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

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TABLE OF CONTENTS

Introduction

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. China is making significant investments in constructing a dominant global supply chain connecting Europe, Africa, the Middle East, Central and Southeast Asia by land and sea.

"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—its 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."[1] The expansion of China's international relationships has the potential to drive a wedge between the United States and its allies. 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 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

[1] (Gelb 2010)

China.[2] One month later, in Indonesia, plans for a "Maritime Silk Road" were also announced.[3] In 2015, more detailed plans were released; according to the plans, the project was estimated to invest between $4-8 trillion.[4] The Economic Belt consists of six corridors.[5] 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.[6] 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 province[7]—from Central Asia into Western Europe.[8] Along the NELB Corridor, a high-speed train from Yiwu, China to London, UK has been under construction since 2016.[9] The third, China-Central Asia-West Asia Corridor, branches off from the Second Corridor in Central Asia, travels through the Middle East, into Turkey and reconnects with the 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).[10] 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."[11] The sixth, China-Southeast Asia Corridor, consists of three branches running south from the fifth corridor. Connecting

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[2] (Kennedy 2015)
[3] *Ibid.*
[4] (Balding 2017)
[5] (Papagiorcopula 2017)
[6] See Table 9, (Papagiorcopula 2017) for a detailed map of the six corridors
[7] *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.
[8] 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).
[9] (Griffiths 2017)
[10] (Mahar 2015)
[11] (Papagiorcopula 2017)

Vietnam, Laos, Cambodia, Indonesia, Thailand, Malaysia, and others to the Economic Belt, the Corridor aims to connect “industrial and transportation infrastructure.”[12] 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, Djibouti, Pakistan, the Maldives, Sri Lanka, Bangladesh, Myanmar, Cambodia, and Hong Kong, strengthening Chinese sea power and connecting Indian and Pacific Oceans.[13,14]

The power of the Maritime Silk Road and the Economic Belt is reinforced by the acquisition of key natural resources. The Minsk Industrial Park in Belarus, along the China-Mongolia-Russia Corridor, represents the end of a supply chain beginning at the Tavan Togoi Coal deposit in Mongolia.[15] 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.[16] The port at Djibouti permits China’s relative ease of passage through the heavily trafficked 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.[17] The first of four planned units, Vin Tanh 1 converts Indonesian coal into electricity.[18] Estimated to come online in late 2018, the $1.7 billion plant’s completion will be a result of the China Southern Power

[12] *Ibid.*
[13] (Freeman 2016)
[14] See Table 10 (Staff 2013) for a map of Chinese ports
[15] (Kennedy 2015)
[16] (Meredith 2017)
[17] (Staff 2017)
[18] *Ibid.*

Grid Company and the China Power Investment Corporation providing 95% of the capital needed for construction.[19]

For some developing countries, colossal Chinese investment has proven to be a rising tide, which lifts all boats. According to the World Bank and Transparency 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.[20] Investment in weak authoritarian states seems to be a specialty practice of the BRI framers. 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."[21] 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.[22] 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

[19] (Hoang 2013)
[20] (CEIC 2017)
[21] (Dollar 2017)
[22] (John Hurley, Scott Morris, and Portelance 2018, 227)

into an agreement to take control of the port as a part of a 99-year lease.[23] At the port of Gwadar, in Pakistan, China also holds a 40-year lease.[24]

Manifesting the age-old principle that ‘trade makes everyone better off,’ China’s expansive financing of international projects has launched seven Chinese construction companies to the top-ten largest construction contractors in the world.[25] Moreover, with an abundance of labor, China has given itself the ability to export workers to projects around the world.[26] 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. 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 shift.

II. Trade

In *The Road to Global Prosperity*, Michael Mandelbaum points out, “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.”[27] 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

[23] Ibid
[24] Ibid
[25] (Robert D. Blackwill and Harris 2014, 215)
[26] (Barranguet 2010)
[27] (Mandelbaum 2014, 68)

the most successful influence attempts using economic policy instruments ever undertaken."[28] Not only working to ensure "a lasting peace on America's terms," the Marshall Plan's success demonstrates that while "the wealth of a neighboring country," according to Adam Smith, may be "dangerous in war and politics," it is "certainly advantageous in trade."[29,30] 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.[31] National security "shortcomings" from the United States' perspective during negotiations played a part in the failure of the United States. to enter both TPP and TTIP.[32] 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,"[33] increasing the "power projection capabilities…of the U.S. and its closest allies."[34] Foregoing the opportunity to create "framed standards for about two thirds of the global economy"[35] 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."[36] First analyzing trade, then investment, this paper will examine the costs of isolationist economic policies for the United States and the benefits to China 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

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[28] (Baldwin 1985, 202)
[29] (Robert D. Blackwill and Harris 2014, 161)
[30] (Smith 1776, 1991)
[31] (Robert D. Blackwill and Harris 2014, 191)
[32] (Ignatius 2014)
[33] *Ibid.*
[34] (Robert D. Blackwill and Harris 2014, 191)
[35] (Mauldin 2013)
[36] Robert D. Blackwill and Harris 2014, 191)

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 it to become a military force neighboring U.S. bases in places such as the critical port of Djibouti.[37] Unlike the United States, however, China pledged to invest $1.4 billion, 75% of Djibouti's annual GDP, in a commercial shipping port.[38] 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.[39]

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.[40] 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.[41] Barriers to entry are often high, and a joint venture with a Chinese company is usually required.[42] This has been an object of dispute between China and the United States regarding the introduction of U.S. technology companies to China and the security of U.S. high-tech secrets.[43] Second, China wields the capacity to exert significant control over the appetites of domestic consumers. For example, in

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[37] (John Hurley, Scott Morris, and Portelance 2018)
[38] *Ibid.*
[39] *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)
[40] (Robert D. Blackwill and Harris 2014, 100)
[41] (Robert D. Blackwill and Harris 2014, 149)
[42] *Ibid.*
[43] (Sam Schechner, Douglas MacMillan, and Lin 2018, 36)

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.[44] 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.[45] 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.[46] 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 Tibetan spiritual leader's visit to Oslo. She was quoted saying, "It's not as if China said we cannot meet the Dalai Lama, we just know that if we do so, we're going to remain in the freezer for even longer."[47] Estimates project China's middle class to reach upwards of 780 million people by the mid-2020s.[48] Given China's special ability to command access to its lucrative

[44] (Johnson 2012)
[45] (Robert D. Blackwill and Harris 2014, 112)
[46] (Babones 2018)
[47] (Gladstone 2014)
[48] (Babones 2018)

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% reduction of China's total rare earth metals exports sent the Japanese economy into crisis, caused the world price of rare earth metals to skyrocket, and severely disrupted a supply chain essential to Japanese tech and U.S. defense sectors.[49] 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.'[50] Despite the severe effects of the 2010 export reduction, a targeted attack or full-blown embargo could have crippled the Japanese economy and negatively affected the United States.

<u>Internationalization of the Renminbi: Trade Outside the Dollar</u>

In order to decrease transaction costs on purchases to meet its growing energy demand, China 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 uses contracts denominated in RMB in order to avoid U.S. oversight. 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.[51] China is also likely to begin purchasing Iranian Oil using the RMB.[52] These RMB denominated purchases present two clear threats to the United States.

[49] (Yatsu 2017)
[50] Ibid
[51] (Farchy 2015)
[52] (Staff 2018)

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 privilege;[53] 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."[54] 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.[55] Shortly after the fall of Lehman Brothers, 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."[56] 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.. 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.[57] By increasing the level of foreign-held RMB reserves, China will be able to invest in "new overseas assets."[58] Chinese political economist, Di Dongsheng argues "to adequately protect theses overseas assets, Beijing will have to be capable of projecting

53 (Robert D. Blackwill and Harris 2014, 90)
54 (UN 2014)
55 (Wheatley 2012)
56 (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.
57 (Robert D. Blackwill and Harris 2014, 142)
58 *Ibid.*

power…Thus, China is likely to abandon its foreign policy orthodoxy of non-interference in order to protect its overseas investments."[59]

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 provide the U.S. an advantage 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 the previous year to 748,715 barrels per day.[60] In the wake of recent increases in U.S. energy output, American purchases of oil from traditional producers, such as Saudi Arabia, have waned.[61] For instance, in 2007 the eight countries comprising the Persian Gulf—which includes Saudi Arabia—accounted for around 2.2 million barrels per day (MMb/d) of oil imported by the United States.[62] Also in 2007, Canada exported roughly the same 2.2 MMb/d to the United States.[63] 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.[64] Subsequently, China, now producing over 30 million cars per year,

[59] (Robert D. Blackwill and Harris 2014, 143) quoting Di Dongsheng's "The Renminbi's Rise and Chinese Politics," in (Wheatley 2013)'s *The Power of Currencies and the Currencies of Power*.
[60] (Tsukimori 2018)
[61] (EIA 2018) See *Tables* for graph
[62] *Ibid.*
[63] *Ibid.*
[64] *Ibid.*

has assumed the position of "the world's largest importer of oil."[65] 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' position 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 in 2011 that ending U.S. dominance of the monetary system is "as important as New China's becoming a nuclear power."[66]

III. 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).[67] 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 commodities, the mega-project overshadows 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

[65] (Meredith 2017)
[66] (Henny Sender, Geoff Dyer, and Pilling 2011)
[67] (Cooley 2012, 88)

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 covers 68 countries inhabited by 3.4 billion people.[68]

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 India and Pakistan as member states.[69,70] Following the global financial crisis of 2008, China proposed a $10 billion SCO crisis fund to invest in infrastructure and revitalize the Central Asian economy.[71] Beijing proposed splitting the funding down the middle with Moscow, however Moscow refused to pledge the funds.[72] Tabled until 2010, China announced it would fund the entire $10 billion project by 2014.[73] Handedly surpassing the amount pledged by the World Bank, the Asia Development Bank, and the European Bank for Reconstruction and Development in Asia, China established itself as the leading source of funds to the region.[74] The Asia Infrastructure Investment Bank (AIIB), opened in 2016 and headquartered in Beijing, does not include the United States. However, the 57 country list of signees does 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 urging the countries not to join.[75] The AIIB's available bank

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68 (Balhuizen 2017)
69 (Cooley 2012, 75)
70 (Michel 2017)
71 (Cooley 2012, 90)
72 *Ibid.*
73 *Ibid.*
74 *Ibid.* See table 3 for "China-backed and Western-backed development banks (total assets $ billion)"
75 (Panda 2017)

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 projects chosen by the $100 billion the partnership. 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 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. The development of railways, highways, bridges, and other modes of transport allows China to obtain 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.[76] As a result, China has acquired, and exerts control over much of the energy resources in Central Asia.[77] 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.[78] The field is estimated to be the world's second largest deposit of natural gas reserves.[79] 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.[80]

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[76] (Cooley 2012, 90)
[77] *Ibid.*
[78] *Ibid.*
[79] *Ibid.*
[80] (Cooley 2012, 92)

Africa

China's sovereign wealth fund, the China Investment Corporation, has over $3.5 trillion in foreign exchange reserves. A branch of the CIC, the State Asset Foreign Exchange (SAFE), manages a large portion of this capital.[81] 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; worth, by some estimates, over $40 billion, China paid just $3 billion.[82] 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.[83] 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 predicat[ing] 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.[84]

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 holds nearly $1trillion in reserves and outstrips the lending capacity of

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[81] *Ibid.*
[82] (Sanusi 2013)
[83] *Ibid.*
[84] (Anderlini 2008)

the World Bank by a factor of thirty-two.[85] 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.[86] The fund has so far invested in 80 projects in 35 countries.[87] The interest of the fund's managers is bifocal: distributed, at times unequally, between increasing returns and creating political advantage.[88] 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 aid from Western institutions.[89] Aligning with the traditional Chinese cultural importance on one's *jiaxinag* or hometown, a region from which an African leader hails can expect up to 270% more development than other regions.[90] 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."[91]

IV. Conclusion and Implications

China's ability to provide access to capital, to expand trade partnerships, to secure critical resources, and to increase its national wealth generates an opportunity for Beijing to challenge 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 infrastructure and technology needed to grow their economies.

[85] (Robert D. Blackwill and Harris 2014, 139)
[86] (Robert D. Blackwill and Harris 2014, 140)
[87] *Ibid.*
[88] *Ibid.*
[89] *Ibid.*
[90] (Robert D. Blackwill and Harris 2014, 138)
[91] (Wheatley 2013, 13)

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 follow Beijing's directives.

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 throughout history. Trading relatively openly with Canada and Mexico, exerting some control over the developments of Central and South America, and unifying Europe as a peaceful 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.. A willingness to expand unilateral trade agreements and to provide developing nations access to capital through western institutions, such as the IMF and World Bank, has given the United States a 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 moves closer towards a policy of economic isolationism, 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 and will likely continue to build a new international economic order; from which, all roads will lead to Beijing.

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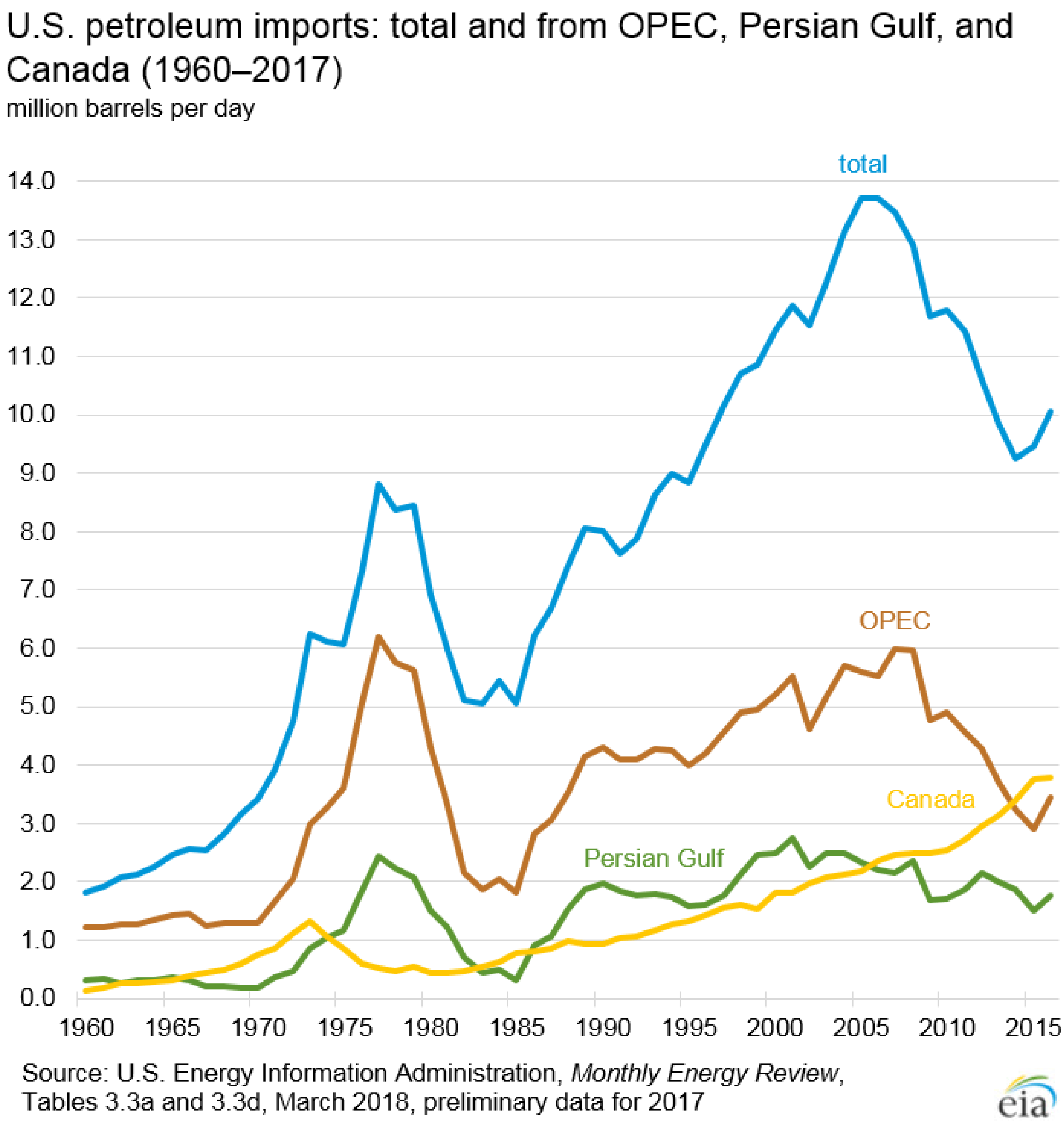

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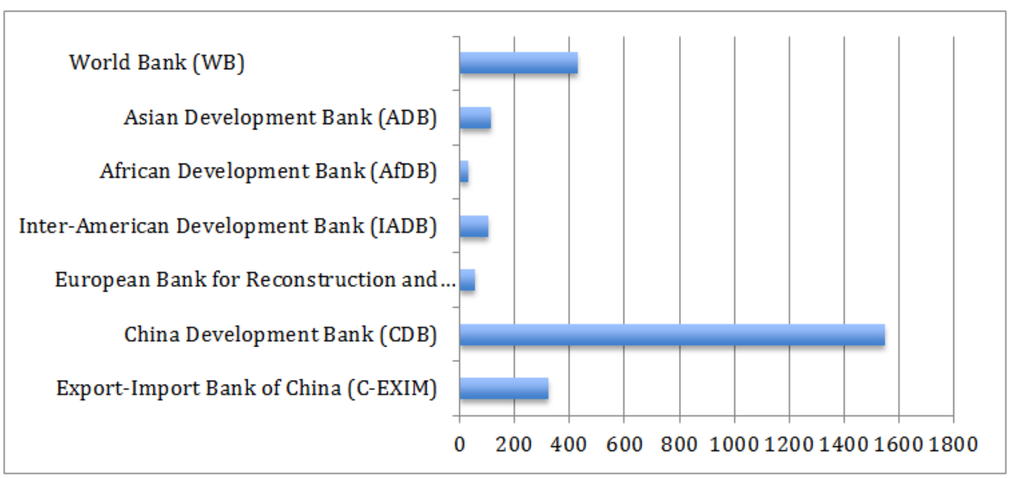

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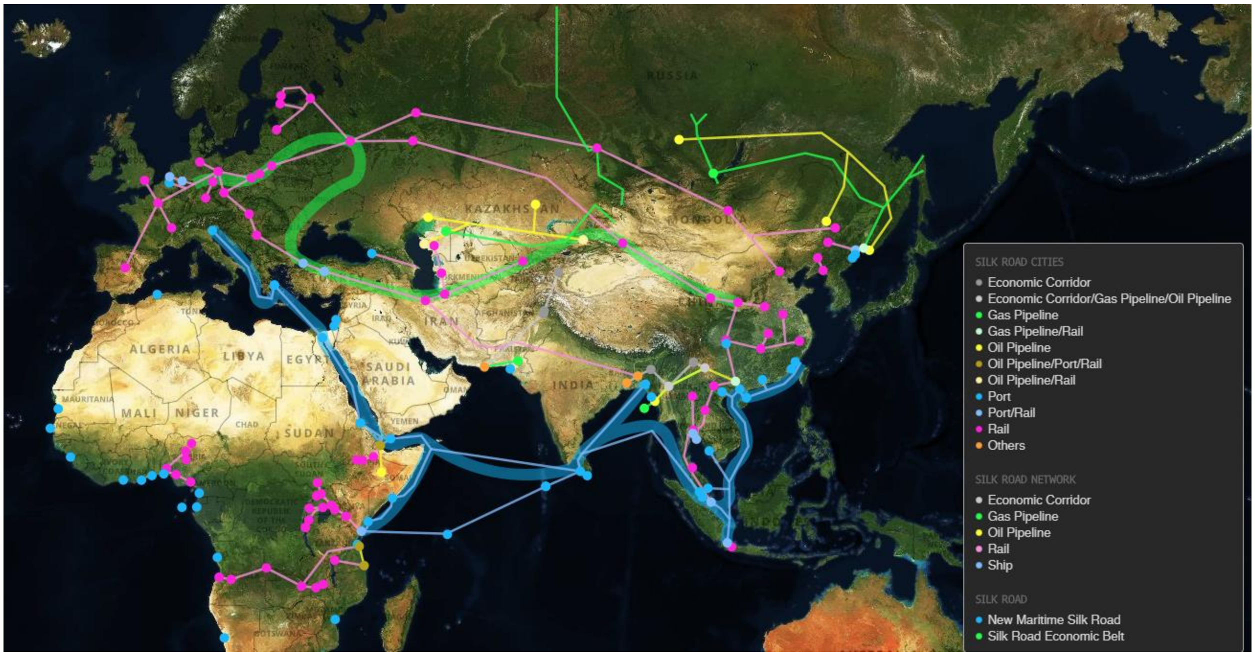

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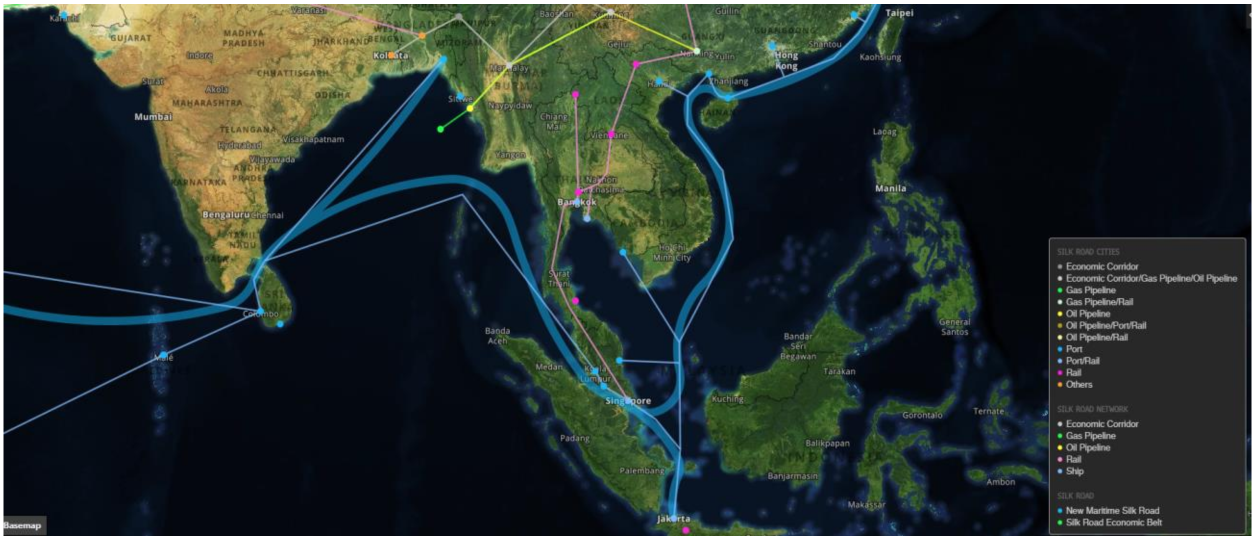

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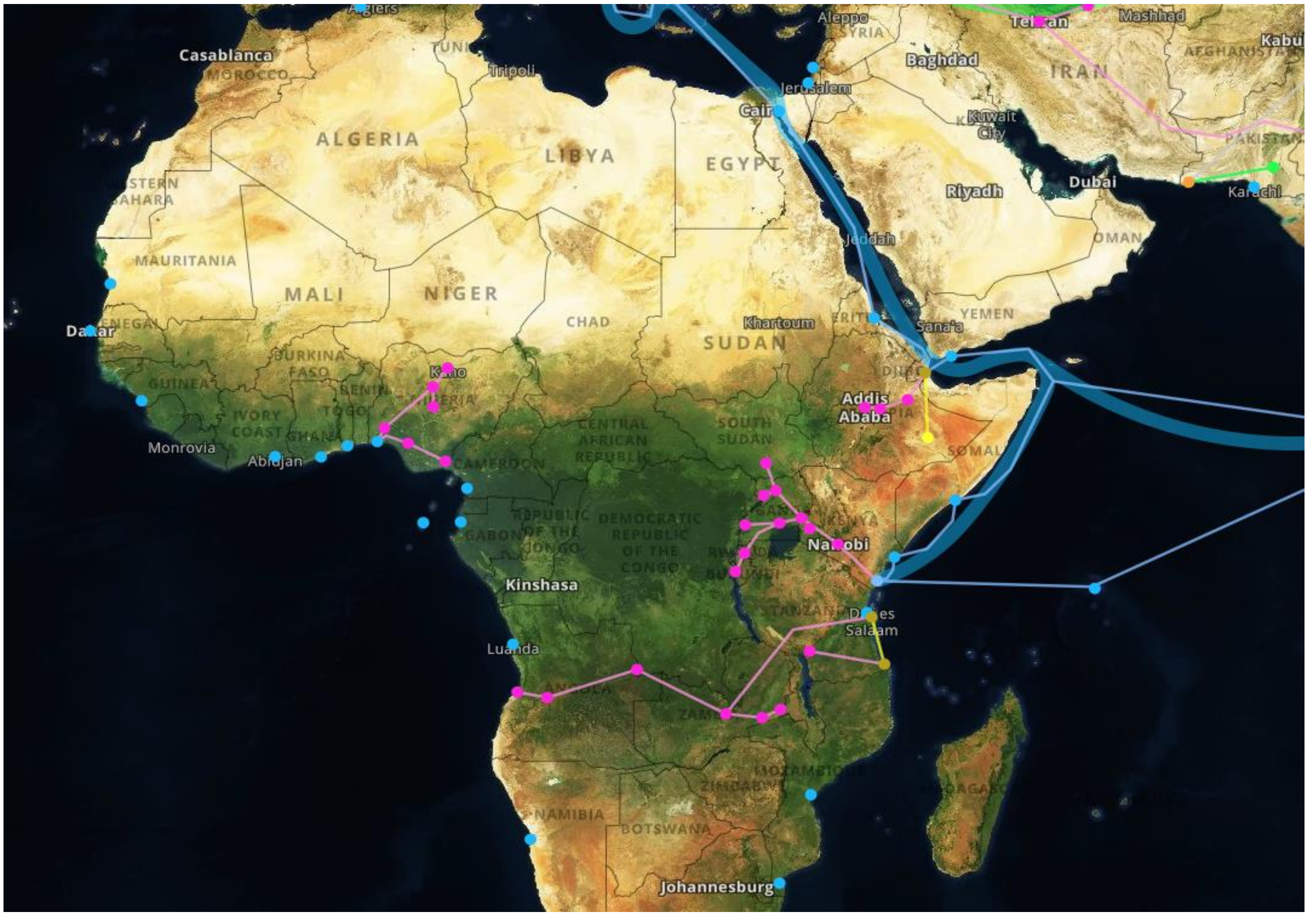

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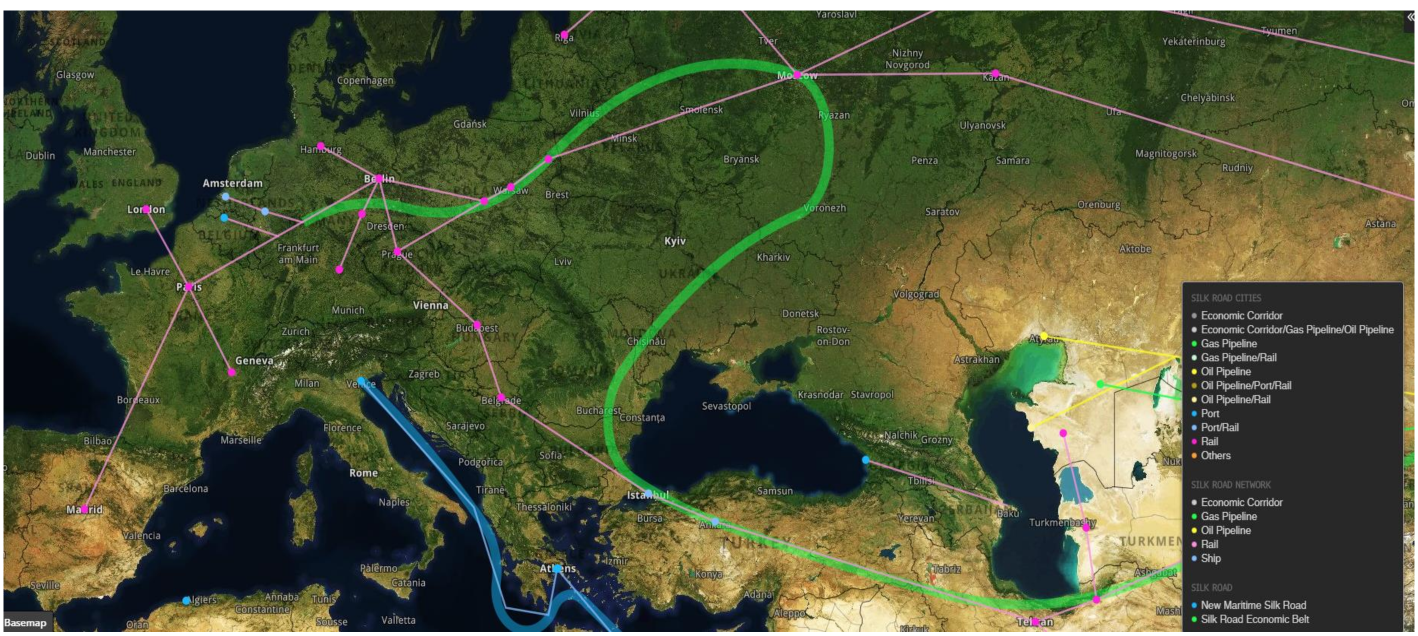

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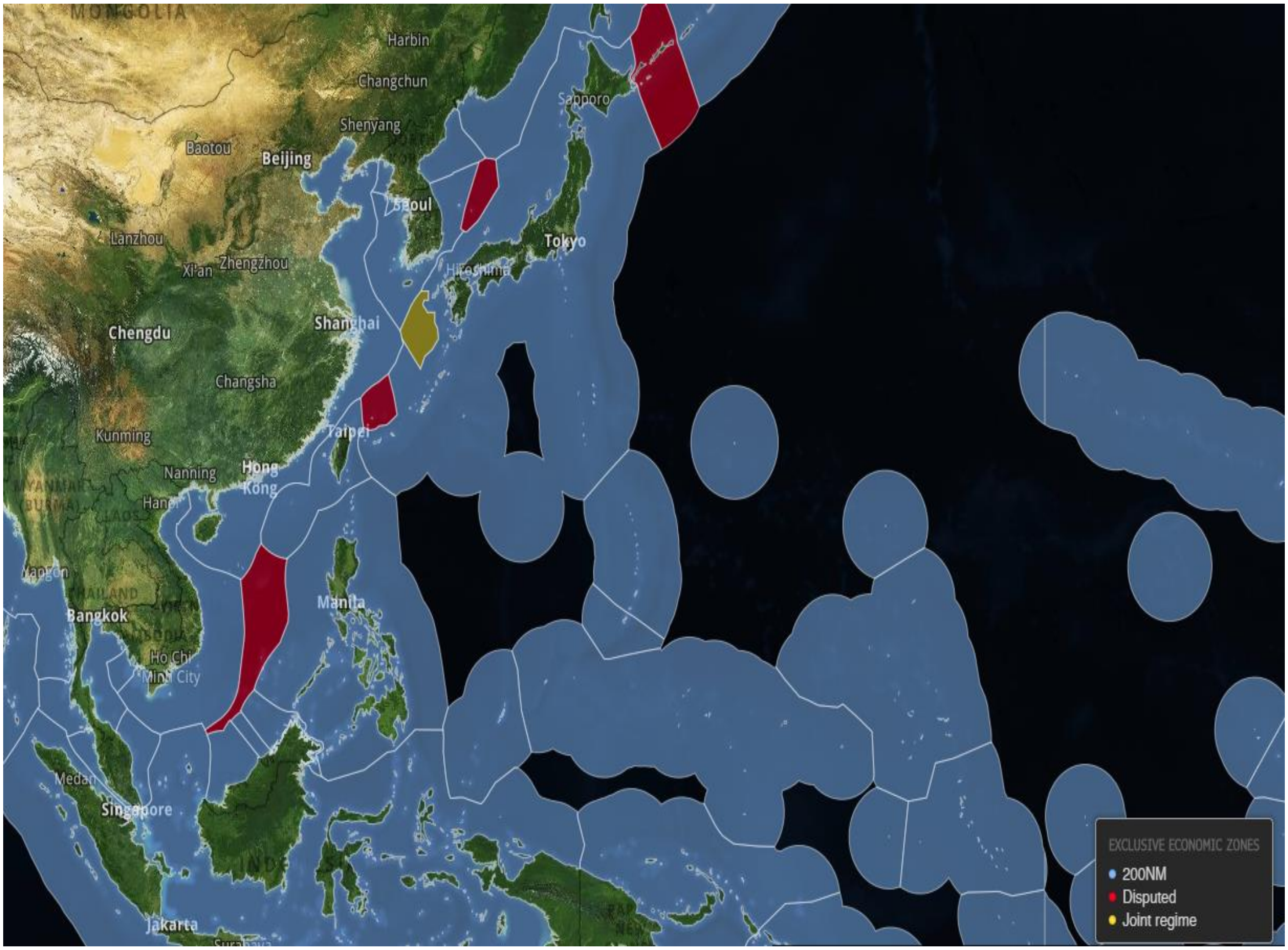

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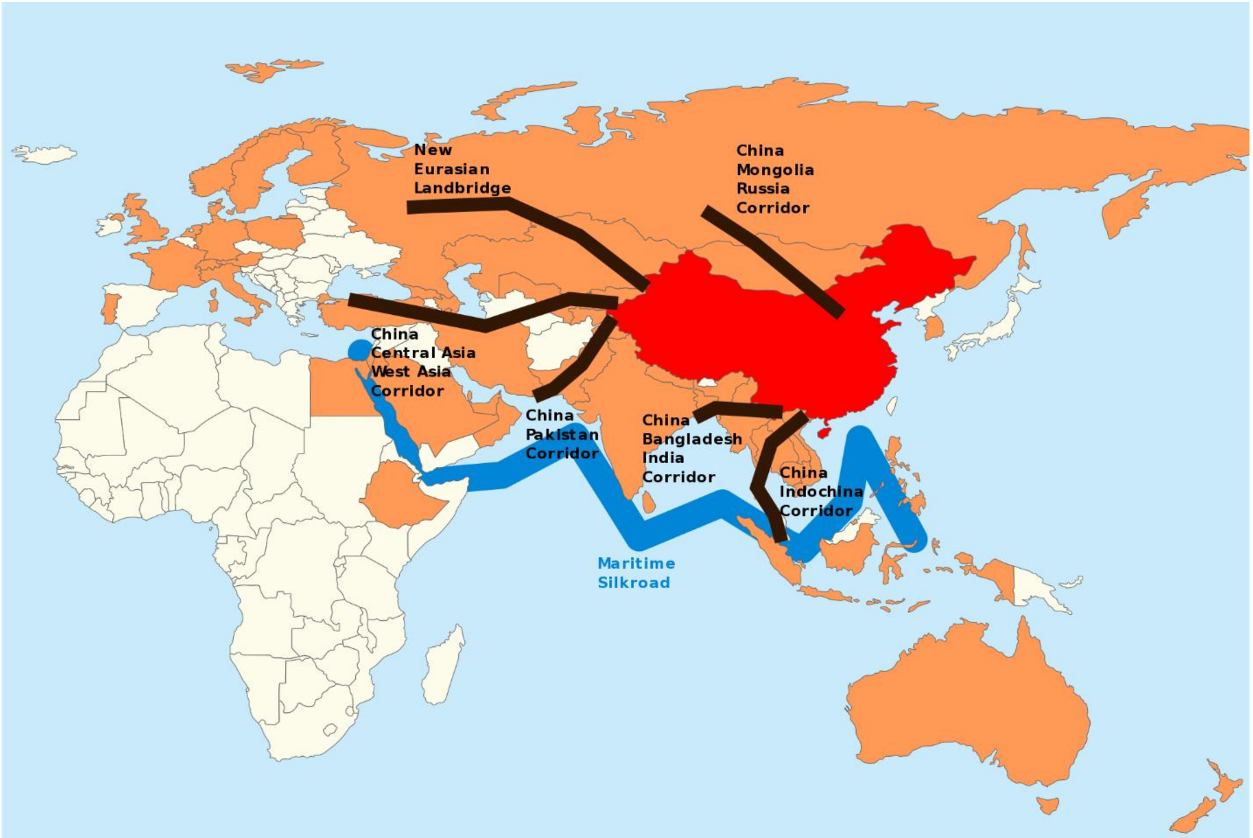

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