THE CHINA'S BELT AND ROAD INITIATIVE: IS IT A THREAT TO THE UNITED STATES?

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Introduction

Under the umbrella of China’s 2013 Belt and Road Initiative, a massive campaign to expand trade and to increase international investment, has the potential to replace the current, U.S. led, international economic order. Equipped with an array of sovereign wealth funds, development banks, and international partnerships, China’s lending capacity and willingness to invest abroad demonstrates the country’s eagerness to increase its influence in international affairs currently far outstrips any other nation. China is making significant investments in constructing a dominant global supply chain connecting Europe, Africa, the Middle East, and Central and Southeast Asia by over land and sea. All roads lead to Beijing.
Far detached from post-WWI reality, the United States no longer exhibits an interest in developing infrastructure, expanding trade, and engaging the world as it once did.  

The United States’ adherence to the growth and maintenance of a strong military at the expense of further entrenching itself in global supply chains plagues its position as the driver of the international economy.  

"Beijing has been playing the new economic game on a maestro level," writes President Emeritus at the Council on Foreign Relations, Leslie Gelb, “staying out of wars and political confrontations and zeroing in on business—it’s global influence far exceeds its existing economic strength. Nations do not fear China’s military might; they fear its ability to give or withhold trade and investments. Nations do not fear China’s military might; they fear its ability to give or withhold trade and investments.  

Further, China’s acquisition of economic power through the creation of new and diverse trade relationships will likely translate into diplomatic advantage. Such expansion of China’s international relationships has the capability to drive a wedge between the United States and its allies. The China’s ability to convince potential to coerce U.S. partners in the Middle East such as Saudi Arabia to trade oil in Renminbi (RMB) denominated contracts and the ability to exert export power over Japan are both examples of China’s expanding international reach.  

In this paper, I will analyze China’s Belt and Road Initiative (BRI), examine the trade and investment implications of the policy, and discuss China’s potential of China to become the driver of a new international economy.

I. Belt and Road Initiative

The Belt and Road Initiative (BRI), also known as One Belt, One Road (OBOR), binds China’s global trade and investment ambitions. In 2013, in Astana, Kazakhstan, Chinese President, Xi Jinping, announced plans for an “Economic Belt” connecting Central Asia to China.¹ One month later, in Indonesia, plans for a “Maritime Silk Road” were also announced.² In 2015, more detailed plans were released; according to the plans, the project was estimated to invest between $4-8 trillion.³ The Economic Belt consists of six corridors.⁴ The first, China-Mongolia-Russia Corridor, shortening the travel time between China and Europe, runs from China’s far northeastern province, through Mongolia, Russia, and into Eastern Europe.⁵ The second, New Eurasian Land Bridge (NELB) Corridor, connecting trade networks and opening opportunities for RMB settlements, travels west through Xinjiang—China’s troubled western province⁶—from into Central Asia and into Western Europe.⁷ Along the NELB Corridor, a
The third, China-Central Asia-West Asia Corridor, branches off from the \textit{Second Corridor} in Central Asia, travels through the Middle East, in-to Turkey and reconnects with the \textit{Second Corridor} in Western Europe. The fourth, China-Pakistan Corridor, connects the two increasingly friendly nations, includes a $62 billion railway, highway, and port (at Gwadar).

The fifth, Bangladesh-China-India-Myanmar Corridor, includes plans to build roads, railways, ports, and communications infrastructure linking the countries included under “a new platform of cooperation in finance, communication, technology, and industry.”\textsuperscript{14} The sixth, China-Southeast Asia Corridor, consists of three branches running south from the fifth corridor. Connecting Vietnam, Laos, Cambodia, Indonesia, Thailand, Malaysia, and others to the Economic Belt, the Corridor aims to connect “industrial and transportation infrastructure.”\textsuperscript{15} At present, the Maritime Silk Road consists of ports and agreements in Djibouti, Gwadar, and Myanmar. However, the “String of Pearls” theory asserts China will attempt to link ports in Sudan.

\textsuperscript{1}(Robert D. Blackwill and Harris 2014, 3-4)\textsuperscript{2}Ibid. Blackwill and Harris analyze the evolution of U.S. policy towards politico-military power and away from geoeconomic power beginning with World War I and ending with conflicts in the Middle East. Blackwill and Harris analyze the evolution of U.S. policy towards politico-military power and away from geoeconomic power beginning with World War I and ending with conflicts in the Middle East.\textsuperscript{3}(Gelb 2010)\textsuperscript{4}(Robert D. Blackwill and Harris 2014, 5)Renminbi is the currency of China. Typically, contracts are denominated in U.S. dollars.\textsuperscript{5}(Kennedy 2015)\textsuperscript{6}Ibid.\textsuperscript{7}(Balding 2017)\textsuperscript{8}(Papagiorcopula 2017)\textsuperscript{9}See Table 9, (Papagiorcopula 2017) for a detailed map of the six corridors\textsuperscript{10}Ibid. The second and third corridors include a network of oil and gas pipelines connecting Iran, Russia, Saudi Arabia, the Central Asian States, and others to China. As argued by (Robert D. Blackwill and Harris 2014, 75), the initiative increases the likelihood of RMB denominated trade settlements.\textsuperscript{11}Xinjiang is an autonomous region in Western China. Following the 2005 Kyrgyz Tulip Revolution, China has exerted tighter control over the region as a result of fears “concerned that such democratizing forces might spill over and destabilize its Western Province…” (Cooley 2012, 82).\textsuperscript{12}(Griffiths 2017)\textsuperscript{13}(Mahar 2015)\textsuperscript{14}(Papagiorcopula 2017)\textsuperscript{15}Ibid.
Djibouti, Pakistan, the Maldives, Sri Lanka, Bangladesh, Myanmar, Cambodia, and Hong Kong, strengthening Chinese sea power and connecting Indian and Pacific Oceans.\textsuperscript{16,17}

The economic power of the Maritime Silk Road and the Economic Belt is reinforced by the acquisition of key natural resources—mining and production operations. The Minsk Industrial Park in Belarus, along the China-Mongolia-Russia Corridor, represents the finished product end of a supply chain beginning at the Tavan Togoi Coal deposit in Mongolia.\textsuperscript{18} A Sinopec Refinery in Saudi Arabia provides China the capacity to export oil and gas products to Europe, but more importantly provides China the logistical capability to import energy, vital to its rapid development, by land and by sea.\textsuperscript{19} The port at Djibouti permits China’s relative ease of passage through the Gulf of Aden. Further, an arm of the sixth corridor, the Pan-Asia Railway Network begins in Kunming, China, branches into three routes through Laos, Cambodia, and Vietnam, respectively, and ends in Singapore.

The Vin Tanh 1 Thermal Power Plant in Vietnam, a consortium of Vinacomin (Vietnam) and the China Southern Power Grid Company, was financed in 2008 by the Asia Development Bank.\textsuperscript{20} The first of four planned units, Vin Tanh 1 converts Indonesian coal into electricity.\textsuperscript{21} Estimated to come online in late 2018, the $1.7 billion plant’s completion will be a result of the China Southern Power Grid Company and the China Power Investment Corporation providing 95% of the capital needed for construction.\textsuperscript{22}

For some many developing countries, colossal Chinese investment has proven to be a rising tide, which lifts all boats. According to the World Bank and Transparency

\textsuperscript{16} (Freeman 2016)  
\textsuperscript{17} See Table 10 (The Economist Staff 2013) for a map of Chinese ports  
\textsuperscript{18} (Kennedy 2015)  
\textsuperscript{19} (Meredith 2017)  
\textsuperscript{20} (Source Watch Staff 2017)  
\textsuperscript{21} Ibid.  
\textsuperscript{22} (Hoang 2013)
International in 2016 and 2017, respectively, Pakistan ranked 173rd in GDP growth and 117th in government transparency. Following a spell of below 2% nominal GDP growth in 2010, Pakistan, with the aid of China’s investment and increased trade, has experienced a spike in nominal GDP growth to 9.43% in 2017. Investment in weak authoritarian states seems to be a specialty practice of the BRI framers. Whereas it provides a lower cost alternative to investment from large non-governmental organizations such as the World Bank, “[World Bank] requirements often include time-consuming, lengthy studies, lengthy consultations, extensive mitigation measures, and lengthy mandatory prior public disclosure…during which the project cannot move ahead,” China is “seen as more flexible and less bureaucratic.” However, bankrolling the development of weak authoritarian states comes with unique debt risk implications. According to the Center for Global Development, sixteen countries are at “significant” risk of default, and Mongolia, Kyrgyzstan, Tajikistan, Pakistan, Djibouti, Laos, and Montenegro pose a greater, “high” risk of default. While a synchronized inability to repay loans from China could be devastating to the global financial system, it has also become an opportunity for China to use its creditor status as leverage. For instance, when it became clear the small country of Sri Lanka would be unable to pay back the $1.5 billion loan it had taken out in order to construct a strategic port, China entered into an agreement to take control of the port as a part of a 99-year lease. At the port of Gwadar, in Pakistan, China also holds a 40-year lease.

Manifesting the age-old principle that ‘trade makes everyone better off,’ China’s expansive developmental financing of international projects has created contracts launching seven

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23 (CEIC 2017)
24 (Dollar 2017)
25 (John Hurley, Scott Morris, and Portelance 2018, 227)
26 Ibid
27 Ibid
Chinese construction companies to the top-ten largest construction contractors in the world.\textsuperscript{28} Moreover, with an abundance of labor, China has given itself the ability to export workers to projects around the world.\textsuperscript{29} While at the beginning of the BRI in 2013 the United States began its ‘pivot to Asia,’ but it has since shifted sentiments and begun an isolationist ‘America First’ policy with the election of President Trump in 2016.\textsuperscript{30} As the United States focuses its efforts internally, China, and its ambitious Belt and Road Initiative pushes China to engage with the world. In the following sections, I examine key aspects of the evolution of trade and investment policies by both countries that confirm this principle shift.

II. Trade

In The Road to Global Prosperity, Michael Mandelbaum points out that, “The heart of politics is power; the aim of economics is wealth. Power is inherently limited. The quest for power is therefore competitive. It is a ‘zero-sum game.’ Wealth by contrast, is limitless, which makes economics a positive sum game.”\textsuperscript{30} Likewise, investment in friendly trading blocs by the United States since World War II, such as the Marshall Plan, has paid handsome dividends over time. David A. Baldwin in Economic Statecraft (1985) reflects this view when describing the effects of the Marshall Plan: “the American use of trade policy to construct an international economic order based on nondiscriminatory trade liberalization in the period after World War II was one of the most successful influence attempts using economic policy.

\textsuperscript{28} (Robert D. Blackwill and Harris 2014, 215)
\textsuperscript{29} (Barranguet 2010)
\textsuperscript{30} (Mandelbaum 2014, 68)
instruments ever undertaken.” Not only working to ensure “a lasting peace on America’s terms,” in Western Europe—an unsuccessful venture following the first World War—the Marshall Plan’s success demonstrates that offered rebirth to the once mighty German, French and British economies, and while “the wealth of a neighboring country,” according to Adam Smith, may be “dangerous in war and politics,” it is “certainly advantageous in trade.”

However, a shift in policy has led the United States to invest less in friendly trading blocs—U.S. non-entries to the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP) are examples. National security “shortcomings” from the United States’ perspective during negotiations resulted in the failure of the United States to enter both the TPP and TTIP. TTIP alone “could add as much as $223 billion to the global economy by 2025, and U.S. exports could increase by nearly $124 billion,” increasing the “power projection capabilities…of the U.S. and its closest allies.” Foregoing the opportunity to create “framed standards for about two thirds of the global economy” in the event of successfully negotiated Pacific and Atlantic trade partnerships, the United States misses a chance to “strengthen diplomatic ties and shape the international system in favor of American national interests.”

First analyzing trade, then investment, this paper will examine the costs of isolationist economic policies for the United States and the benefits to China and the global economy of open and integrated economic policies.

Expanding trade partnerships with organizations such as the Shanghai Cooperation Organization (SCO), the BRICS Federation (Brazil, Russia, India, China, and South Africa), the Gulf Cooperation Council (GCC), and others, China has increased the size of its geopolitical footprint while, at the same time, vastly growing its national wealth. Conversely, the expansion of trade, and the subsequent accumulation of wealth, likely begets an increased
geopolitical responsibility. China’s recent ability to ‘put its money where its mouth is,’ has allowed its emerging power to become a military force neighboring U.S. bases in places such as the critical port of Djibouti.\textsuperscript{41} Unlike the United States, however, China pledged to invest \$1.4 billion, 75\% of Djibouti’s annual GDP, in a commercial shipping port.\textsuperscript{42} A potential choke point for energy supplies from the Middle East, Djibouti sits on the ‘tip of the horn’ of East Africa, straddling the Gulf of Aden and the Red Sea.\textsuperscript{43}

**Access to the Chinese Market and Export Power**

China has the unique ability to leverage access to its domestic market as a geoeconomic tool. Even with an export-driven market structure, the sheer size of China’s growing middle class—coupled with its rising purchasing power—gives the Chinese government a leg up in trade negotiations and in geopolitical posturing.\textsuperscript{44} While the European Union and the United States also enjoy the benefits of a large domestic consumer base, China has four distinct advantages. First, Beijing controls access to its market on a case-by-case basis.\textsuperscript{45} Barriers to entry are often high, and a joint venture with a Chinese company is usually required.\textsuperscript{46} This has been an object of dispute between China and the United States regarding the introduction of U.S.

\textsuperscript{31} (Baldwin 1985, 202)
\textsuperscript{32} (Robert D. Blackwill and Harris 2014, 3) examines the failure of the Bretton Woods Agreement following World War I and the implications for peace and stability in Europe before World War II.
\textsuperscript{33} (Robert D. Blackwill and Harris 2014, 161)
\textsuperscript{34} (Smith 1776, 1991)
\textsuperscript{35} (Robert D. Blackwill and Harris 2014, 191)
\textsuperscript{36} (Ignatius 2014)
\textsuperscript{37} \textit{Ibid.}
\textsuperscript{38} (Robert D. Blackwill and Harris 2014, 191)
\textsuperscript{39} (Mauldin 2013)
\textsuperscript{40} (Robert D. Blackwill and Harris 2014, 191)
\textsuperscript{41} (John Hurley, Scott Morris, and Portelance 2018)
\textsuperscript{42} \textit{Ibid.}
\textsuperscript{43} Note: The United States Military accused China of directing military-grade lasers into the cockpits of two American fighter jets flying over the Chinese Military base at Djibouti in May 2018. The BBC reports 10 such incidents are alleged to have occurred over the past year. (BBC 2018)
\textsuperscript{44} (Robert D. Blackwill and Harris 2014, 100)
\textsuperscript{45} (Robert D. Blackwill and Harris 2014, 149)
\textsuperscript{46} \textit{Ibid.}
technology companies entering China and the security of U.S. high-tech technological secrets.\textsuperscript{47} Second, China wields the capacity to exert significant control over the appetites of domestic consumers to a large extent. For example, in September 2012, Japan publicly expressed its complaints against Chinese naval activity in the Diaoyu Islands in the East China Sea. Over the course of the month of October, Japanese total exports fell by over 14% due to a sudden and deliberate lack of Chinese demand.\textsuperscript{48} Although Japan and its Asian counterparts, such as Korea, Vietnam, Australia, the Philippines, and others may be political and/or military allies of the United States, a growing economic dependence on China translates into geopolitical subordinance to Beijing.\textsuperscript{49} Third, countries, particularly those in Asia, cannot ignore the current size and scale of the domestic Chinese market. Regardless of its below average purchasing power, the Chinese middle class includes an estimated 430 million people; even a slight decrease in access to such a vast number of consumers has the potential to bring about devastating effects on an economy, especially on those within China’s neighborhood.\textsuperscript{50} Finally, China’s expected economic growth and subsequent acquisition of power prompts leaders to improve relations now in order to reap benefits in the future. For instance, since the 2010 presentation of the Nobel Peace Prize to the controversial Chinese leader, Lu Xiaobo, China has snubbed Norway on the international stage. In order to improve relations or, possibly simply to prevent further deterioration of the economic relationship, the Norwegian Prime Minister, Erna Solberg, declined to meet with the Dalai Lama during the de facto Tibetan spiritual leader’s visit to Oslo. She was quoted saying, “It’s not as if China said we cannot meet the Dalai

\textsuperscript{47}(Sam Schechner, Douglas MacMillan, and Lin 2018, 36)
\textsuperscript{48}(Johnson 2012)
\textsuperscript{49}(Robert D. Blackwill and Harris 2014, 112)
\textsuperscript{50}(Babones 2018)
Lama, we just know that if we do so, we’re going to remain in the freezer for even longer.”

Estimates project China’s middle class to reach upwards of 780 million people by the mid-2020’s. Given China’s special ability to command access to its lucrative domestic market, the United States faces the threat of China inserting itself between the U.S. and its allies both in Asia and around the world.

Moreover, China retains the economic capacity to disrupt supply chains vital to the United States and its allies. Following a 2010 collision between a Chinese fishing boat and a Japanese Coast Guard Vessel in the East China Sea, a 40% general export reduction of China’s total rare earth metals exports sent the Japanese economy into crisis, caused the world market price of rare earth metals to skyrocket, and severely disrupted a supply chain essential to Japanese technology and U.S. defense sectors. Only after a 2014 WTO ruling against China, which commands 70% of the world’s known rare earth metal reserves, did the world price of the commodity return to ‘normal levels.’ Despite the severe effects of the 2010 export reduction, a targeted attack or full-blown embargo could have crippled the Japanese economy and directly challenged negatively affected the United States.

**Internationalization of the Renminbi: Trade Outside the Dollar**

Nominally aiming In order to decrease transaction costs on purchases fulfilling to meet its growing energy demand, China seeks has sought to expand trade with countries including, but not limited to those sanctioned by the United States. Rather than using U.S. dollars, China used through contracts denominated in RMB in to conduct these transactions in order to avoid

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31 (Gladstone 2014)  
32 (Babones 2018)  
33 (Yatsu 2017)  
34 Ibid
Representing more than 30% of global energy imports, China has signed an RMB-denominated contract with the sanctioned Russian oil company, Gazprom Neft, and will begin trading oil futures on its Shanghai Exchange March 26, 2018.\textsuperscript{55} China is also likely to begin purchasing Iranian Oil using the RMB.\textsuperscript{56} These RMB denominated purchases present two clear ramifications of such a reality present two clear threats to the United States.

First, the replacement of the ‘petro-dollar’ with the ‘petro-yuan,’ even to a negligible degree, challenges the dollar’s status as the world’s leading reserve currency and could lead to the United States’ loss of related privileges,\textsuperscript{57} such as having a “relatively easier time raising and mobilizing capital at low borrowing costs, and [a] relatively greater ability to impact another country’s borrowing costs.”\textsuperscript{58} As the former U.S. Treasury Secretary said in 1971, “it’s our currency, and your problem;” the increased use of the RMB in international trade could severely limit the advantages the United States has enjoyed since the end of the Second World War.\textsuperscript{59}

Namely, the issuance of large amounts of debt to finance a military-driven international supremacy, among other things, with an assurance that foreign central banks will continue to hold dollars as a reserve currency, at least in part to facilitate international trade—Shortly after the fall of Lehman Brothers, one Chinese Central Banker, Luo Ping, the Director-General of the China Banking Regulatory Commission voiced the opinion of the opposition, “once you start issuing $1 trillion to $2 trillion [of bonds], we know the dollar is going to depreciate, so we hate you guys, but there is nothing we can do.”\textsuperscript{60} Since the ascension of the RMB to the basket of IMF world reserve currencies in 2016, China has forged a path to avoid similar frustrations.\textsuperscript{57,58,59,60}

\textsuperscript{55} (Farchy 2015)
\textsuperscript{56} (ICIS Staff 2018)
\textsuperscript{57} (Robert D. Blackwill and Harris 2014, 90)
\textsuperscript{58} (UN 2014)
\textsuperscript{59} (Wheatley 2012)
\textsuperscript{60} (Robert D. Blackwill and Harris 2014, 90) quoting Luo Ping, the Director-General of the China Banking Regulatory Commission in (Sender 2009)’s “China to Stick with U.S. Bonds” Financial Times, February 11, 2009.
it’s it is hazardous to the United States’ position in the world economy. An internationalized RMB would create an “ample opportunity for China to play a larger role in influencing international institutions,” an incentive to sell U.S. Treasuries by “becoming less reliant on low-yield bonds from developed countries,” and an ability to increase the amount of RMB held in foreign central banks by paying for a growing number of imports in RMB rather than in dollars.61 By increasing the level of foreign-held RMB reserves, China will be able to invest in “new overseas assets.”62 Chinese political economist, Di Dongsheng argues “to adequately protect these overseas assets, Beijing will have to be capable of projecting power…Thus, China is likely to abandon its foreign policy orthodoxy of non-interference in order to protect its overseas investments.”63 An internationalized RMB would create an “ample oppo

Second, the increased use of the RMB in international trade lessens the extent to which the United States can limit hostile states’ access to financial markets through economic sanctions—the favored tool of American policymakers. Specifically, with respect to Iran and Russia, U.S. sanctions on oil, defense, technology, and other companies often produce a degree of leverage sufficient to attain desired geopolitical outcomes. However, if the use of the RMB in energy transactions proves itself a viable means in the avoidance of U.S. sanctions, the power of the United States to compel hostile states to change their behavior will be critically restricted. It is likely that RMB will become an effective medium of exchange, at least between China and Iran. Oil imports to Asia rose 3.3% in January 2018 to a three-month high; and China’s January oil imports from Iran increased a staggering 85.9% since

61 (Robert D. Blackwill and Harris 2014, 142)
62 Ibid
63 (Robert D. Blackwill and Harris 2014, 143) quoting Di Dongsheng’s “The Renminbi’s Rise and Chinese Politics,” in Wheatley’s The Power of Currencies and the Currencies of Power. (Wheatley 2013)
the previous year to 748,715 barrels per day.\footnote{Ibid.} Moreover, in the wake of recent increases in U.S. energy output, American purchases of oil from traditional producers, such as Saudi Arabia, have waned.\footnote{Ibid.} For instance, in 2007 the eight countries comprising the Persian Gulf—\footnote{EIA 2018} which includes Saudi Arabia—accounted for around 2.2 million barrels per day (MMb/d) of oil imported by the United States.\footnote{EIA 2018} Also in 2007, Canada exported roughly the same 2.2 MMb/d to the United States.\footnote{Ibid.} However, by 2017 Canada grew to become the largest exporter of oil to the United States, sending nearly 3.9 MMb/d to the United States and making up 40% of U.S. imports, while the Persian Gulf states’ daily exports declined to less than 2.0 MMb/d.\footnote{Ibid.} Subsequently, China, now producing over 30 million cars per year,\footnote{Meredith 2017} has assumed the position of “the world’s largest importer of oil.”\footnote{Meredith 2017} As a result, China could pressure states that are relatively friendly to the U.S., such as Saudi Arabia, India, and others, connected by the China-Central Asia-West Asia Corridor, to sign RMB-denominated oil contracts. Not only would such an undertaking sharply curb the United States’ power to necessitate the cooperation of hostile states but would also reduce the flow of dollars held abroad into U.S. capital markets.

In sum, the internationalization of the RMB presents a dynamic threat to the United States. Any attempt to replace the dollar as the dominant world reserve currency threatens United States’ supremacy in the global financial system, and, as a result, weakens the economic tools the United States can use as means to foreign policy ends. Jiang Yong, a Senior Fellow at the China Institutes of Contemporary International Relations, told the Financial Times

\footnote{See Tables for graph}

\footnote{Tsukimori 2018}
in 2011 that ending U.S. dominance of the monetary system is “as important as New China’s becoming a nuclear power.” The accumulation of RMB in central banks and in the coffers of energy producing nations such as Iran and Russia as a result of internationalization will also provide Beijing with an influx of capital with which it may continue a path of assertive foreign direct investment. If this happens, it is likely Beijing will be more inclined to “abandon its

(Henny Sender, Geoff Dyer, and Pilling 2011)
foreign policy orthodoxy of non-interference,” and turn to “hard power” in order to “protect its overseas investments.”

III. Investment

BRI Investment

Announced by Xi Jinping in 2013, the One Belt, One Road Initiative (OBOR), encompasses a land-based Silk Road Economic Belt (SREB) and ocean-going Maritime Silk Road (MSR). Chiefly, Its primary goal is strengthening economic relations with China’s western neighbors in Central Asia, but the expansive project has come to include much more. Investing abroad in railroads, highways, ports, real estate, and various energy, iron, steel, and other commodities, the mega-project overshadows dwarfs similar efforts such as the Marshall Plan. According to a 2017 analysis of the BRI from the global mining and natural resources company, BHP, in contrast to the U.S. effort to rebuild war-torn Europe following World War II by investing the 2015 real equivalent of $176 billion into 18 different countries inhabited by 250 million people, the Belt and Road Initiative covering 68 countries, inhabited by 3.4 billion people, accounting for 65% of the world’s population, OBOR’s planned and executed aggregate investment is the size of 40% of 2017 world GDP.

Challenging the dominance of a Western-led global order, China has utilized organizations such as the Shanghai Cooperation Organization (SCO) to expand its regional and global economic influence. Initially comprised of six members in 2001—China, Russia, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan—the relatively weak security partnership evolved into a regional economic force and, in June 2017, accepted later invited India and Pakistan as member states to join. Following the global financial crisis of 2008, China proposed a $10 billion SCO crisis fund to invest in infrastructure and revitalize the Central Asian
Beijing proposed splitting the funding down the middle with Moscow, however Moscow refused to pledge the funds. Tabled until 2010, China announced it would fund the entire $10 billion project by 2014. Handedly surpassing the amount pledged by the European Bank for Reconstruction and Development in Asia, the World Bank, the Asia Development Bank, and the European Bank for Reconstruction and Development in Asia, the World Bank, China established itself as the leading source of funds to the region. Further, opened in 2016, the Asia Infrastructure Investment Bank (AIIB), opened in 2016 and headquartered in Beijing, notably does not include the United States. However, the 57 country list of signees, but does however include key U.S. allies such as Canada, Australia, South Korea, and the U.K.; admissions which caused the United States to “lose face” following U.S. appeals pleads urging the countries not to join. The AIIB’s available bank capital is about two-thirds of that of the Asia Development Bank and about half of that of the World Bank; however, the Chinese government heavily influences the investment direction projects of chosen by the $100 billion partnership controls is heavily influenced by the Chinese government. The rise and success of the AIIB remains an embarrassing diplomatic defeat for the United States and continues to strengthen China’s economic power around the globe.

Subverting traditional forms of international financing, China has effectively employed the funds of the CDB, ADB, AIIB, and other Eastern institutions to gain influence in regions such as the Middle East, Africa, and Central Asia, while also developing the means to acquire and transport natural resources over land and back to China. Weakening the economic benefit of

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88 (Cooley 2012, 90)
89 Ibid.
90 Ibid. (Cooley 2012, 92).
91 Ibid. See table 3 for “China-backed and Western-backed development banks (total assets $ billion)” (Cooley 2012, 94).
92 (Panda 2017)
obtain oil, iron, copper, steel commodities and other goods vital to the survival of its economy virtually uncontested. With an economy growing at nominal rates higher than 10% annually until recently, China’s demand for energy must increasingly be secured from places outside its borders. As a result, China has acquired, and exerts control over much of the energy resources in Central Asia. After constructing the Atyray-Alashankou Oil Pipeline and the Central Asia-China Gas Pipeline, China went on to loan $4 billion to Turkmenistan in order to develop the South Yolotan field. The field is estimated to be the world’s second largest deposit of natural gas reserves. Financed by the CDB, the China Import-Export Bank, and the Kazakhstan Development Bank, the China National Petroleum Company assumed a 50% stake in KazMuniGas, Kazakhstan’s largest natural gas producer, for $5 billion in 2009.

[Commented [MK18]: This needs to be explained or generalized.]
[Commented [MK19]: This is not clear]

83 (Cooley 2012, 90)
84 Ibid.
85 Ibid.
86 Ibid.
87 (Cooley 2012, 92)
Africa

China’s sovereign wealth fund, the China Investment Corporation, has over $3.5 trillion in foreign exchange reserves.\(^8\) A large portion of this capital is managed by a branch of the CIC, the State Asset Foreign Exchange (SAFE), branch of the CIC, the State Asset Foreign Exchange (SAFE), manages a large portion of this capital.\(^9\) With a unique, central control over the fund, China’s leaders have directed sizable overseas investments with clear geopolitical objectives and conditions. For instance, just before the Zimbabwean election in 2011, China bought extensive platinum rights from the Mugabe government—extensive platinum rights; worth, by some estimates, over $40 billion China paid for just $3 billion.\(^9\) However, with over $7 billion in outstanding loans from China, Zimbabwe may have accepted the low bid as a result of economic and/or political leverage, access to Chinese capital has been vital to the survival of President Mugabe’s regime.\(^9\) Although profitable for China in economic terms, such investments come with strings attached. Where similar pledges of capital by the United States, or from international bodies such as the IMF or World Bank, might require an adherence to rule of law or general ‘good governance,’ recent Chinese investments have required African states to recognize the ‘One China’ policy. “Openly predicating investments investment decisions based on countries’ disavowal of Taiwan,” SAFE has proven successful in convincing African nations to cut diplomatic ties with the island China views as its own province.\(^9\)

State-owned development banks in China, complementing the efforts of sovereign wealth funds and other capital-deployment vehicles, offer to the developing world a massive amount of...
investment when compared to Western institutions, such as the World Bank. For instance, the China Development Bank (CDB) holds nearly $1 trillion in reserves and outstrips the lending capacity of the World Bank by a factor of thirty-two.\(^{94}\) Launched by the CDB, the China-Africa Development Fund (CADF), is the first private equity venture from a Chinese State-owned bank and boasts $5 billion to invest.\(^{95}\) The fund has so far invested in 80 projects in 35 countries.\(^{96}\) The interest of the fund’s managers is bifocal: distributed, at times unequally, between increasing returns and creating political advantage.\(^{97}\) Financing the construction of the African Union Capitol in Addis Ababa, presidential palaces in Zimbabwe, Togo, and Sudan, and more than 52 sports stadiums in Africa, the fund operates in stark contrast to the traditional sources of

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\(^{94}\) (Cooley 2012, 92)

\(^{95}\) (Lenihan 2013)

\(^{96}\) (Sanusi 2013)

\(^{97}\) (Anderlini 2008)

\(^{98}\) (Robert D. Blackwill and Harris 2014, 139)

\(^{99}\) (Robert D. Blackwill and Harris 2014, 140)

\(^{100}\) Ibid.

\(^{101}\) Ibid.
one’s *jiaxinag* or hometown, a region from which an African leader hails can expect up to 270% more development than other regions. Assuming minority stakes in such projects, alongside other Chinese investors, the China Development Bank allows “Chinese firms to supply local partners with Chinese capital, technology, and know-how.” While this is a positive step for the development of Africa, the United States—significantly reducing the amount of aid provided to the continent—continuously misses out on otherwise profitable ventures and, more importantly, cedes geopolitical leverage in Africa to China.

Involved in intelligence operations in Sudan, Kenya, The Central African Republic, Angola, Tanzania, Mozambique, and Malawi between 1960 and 1990, the Chinese government has long been a proponent of unifying Africa under a league of China-friendly nations. Chinese intelligence operations including an attempt to overthrow the government of Malawi and providing staunch arms support for the ruling party throughout the Sudanese civil war. Whereas before, the Chinese government lacked the economic might to influence diplomacy, it has since gained the privilege. In 2008, Malawi disavowed Taiwan and was subsequently rewarded, upon entrance to the Chinese sphere of influence, with development investment from the CADE. It becomes increasingly clear to understand in Africa, China’s economic power has trumped political and military power in diplomacy. As China’s economic ties with Africa grow, and as the United States backs away from the center of the world stage to focus on affairs at home, China will inevitably win over more win over more friends countries in Africa, and more votes in international bodies.

IV. **Conclusion and Implications**
China’s ability to provide friendly regimes access to capital, to vastly expand trade partnerships, to secure critical resources, and to increase its national wealth generates an opportunity for Beijing to offset—or even challenge—topple the current international economic order. With the backing of large sovereign wealth funds, development banks, and international pacts, the swift financing capabilities exhibited through the Belt and Road Initiative supply many of the world’s developing nations with the much-needed infrastructure and technology needed to participate in international trade growth their economies. China has already shown its potential to become the world’s largest lender, and, as a currently powerful creditor, exercises its position over small states. Its—spawning geopolitical significance and influence—extends, even over larger states including the United States.

China’s projected ability to ‘dethrone’ the U.S. Dollar, as a result of increased trade relationships, the internationalization of the RMB, and recent shifts in global energy demand, could be the ‘silver bullet’ China employs to create its own international economic order. As a result of the internationalization of the RMB, expanding trade partnerships, and shifts in global energy demand, China has the capability to one day offer an alternative to using the U.S. dollar in global trade. Uniting a trade and investment offensive, Beijing’s Belt and Road Initiative outfits China with the means to become economically independent of the United States, while, at the same time, driving a wedge between the United States and its allies. A strengthened Asian sphere of influence applies an even greater pressure on states such as Japan, Korea, the Philippines, Vietnam, Taiwan, and others to increasingly follow Beijing’s directives.

The United States, falling deeper into debt and succumbing to internal political strife, lacks the ambition to reshape—or, rather maintain—the international economic order in its image, as it did following World War II. As a result, China has stepped in to fill the void; and has already begun to amend international economic standard operating procedures.

Positioned safely in the Western Hemisphere, enjoying long coasts along the Atlantic and Pacific Oceans, and virtually surrounded with friendly regimes, the United States has used its relative geographical isolation from Europe and Asia to its economic advantage. 

position. 

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throughout its short history. Trading relatively openly with Canada and Mexico, exerting some control over the developments in Central and South America, and unifying Europe as a trading bloc following World War II, the United States has utilized a period of moderate international peace to expand trading relationships, to invest in developing nations, and to influence the policies of regimes around the world. While successfully influencing competitive nations, such as Japan in the 1980s, with tariffs and other economic threats, the United States no longer retains the exclusive right to exercise such control in international trade.

The maintenance of the United States’ economic supremacy, as history has shown, has been more closely linked with economic, rather than military, power. A willingness and ability to expand unilateral trade agreements and provide developing nations access to capital through western institutions, such as the IMF and World Bank, has given the United States an international virtual ‘most favored country’ status, and greatly strengthened the power of the dollar. However, recent developments and spending patterns explain the rapid rise of China’s economic power with respect to that of the United States. While the United States increases military spending, deploying costly wars, and moves towards a policy of economic isolation, it neglects the opportunity to entrench itself further into the supply chains of its partners, friends, and enemies. In contrast, China has taken advantage of this opportunity. Deploying capital around the world at a time when others are less likely to do so, China has built—a new international economic order—from which, all roads will lead to Beijing.
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