Road Initiative corridors.

²⁴ Idan (2018) states that “the average GDP of these landlocked countries reaches only 57 percent of that of their maritime neighbors” (p. 1).

markets, Central Asia has been struggling in its trade and economic growth compared to their maritime neighbors. However, with the enhanced connectivity and improved infrastructure relished from the BRI projects, Central Asia can increase its trade and economic activities through effective transportation system and access to the sea. Therefore, it is a plausible claim that China and Central Asia have fairly complementary aims and expected benefits, especially economic ones.

Nevertheless, some analysts claim that while the medieval silk routes in which “the vast Central Asian region together with Xinjiang formed the key nodes,” the new Silk Road Economic Belt is “decidedly Sino-centric” given that its central objective lies in creating incentives and outlets for the less-developed Xinjiang as gateway for new trade channels to global markets (Dave and Kobayashi, 2018, p. 2). Moreover, due to its historical ties to it, Russia is still an important actor in the region, and thus can view BRI as “confirmation of an emerging rivalry with China in the post-Soviet space” (Peyrouse, 2017, p. 96).

7.1. Complementarities

As of today, many Central Asian states have officially welcomed the implementation of BRI (Dave and Kobayashi, 2018). “The prospects of transport connectivity, greater opportunities for trade and earning transit fees as well as development and export of their natural resources are very attractive to all states in the region” (ibid., p. 3). It is understood that China’s aspiration to increase land connectivity to Europe and access to global markets heavily depend on its ability to succeed in Central Asia, especially in Kazakhstan, which is the ninth largest country in the region encompassing the enormous Eurasian expanses. Not to mention its geopolitical importance, Kazakhstan is also an important supplier of energy resources to China (Tengri News, 2013).

The Chinese economic model with the motto of stability and “development for all” (or “win-win”) makes it very attractive for the Central Asian local elites (Dave and Kobayashi, 2018, p. 4). The authors explain this Chinese model in detail:

China has established a reputation and niche in financing and building massive infrastructural development projects at a rapid pace and a low cost, particularly in Africa, and engaging in the same in Central Asia, South and South East Asia, Latin America, and Europe. It has not shied away from investing in regions seen as too unstable and presenting investment risks, signified by its welcome by the 65 countries (as of October 2017) participating in the BRI. With Western investors being wary of investing in Central Asian states which lack governance capacity and effective rule of law (Kazakhstan being an exception) and Russia prioritizing military and security-linked aid, China has been providing financial and technical assistance, refurbishing old links and initiating new projects in the region filling in the “\$8 trillion infrastructural funding gap” (p. 6).

Moreover, the BRI investments in Kyrgyzstan’s electricity supply grid and power lines have greatly contributed to connecting the nation’s northern and southern regions separated by mountains. The direct energy links made possible by BRI allow Kyrgyzstan to save \$8-9 million annually in transit fees (ibid, 2018, p. 10). Of course, not all China-proposed BRI projects have been realized, but there definitely are tangible outcomes and benefits. While it is true that China did not simply step in to be *altruistic*, there exist complementary aims and gains between the two parties, generating a cooperative multilateral framework of the Chinese “development for all” (“win-win”) model as envisioned in President Xi’s principle of *peaceful coexistence*. Nevertheless, China is expected to increase its influence in the region, though not without facing certain geopolitical restraints.

7.2. Geopolitical Restraints

While BRI can be perceived as an attractive undertaking for Central Asian republics considering the economic gains and benefits from huge Chinese investments, the initiative will certainly affect the region in many other ways, including its geopolitics and culture.

Fabio Indeo (2018) explains that from a Chinese perspective, BRI geopolitical projects aim to achieve two strategic goals:

The implementation of an alternative continental route for trade and energy imports to reduce the dependence on maritime routes crossing Malacca and the South China Sea; and the enhancement of a security buffer zone between Xinjiang western province and Central Asia to preserve China's western provinces from instability and threats linked to Islamist terrorism (p. 136).

Central Asia has a strategic significance to the BRI because it is crossed by two of the six main BRI economic corridors (China-Central Asia-West Asia and the Eurasian land bridge). For this reason, it will have an impact on the region's economic development and geopolitical patterns. In this capacity, China is expected to strengthen its geopolitical position in Central Asia, especially in the areas heavily impacted by BRI. However, it is not the only great power in the region.

Analysts claim that Russia continues to keep a close eye on Central Asia, which it lost control of following the collapse of the Soviet Union, and that it aspires to expand its influence once again. (Yellinek, 2020).²⁵ Indeed, as Michael Cox observes, “amongst a very large number of experts the view has been – and in many respects remains – that there will always be much more that divides Moscow and Beijing than unites them” (2016, p. 317).

Indeed, China has become the main economic power in the region with trade volumes increased from \$1.8 billion in 2000 to \$34 billion in 2015, while the five Central Asian republics'

²⁵ “One of its [Russia's] tools of influence in the region is the Eurasian Economic Union (EEU), established in 2015 which includes Belarus, Kazakhstan, Kyrgyzstan, and Armenia” (Yellinek, 2020, p. 6).

trade with Russia amounted to only \$23 billion (Peyrouse, 2017). As the Chinese influence threatens the regional order of which Russia had originally been a dominant player, the geopolitical scenario is changing in the region. Indeo (2018) claims that “even if Beijing denies having political ambitions and highlights that BRI is only a global economic project, it is clear that Chinese involvement in the region will erode and marginalize Russia’s presence” (p. 138).

However, Cox aptly points out that the reality on the ground contradicts this popular perspective, as China and Russia have of recent enhanced their strategic partnership. An important factor in this regard has been the mutual threat they both face from the United States and its allies. In sum,

The scene is thus set for a continued standoff, one consequence of which will be to reinforce the belief in Moscow and Beijing that, in a hostile international environment, one should stick close to one’s friends (however imperfect they may be) because in an insecure world such friends (warts and all) are central to achieving what both Russia and China are still striving to achieve: namely, greater political security at home, fewer obstacles to their ambitions in their own neighbourhood and a more equal world system in which the United States and its allies have less control over what happens. So long as they continue to share these basic goals – and there is no reason to think this is going to change any time soon – there is every chance the two will continue to travel together along the same, sometimes rocky, path they have been moving along since the beginning of the 21st century (p. 330).

In short, China and Russia are not the only actors with interests in the region: The United States has an interest in Central Asia, not only because of the region’s critical trade routes and rich natural resources, but also because it sees both China and Russia as obstacles to its global hegemonic ambitions. In this sense, Central Asia is a focal point in the geopolitical competition between the three powers of regional influence. I will return to the variable of the United States subsequently.

Here, it is worth stressing that economic cooperation between China and Russia has been improving significantly since 1991. For instance, the volume of the trade between the two countries has increased from \$5 billion to \$110 billion in 2019, though the volume declined due to the pandemic. The volume of trade between them is expected to increase significantly in the near future. More to the point, based on extensive research, Feng Yujun et al. (2019) note that “Moscow’s main objective in its relations with China is to use the BRI and other Chinese-originated projects to help develop Russia’s economy, without at the same time inviting Beijing to exercise undue influence on Moscow’s policies. So far, the Russians have concluded that the BRI offers them some opportunities, and the risks involved are manageable.” Nevertheless, the current and projected trends indicate that this managed relationship will remain asymmetric, favoring China’s growing influence in Central Asia.

8. Africa

Africa is a region where infrastructure financing and economic development are often prioritized over political concerns. BRI is critical to African countries in fostering economic development through large infrastructure projects to fill their infrastructure gap and help build a bridge to the global market. For China, on the other hand, Africa is a crucial region as the maritime road connects China and Europe by passing through Southeast Asia, South Asia, the Middle East, and East Africa. Many East African countries, most notably Djibouti, Ethiopia, Kenya, and Tanzania, are an important part of BRI due to “Djibouti’s ports, Ethiopia’s rapidly expanding manufacturing capacity, and the region’s existing plans to connect rail, and energy networks” (Mukwaya and Mold, 2018). Also, China is attracted to Africa’s rich resources to fuel its gigantic

economy. While these factors point to what China often refers to as a “win-win cooperation,” there also exist certain factors that suggest otherwise, such as fear of exploitation associated with geopolitics in the region, which will be discussed in Section 8.2.

In short, China’s presence has grown both rapidly and enormously across the African continent, and understanding the various dynamics in the region would enhance the paper’s clarity in settling down the debate of CCD vs. SCO. This section will mainly focus on the economic variable of the African countries as their needs for economic development are prioritized.

8.1. Development Partnership: Peaceful Coexistence

China’s approach to “development partnership” is trade than aid, and this is understood to be perfectly fitting the BRI’s objective (Breuer, 2017, p. 2). Such approach is based on principles of peaceful coexistence, including “inter alia mutual respect for sovereignty, equality, mutual benefit, and non-interference into the inner affairs of the other state” (ibid., p. 1). BRI seeks to build a cooperative platform for cooperation in trade, finance, society, and culture. China’s investments in Africa have significantly risen since 2000, with total spending of the Chinese government and businesses reaching USD 6 billion in 2014 (Mukwaya, 2018). Then, at the 2018 China-Africa Cooperation Forum, China announced it would be investing \$60 billion in financial support to Africa. The need for increased investment in infrastructure in Africa is clear. Many empirical studies have shown that infrastructure will have a positive effect on growth and trade in Africa (Estache et al., 2005; Boopen, 2006).

Kenya, Djibouti, and Egypt play a pivotal role in China’s BRI in Africa. As Egypt has a strategic advantage with the Suez Canal, it was the first country to sign the BRI mutual agreement with China, and in 2016, both countries signed a currency-swap deal (KOTRA, 2018). Djibouti is

another critical point for the success of the initiative as it is a stopover for 30% of Africa's maritime transport passing through the Red Sea and the Suez Canal to reach Egypt and East Africa. Kenya shares its borders with the South Sudan which exports oil to China, and China sees Kenya as a safe channel to import oil supplies as the Sudan-South Sudan conflict does not seem to make progress. More specifically, the Mombasa Port in Kenya is understood to be the core point of BRI in Africa as it connects China with Uganda, Rwanda, Ethiopia, Somalia, Djibouti, Sudan, and Egypt and opens up a gateway toward the Mediterranean (ibid., 2018).

Table 1. Main BRI Projects in Africa (Unit: 1 billion)

Country	Project	Investment	Progress
Nigeria	Maritime railways	12	Completed in 2018
	Expanding the Dangote Cement	4.34	
Republic of South Africa	Modderfontein New City Project	7	Expected to be completed in 2030
Malawi	Infrastructure development	1.7	In progress
Mozambique	Mphanda Nkuwa Dam, hydroelectric power plant	3.1	In progress
Republic of the Congo	Packaged programs	6	In progress
Sudan	Khartoum Railways, Port Sudan	1.3	Completed in 2012
Egypt	New town construction	45	In progress
	Metro system	0.74	
Djibouti	Free Trade Area	3.5	In progress
	Metro system	4	In progress
Kenya	Lappset Project	13.1	Under planning
	Standard gauge railways	7	Partially completed; in progress
Tanzania	Port Bagamoyo	7	In progress

Source: KOTRA (2018)

Moreover, as Table 5 shows, China's exports to Africa have increased to a large extent after the implementation of the BRI projects in the region. The Chinese exports to Africa increased from \$84.6 billion in 2012, which was before the BRI projects were fully embraced in the region, to \$94.1 billion in 2017 (KOTRA, 2018). In just five years, the Chinese exports increased by

approximately 11%, where Egypt, Kenya, and Djibouti, the major BRI countries in the region, had experienced the greatest rate of increase (16%, 81%, and 75%, respectively) (ibid., 2018).

Table 2. China Exports to Africa (Unit: 1 million, %)

	Country	2012	2013	2014	2015	2016	2017	% Change
	Total Exports	2,050,109	2,210,662	2,343,222	2,280,541	2,135,308	2,279,162	11.17
	Total Exports to Africa	84,626	91,843	105,049	107,378	93,925	94,108	11.20
1	Republic of South Africa	15,334	16,833	15,705	15,880	13,029	14,971	-2.37
2	Nigeria	9,308	12,045	15,449	13,648	10,259	12,263	31.75
3	Egypt	8,225	8,353	10,460	11,963	10,776	9,535	15.93
4	Algeria	5,418	6,015	7,390	7,600	7,802	6,790	25.32
5	Kenya	2,789	3,222	4,932	5,918	5,758	5,057	81.32
6	Ghana	4,790	3,946	4,155	5,313	4,872	4,883	1.94
7	Morocco	3,130	3,270	2,966	2,901	3,164	3,193	2.01
8	Tanzania	2,091	3,140	3,891	4,287	3,714	3,145	50.41
9	Ethiopia	1,530	1,867	2,920	3,445	3,255	2,671	74.58
10	Angola	4,044	3,965	5,976	3,722	1,761	2,297	-43.2
11	Sudan	2,180	2,396	1,929	2,399	2,234	2,229	2.25
12	Djibouti	902	1,020	1,129	1,983	2,249	2,200	143.9
13	Liberia	3,480	2,336	1,709	1,357	1,594	2,102	-39.6
14	Senegal	795	988	1,651	2,194	2,270	2,052	158.11
15	Benin	2,414	2,991	3,493	2,993	2,088	1,936	-19.8

Source: Global Trade Atlas

According to Venkateswaran (2020), the trade volume between China and Africa has surged drastically from \$1 billion USD in 1980 to \$128 billion USD in 2016 (p. 1). Also, the amount of Chinese loans to Africa since 2000 is \$143 billion USD, with half of them given over the last four years alone, which ultimately made China Africa's largest bilateral creditor.²⁶

BRI in Africa is often criticized for its "debt trap diplomacy". However, a recent estimate by the China Africa Research Initiative (CARI) found that the Chinese loans are not a major contributor to debt distress in Africa, identifying only 6 countries where China, among other

²⁶ Johns Hopkins SAIS China-Africa Research Initiative Database

financial sources, has been contributing the heaviest lending.²⁷ In fact, another study by AidData found that there are positive economic spillovers of Chinese investment that produced a more equal distribution of economic activity. Bluhm et al. (2018) explains this in more detail:

Chinese development financing directly affects subnational and national development in Africa, but how this relates to the spatial distribution of economic activity is not clear ex ante. Greater local growth could lead to a reduction of spatial inequalities within regions – both directly and indirectly through positive spillovers – or it could increase the within-region concentration of economic activity at the expense of poorer cities and villages in the region (p. 22).

While it is true that there are concerns about BRI's impact on Africa and its economic stability, its overall economic impact on the region has been positive, at least in relative terms.

8.2. Geopolitics and Geoeconomics

While the economic aspects have made a relatively smooth progress, there exist some challenges of geopolitics. Raphael ZiroMwatela and Zhao Changfeng (2016) put them in a very clear manner:

The horn of African region and the Suez Canal has been traditionally a Western-controlled zone with the US and her allies being the primary guarantor for maritime security. Whichever powerful state controls the security of that region, also controls the maritime trade routes between Asia, Europe and Africa. Eghypt and Djibouti, two of the three African states part of the OBOR [BRI] are strategically located at the heart of global geo-politics playground (p. 11).

Djibouti is a unique case as it now hosts military bases for the United States, France, and now, none other than, China. China's involvement in Djibouti could potentially realign security partnerships that have underpinned the international order since 1945 (ibid., p. 12). Meanwhile, in

²⁷ For details, see Janet Eom, Deborah Brautigam, and Lina Benabdallah, *The Path Ahead: The 7th Forum on China-Africa Cooperation*, China Africa Research Initiative, August 1.

Egypt, China views the country's strategic geopolitical location at the Suez Canal as an indispensable opportunity, and this explains why Egypt is the only African nation to have officially signed bilateral BRI agreements with China. On the other hand, the inclusion of Djibouti has been "a result of logical assumptions than from official pronouncements" that can be explained under the quest for global dominance and the geopolitics of the horn of Africa as stated earlier" (ibid., p. 13). As 30% of the world shipping pass through the entrance of the Red Sea from the Indian Ocean and onto the Suez Canal, Djibouti and Egypt are critical (ibid., 2016).

Based on such geopolitical aims of BRI, some analysts find that the Chinese infrastructure projects create new geoeconomics connectivity through the economic corridors across the many regions that have been rendered "simply geo-politicized" or even "insignificant (Africa)" through geoeconomics interventions, calling them '*intervention with Chinese characteristics*' (Forough, 2019, p. 275). Cai (2018) also argue that China has tried to establish new institutions of its own, such as the AIIB or BRI, outside the existing international system to "bypass the USA-dominated existing system" and ultimately to increase China's influence in the regional and global economic arena (p. 839). In the context of the challenging the present regional and global system and conditions, analysts claim that BRI can be understood as its grand strategy to increase economic power and expand wealth as a leverage (ibid., 2018).

While China's geopolitical aims can lead to exploitation in the African continent, China was the first to recognize Zambia's independence, and while the West appears as a "colonialist," China can be perceived as *relatively* less "imperialistic" and more "altruistic" with its shared colonial history. Also, China's offer does not demand political change. Most importantly, China's presence is definitely needed in Africa for the purposes of economic development, expanding the region's connectivity with the global market, and ultimately reducing poverty. While "China's

hostile economic practices, military expansion, and coercive political and ideological tactics in Africa should not be ignored,”²⁸ BRI engagement is *essential* to foster development and growth in the region (Risberg, 2019, p. 45). BRI can provide an alternative and *better* leverage to the weak African economies, in relative terms, and eventually generate a multilateral community.

9. U.S. Countermeasures to BRI

As discussed in Section 2.1, the rise of China is related to the future of American hegemony. The present global order which is predominated by the United States and its allies has been subject to potential alterations in the global governance. In this sense, BRI has geopolitical implications, and is associated with the important issue of Sino-American rivalry. The foregoing examination of BRI demonstrates China’s growing influence in many of the areas impacted by the initiative, which is seen as coming at the expense of American influence, though this varies from region to region.

While some analysts consider the threat of the BRI to American interests as exaggerated, some advocate for a U.S. response to counter a rising hegemonic power (Risberg, 2019; Marston, 2018). In fact, Pearl Risberg (2019) argues that “the slow burning economic implications of the BRI are not necessarily a threat to U.S. prosperity, nor to global development” (p. 1). However, as we are about to see, last three American administrations have signaled that they see the rise of China as a threat.

²⁸ For further information, see Risberg, *The Give-And-Take of BRI In Africa*, CSIS New Perspectives, 2019.

Therefore, the Sino-American competition is another crucial piece of our puzzle. Specifically, the extent and nature of China's influence in the BRI regions are, and will be, shaped by the measures taken by the United States to curtail it. This section will assess the nature and impact of such countermeasures.

9.1. Road to Containment

Since President Obama's 'pivot to Asia' policy, the United States has set firm goals in strengthening bilateral security alliances and expanding trade and investment in Asia. Under the Obama administration, the United States actively pursued the Trans-Pacific Partnership (TPP) to the exclusion of China, explicitly stating that the treaty would "let America, not China, lead the way on global trade in the Pacific" (Forbes, 2018). Then, in a similar sense, President Xi's plan to assert and consolidate the nation's growing influence in the Pacific Basin was confirmed through the revival of the ancient Silk Road, the BRI, along with the Made in China 2025 and the RCEP.²⁹ For President Xi, BRI serves as a pushback against such significant shift in the American foreign policy: "Under Xi, China now actively seeks to shape international norms and institutions and forcefully assert its presence on the global stage" (Chatzky and McBride, 2020).

The U.S. responses to BRI under the Obama administration, and initially under the Trump administration, were "benign and even positive" as a result of the American policymakers' emphasis on bilateral cooperation (Wuthnow, 2018). Although President Obama was enthusiastic to promote the TPP which was intended to solidify the American leadership in the Asia-Pacific, he never fully critiqued BRI (*ibid.*, p. 3). Instead, President Obama viewed BRI as a positive development in Asia and said that "Asia needs infrastructure... so to the extent that China wants

²⁹ For further information, refer to Min Ye (2015), China and competing cooperation in Asia-Pacific: TPP, RCEP, and the new Silk Road.

to put capital into development projects around the region, that's a good thing" (ibid., p. 3). It is understood that "the best explanation is that Obama was simply more focused on other priorities in Sino-U.S. relations, such as climate change and the Iran nuclear issue, and saw little benefit in confronting Xi on his signature initiative" (ibid., p. 3).

The Trump administration's *initial* reaction to BRI is also evaluated in a similar manner with the Obama administration (Wuthnow, 2018). However, since mid-2017, senior U.S. officials became more critical of BRI, and ultimately began exploring ways to promote alternatives to Chinese financing by proposing reforms to the U.S. development finance system and cooperating with the U.S. allies and partners. In response to China's initiative with global ambitions, the Trump administration tried to counter BRI with the BUILD Act.³⁰ "This consolidated the Overseas Private Investment Corporation (OPIC), a U.S. government agency for development finance, with components of the U.S. Agency for International Development (USAID) into a separate agency with a \$60 billion investment portfolio" (Chatzky and McBride, 2020). Moreover, the United States' withdrawal from the TPP and disinterest in other multilateral trade agreements in Asia under the Trump administration has certainly allowed China "to cement its position as the center of regional trade" (Hillman and Sacks, 2021).

There are already clear indications that the new Biden administration aims to unite the American allies in an effort to "contain China's territorial claims across the Indo-Pacific" (London, 2021). On March 12th, the Biden administration took a bigger step forward to that goal by bringing together a virtual gathering for leaders of the Quad, which is "the loose alliance of the United

³⁰ According to Runde and Bandura (2018), the BUILD Act (Better Utilization of Investment Leading to Development) was a bipartisan bill creating a new U.S. development agency, the U.S. International Development Finance Corporation (USIDFC), which will seek to "crowd-in" vitally needed private sector investment in low and lower-middle income countries.

States, Japan, India, and Australia that Beijing has called emblematic of a “poisonous” Cold War mentality” (ibid., 2021). Although the Quad is not a formal military alliance like the North Atlantic Treaty Organization (NATO), it is understood by some as “a potential counterweight to growing Chinese influence and alleged aggression in Asia-Pacific” (ibid., 2021).

In emphasizing the importance of the Quad, Timothy Heath, a senior analyst at the RAND Corp think tank, also said that “many countries in the region, especially Southeast Asia, will likely welcome the closer cooperation among the Quad members to balance against China’s power,” yet “it will likely bring more tensions with China, including the possibility of economic retaliation against India, Australia, and Japan” (ibid., 2021). Jennifer Hillman and David Sacks (2021) argue that the United States has a clear interest in “adopting a strategy that both pressures China to alter its BRI practices” and seeks to provide an effective alternative to the initiative. For this, the authors explain a four-pronged strategy as a countermeasure to BRI: “address specific economic risks posed by BRI; improve U.S. competitiveness; work with allies, partners, and multilateral organizations to better meet developing countries’ needs; and act to protect U.S. security interests in BRI countries” (ibid., 2021).

In contrast to the previous approach of the Trump administration, the Biden administration has its own version of containment with key differences. First, President Biden wants to “tackle the Chinese threat in co-ordination with allies instead of unilaterally” (Bremmer, 2021). Second, the Biden administration seeks to focus more on investing in the U.S. innovation sectors. To be sure, BRI is seen as an important piece of what the Biden administration considers as “Chinese threat.” Accordingly, it has recently agreed with Japan to plan a “Belt and Road” alternative for Indo-Pacific. The two allies aim to expand cooperation on building foreign infrastructure and ultimately to “win the trust of countries in the region and gain an edge in their competition with

Beijing for Indo-Pacific influence” (Miki, 2021). President Biden said this 2-trillion-plus joint infrastructure plan will “boost America’s innovative edge in markets where global leadership is up for grabs and in the competition with China in particular” (ibid.).³¹

This plan dovetails Japan’s ongoing attempt to build a robust challenge to BRI. Japan’s post-war approach as articulated in the flying geese model of development has been pursued by China in its endeavor through BRI.³² Although Japan’s *lost decades* and China’s rise let many analysts to “overlook Japan’s role in Southeast and South Asia”, Japan remains as a critical source of development assistance in Asia (ibid.). In fact, the Abe administration’s approach to infrastructure investment as part of his *Abenomics* program was the “quality infrastructure” program. This quality investment means “considering a wide range of factors when making investment decisions, including environmental and social impact, debt sustainability, the safety and reliability of the construction, and the impact on local employment and technical expertise” (ibid.).

Although the future remains unpredictable, this Japanese initiative, which entails formidable cooperation with the United States, can surely slow down the progress of China’s BRI. To say the least, it is likely to make the region less Sino-centric than it would otherwise be.

³¹ The infrastructure plan led by the United States and Japan will focus on tackling climate change, promoting next-generation battery technology and hydrogen power, and working on telecommunications technology – “including 5G, which has become a battlefield in the fight for tech dominance between the U.S. and China” (Miki, 2021).

³² For details on the flying geese model, refer to UNCTAD (2013), *The Asian Developmental State And the Flying Geese Paradigm*. Available at https://unctad.org/system/files/official-document/osgdp20133_en.pdf.

10. Conclusion

Although President Xi proposed that BRI would restore the peaceful trade between the East and the West by reviving the old Silk Road spirit, some have expressed fears in China's pursuit, believing that the initiative is the nation's own business model which optimizes China's interests and that it has been applied to various BRI businesses. In some countries, the issue of BRI debt-trap was seriously raised, and analysts today are concerned that the BRI program may harm the long-term stability of the relatively small BRI-economies. Nevertheless, this study has found that the initiative certainly creates complementary benefits for both China and the recipient countries in economic aspects, despite the challenges in the contexts of geopolitics, history, and security.

Consequently, BRI has already helped China become the key economic, and political partner of nations in its backyard and beyond to a considerable extent and will likely continue to do so in the future. Relatedly, the initiative has allowed China to bind the neighboring nations more closely to itself than before, increasing the nation's global position. With the pertinent financial and other formal institutions it has spearheaded, coupled with the massive infrastructure it is building, China is also creating a Sino-centric order within the sphere of BRI.

Although this order resembles the one the United States has built and rebuilt after World War II globally, it does not require the latter's neoliberal-economic conditionalities or "good governance" from its partners. This makes the China-anchored order more attractive to many rulers in the BRI-region. However, the limitations discussed throughout this research will likely prevent China from establishing more than "half-hegemony" within this order, and perhaps even less in the BRI areas that have been able to maintain close relationship with the United States and its

allies, such as Japan. By the same token, this means that BRI has helped China increase its influence, in some measure at the expense of that of the United States.

While the competition between China and the United States for influence in Asia certainly comes with certain complications, the stability and prosperity of the BRI-economies are in line with the interests of both China and the United States. In this sense, it is critical for the powerful international actors, such as China and the United States, to find a common ground which can ultimately provide assurance and *win-win* outcomes for all. In other words, the long-term success of China's slogans of "community of common destiny" and "win-win partnership" can benefit from the creation of such a ground.

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APPENDIX

Appendix 1. A Quantitative Assessment of BRI's Economic Impact

This part will analyze the BRI in the context of economics to examine the potential economic effects earned from the initiative. Quantifying economic impacts of such vast project as the BRI can be a major challenge. This section uses empirical research and economic modeling to assess the initiative's impact on trade and gross domestic product (GDP) in the BRI economies. The paper conducts simulations of the BRI's impact through different scenarios by exerting a shock to variables of tariffs and trade costs through the computational general equilibrium (CGE) model.

This paper assumes that China's BRI strategy will be facilitated under broadly three approaches: 1) The unilateral approach is that only the BRI-economies reduce trade costs for the Chinese exports; 2) The bilateral approach is that both the BRI-economies and China reduce trade costs equally; 3) The most-favored-nation (MFN)³³ approach is that the BRI-economies lower trade costs for the whole exports from all the countries around the globe by expanding their transport and logistics infrastructures. China would prefer to expand its trade with the BRI-participating countries by reducing trade costs of its exports and imports, while the BRI-economies would be more interested in increasing trade flows with countries all over the world. On top of the three scenarios, this paper also includes a possibility that China signs FTAs with the BRI-economies, thus ultimately assumes a total of six scenarios for simulations.

³³ "Most-favored-nation (MFN) status is an economic position in which a country enjoys the best trade terms given by its trading partner. That means it receives the lowest tariffs, the fewest trade barriers, and the highest import quotas (or none at all). In other words, all MFN trade partners must be treated equally."

Average tariff rates among the BRI member states are given in Table 1. Since the composition of imports differs by region, the average applied tariff rates are different. Although the tariff rates of China, Southeast Asia (SEAsia), and Eastern and Central Europe (ECEurope) are the lowest, Central Asia and Mongolia (CAMong) and South Asia (SAsia) impose higher applied tariff rates on imports.

Table 3. Average applied tariff rates among BRI member states

	<i>Importer</i>					
	<i>China</i>	<i>SEAsia</i>	<i>CAMong</i>	<i>MEast</i>	<i>SAsia</i>	<i>ECEurope</i>
<i>China</i>	0.00	1.78	8.46	10.31	8.15	4.59
<i>SEAsia</i>	0.44	0.69	3.28	3.79	13.54	2.25
<i>CAMong</i>	0.88	0.78	0.05	2.95	1.88	0.23
<i>MEast</i>	0.87	1.11	5.90	0.51	3.35	1.27
<i>SAsia</i>	1.89	4.14	6.12	5.54	7.71	2.39
<i>ECEurope</i>	2.02	1.39	3.00	5.87	2.64	1.88

Source: Calculated based on the database of the GTAP version 10

Appendix 2. Impact on GDP

In evaluating a policy from economic aspects, many economic indices can be used. In fact, the GDP is one of the most frequently used indices, because it can assess an economic impact comprehensively.

Based on the CGE simulations, Table 2 suggests that by solely considering the economic aspects, it can be understood that China may not adopt the MFN-approach. In Scenarios 5 and 6, the GDP growth rate that China can expect is lower than those in other scenarios. On the contrary, the BRI-participating economies can expect the effects of economic growth that is 3~5 times greater than the GDP estimates of Scenarios 1 to 4. In Scenario 5, which does not take the FTAs into account, China's GDP would rather decrease, though the size of the loss may be small.

Table 4. The impacts of BRI on GDP of participating countries

(unit: %)

	Unilateral		Bilateral		MFN	
	<i>No FTA</i>	<i>FTA</i>	<i>No FTA</i>	<i>FTA</i>	<i>No FTA</i>	<i>FTA</i>
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
<i>CHN</i>	0.11	0.27	0.49	0.66	-0.01	0.13
<i>SEAsia</i>	0.66	0.65	0.71	0.70	3.04	3.04
<i>CAMong</i>	0.51	0.59	0.47	0.53	1.65	1.71
<i>MEast</i>	0.36	0.54	0.39	0.57	1.83	1.98
<i>SAsia</i>	0.26	0.27	0.26	0.27	1.41	1.41
<i>ECEurope</i>	0.23	0.21	0.24	0.22	2.10	2.09

When examining the GDP by region, Central Asia and Mongolia and Southeast Asia can expect the highest GDP increase through the BRI as shown in Scenarios 1 and 2. Since the countries of Central Asia and Mongolia and Southeast Asia account for a big portion of trade with China, they could expect a relatively greater increase in their GDP via the reduction of trade costs relished from the BRI. On the contrary, since the countries in Eastern and Central Europe have greater trade with the Western European countries than China, the economic impact of the BRI is assumed to be less. In fact, such prospects have been translated in the simulations of Scenarios 3 and 4.

The simulation results show that the impact of the BRI in Scenarios 5 and 6 will display different patterns from those of Scenarios 1 to 4. In addition to the increased economic impact mentioned earlier, it seems that the GDP of countries in Southeast Asia and Eastern and Central Europe will increase by a full 2~3%. As their industrial base of exporting sectors is well established, those countries in Southeast Asia and Eastern and Central Europe can expect significant benefits sourced from the reduction of trade costs in their global exports.

Appendix 3. Impact on Trade

In addition to using the GDP as an economic index, since the BRI can also be viewed as a trade policy, assessing an impact on trade is also critical.

Based on the CGE simulations, Table 3 summarizes the impact on trade under the six scenarios assumed by this research. The estimates of Table 6 are the changes in exports and imports between the times of pre-BRI and post-BRI, calculated in million USD. This research suggests the changes broadly divided into the BRI-regions and non-BRI regions, then displays the changes in China's global trade balance in the middle part of Table. 6. Subsequently, the table displays the BRI-states' changes of exports and imports of the global trade for each scenario; their total changes in the trade balance are calculated by dividing it into one toward China and the other toward the world. The BRI-regions' exports and imports toward China can be calculated by reversing China's exports and imports toward the BRI-states. For instance, in Scenario 1, the BRI-countries' changes in exports toward China are \$ 21.93 billion, and the changes in imports account for \$142.12 billion, thus their trade balance with China becomes \$ -120.98 billion, which eventually becomes their trade deficit.

Table 5. The impacts of BRI on the trade of participating countries

(unit: \$ 1 million)

	<i>China's Exports</i>		<i>China's Imports</i>		<i>China's Trade Balance</i>	<i>BRI-States</i>			
	BRI	Non-BRI	BRI	Non-BRI		<i>Global Trade Exports</i>	<i>Imports</i>	<i>Trade Balance China</i>	<i>World</i>
Scenario 1	142,129	-112,673	21,931	40,330	-32,805	54,822	42,732	-120,198	12,090
Scenario 2	314,800	-243,559	71,484	81,145	-81,388	19,951	36,833	-243,316	-16,882
Scenario 3	163,845	-96,812	140,305	-35,181	-38,091	10,557	6,499	-23,540	4,058

Scenario 4	340,773	-229,264	197,299	2,466	-88,256	77,119	53,757	-143,474	23,362
Scenario 5	22,573	-12,009	14,033	-13,307	9,838	208,566	136,533	-8,540	72,033
Scenario 6	187,110	-138,700	59,567	22,229	-33,386	264,445	179,222	-127,543	85,223

In Scenarios 1~4 that assume the BRI-states' reduction of trade costs unilaterally and bilaterally, the BRI-countries largely increased their trade with China, while the non-BRI-states witnessed a decline in their trade. In other words, trade diversion toward China occurs. Such an outlook converges with China's proposed policy objectives. However, as the impact on GDP is shown in Table 3, if the MFN-approach is applied, such trade diversion effects would be substantially decreased. Especially in Scenario 5, the trade diversion toward China would only account for \$22.5 billion. Further, if the FTAs are signed as in Scenario 6, the size of the trade diversion would be greater.

From the perspective of the BRI-states, their global trade balance would be improved in all Scenarios, except in Scenario 2. While Scenarios 5 and 6, which assume the MFN-approach, expect the size of the trade balance to be improved to \$ 72.03 billion ~ \$85.22 billion, other Scenarios anticipate their size to be relatively smaller. Moreover, Table 6 implies that while the simulation results under the Scenarios suggest that the BRI-economies hope the BRI projects to be promoted under the MFN-approach due to their deteriorated trade balance with China, China prefers to operate the BRI under a unilateral or bilateral approach in a direction which best suits its interests rather than through the MFN-approach. Therefore, a conflict of interest may arise, although Cai (2018) argues that China deliberately designs the BRI and the AIIB to develop and expand common interests between China and other countries, even those under in territorial disputes with China.