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Research on China's One Belt and Road Initiative

From the perspective of geopolitics

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Abstract:

The Belt and Road Initiative is a cross-border economic belt initiated and led by the Chinese government in 2013. Its scope covers the history of the Silk Road and the Maritime Silk Road through China, Central Asia, North and West Asia, the Indian Ocean coast, the Mediterranean coast countries and regions. The country and region covered by the initiative are vast, and the impact is therefore enormous. This thesis uses geopolitical theory and methods to study the traditional Chinese geopolitical ideology, the development of the initiative, geostrategic attempts, geopolitical influences and risks proposed by One Belt and Road Initiative development strategy.

Key words: China, One Belt and Road Initiative, Geopolitics

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List of Abbreviations

AIIB The Asian Infrastructure Investment Bank

ASEAN Association of Southeast Asian Nations

BRI One Belt and Road Initiatives

BRICS Brazil, Russia, India and China

CAA Chinese Arctic and Antarctic Administration

CGD Centre for Global Development

CPC the Communist Party of China

CSIS Centre for Strategic and International Studies

FTA The Free Trade Agreement

FTCR FT Confidential Research

G7 The Group of Seven is a group consisting of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

G20 International forum for the governments and central bank governors from 19 countries and the European Union.

GNI Gross National Income

IMF International Monetary Fund

IS Islamic State

MNR Ministry of Natural Resources

RCEP The Regional Comprehensive Economic Partnership Agreement

RMB Renminbi

RQFII RMB Qualified Foreign Institutional Investors

TIR International Road Transport

TPP The Trans-Pacific Partnership Agreement

USGS The United States Geological Survey

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Chapter 1. Introduction

1.1 Background

Today, China is the second largest economy and the largest resource and energy importer in the international society.¹ China has economic and trade relations with more than 200 countries and regions which is already the world's largest trading state and is the largest foreign exchange reserve country with approximately US\$3.009 trillion (March 2019).² The rapid development of China is, to some extent, changing the global geopolitical landscape. From another perspective, sustainable economic development, resource security, and import and export trade are of utmost importance to the survival and development of the country. Today's China also needs to rely on the world to develop itself. From the end of Cold War, a super-strong international structure has been relatively stable. China wants to break out of the current pattern and must find new breakthroughs that has not been completely controlled and a new development path. One Belt and Road Initiatives could be seen as a major strategy for China's internal affairs diplomacy in the coming decades. AIIB, BRICS, China-Korea Free Trade Zone, China-Australia Free Trade Zone, China ASEAN Free Trade Area, Asia-Pacific Free Trade Zone, RMB cross-border payment system, and overseas RMB national debt opening and so on,³ it shows that China is trying to build a new global economic structure in a comprehensive and multi-level manner. Some scholars have pointed out that as China becomes stronger and the status of the United States is eroded, China will attempt to use its increasing influence to reshape the rules and systems of the international system to better serve its interests.⁴

The international community also has different voices about the attitude to One Belt and Road Initiative. As the world's largest economy, the United States has different attitudes toward BRI. The political circles generally oppose that it is clear from the United States that they do not join

¹ This paper only covers facts before its finished date in May 2019.

² China Foreign Exchange Reserves, Trading Economic. Available at:
<https://tradingeconomics.com/china/foreign-exchange-reserves>

³ Hu, W. and J. Pelkmans (2017). "China-EU Leadership in Globalisation: Ambition and capacity. CEPS Policy Insight No 2017/18, May 2017.":5

⁴ Ikenberry, G. J. (2008). "The rise of China and the future of the West-Can the liberal system survive." Foreign Aff. 87: 23.

the AIIB initiated by China and obstruct the participation of allies. From a deeper perspective, the United States is worried that the Asian-invested AIIB may impact the existing US-led international political and economic system, fearing that the establishment of the AIIB will weaken the role of World Bank led by the US and Asian Development Bank led by Japan. However, the views of American think tanks are not uniform.

The Brookings Institution researcher David Dollar believes that the establishment of the AIIB can make up for the inefficiency of the existing financial mechanisms such as the World Bank, slow reforms and neglect of infrastructure construction, which can complement the US-backed Trans-Pacific Partnership Agreement (TPP). US officials are skeptical about the transparency of AIIB, and China may use this mechanism to achieve its other political and economic goals.⁵ Another researcher of the Brookings Institution, Sun Yun, takes China-Africa cooperation as an example. He believes that the accomplishing of the Belt and Road Initiative cannot solve the existing problems. The purpose of China is to obtain more resources, which may aggravate the deterioration of the environment in Africa.⁶ This view also analyzes from a certain extent the United States has reservations about BRI.

1.2 Research Challenges

The biggest problem I encountered in my research was to overcome the ideology and knowledge system that I had originally accepted. The Chinese literature that was exposed in the previous education and learning process has obvious bias in the political and social fields. In the course of my own research, there is an inevitable need to read a large amount of Chinese literature to understand the Chinese academic circles' opinions on One Belt and Road Initiative. But most of these documents have obvious ideological positions, and how to overcome this impact in research is the biggest challenge for me.

⁵ David Dollar: Lessons for the AIIB from the experience of the World Bank, April,27,2015.

<https://www.brookings.edu/articles/china-on-the-global-stage/>

⁶ Yun Sun: Inserting Africa into China's One Belt, One Road strategy: A new opportunity for jobs and infrastructure? March,2,2015.

<https://www.brookings.edu/blog/africa-in-focus/2015/03/02/inserting-africa-into-chinas-one-belt-one-road-strategy-a-new-opportunity-for-jobs-and-infrastructure/>

On the other hand, geopolitics is a very old subject, and it has also developed different development contexts in the different historical backgrounds of China and the West. In my research, I tried to distinguish between two different geopolitical theoretical development systems, which required a large number of historical facts to be demonstrated. Therefore, the timeline for my research needs to be traced very long, and I need to read a lot of literature to enrich my argument.

1.3 Research Questions

My research questions mainly include these three issues. The first question is why does China propose One Belt and Road Initiative and what is his intention and interest trend?

The second issue is what are the adverse effects of China's One Belt and Road Initiative?

1.4 Structure of the Paper

After the introduction chapter, the second chapter is the methodology. In this chapter I will detail all the methodologies I have used in this study and explain why I chose them. In the third chapter, I will analyze the background and conditions of the traditional Western classical geopolitical theory, and compare it with the traditional Chinese geopolitical thinking, so as to analyze the historical origins and specific conditions proposed by the China One Belt and Road Initiative. In the fourth chapter, I detailed the process of the Belt and Road advancement and some achievements. In the fifth chapter, I analyzed the motives and intentions behind BRI from four perspectives. In sixth chapter, I discussed the adverse effects and risks in BRI. Finally, the seventh chapter is a summary section. I will summarize my research results and propose possible research directions in the next step.

Chapter 2. Methodology

2.1 Documentary Analysis

Because I come from China, I can read and understand all the Chinese materials. I will read and summarize China's geopolitical concepts since ancient times, including historical books and biography of the art of war. I will also read western geo-logic writings and compare them with China's geo-concepts. And through systematic classification, research, and analysis of relevant classics, essays, and dissertations appearing in the history of the development of geopolitical thoughts both in China and the West, in order to further analyze China's geostrategies, approaches and objectives.

2.2 Comparative Analysis

I will compare Chinese traditional geopolitical thinking with Western classic geopolitical theory, which conclude that the initiative of One Belt and Road Initiative is more influenced by Chinese traditional geography. Therefore, each geostrategic proposal is influenced by the background of the times, social conditions, state power and interests. The traditional Chinese culture and thoughts have been inherited ever since, and they have a guiding role in various Chinese policies.

2.3 Systematic Analysis Method

Systematic analysis is an important research method used in this paper. First of all, in the context of rise of China, China's global geopolitical strategy as a whole system, including geopolitical security strategy, geo-economic strategy, geo-technical strategy and other subsystems within this large system. These subsystems coordinate and interact with each other to form a complete picture of China's global geostrategy.

2.4 Geostrategic Research Method

Geo-strategy, as an important pillar of theoretical and realist international relations theory, is based on specific methodological research. From the beginning of geopolitical theory, it has experienced

the evolution of geography determinism, space-power analysis and structuralist methodology, but the pursuit of its substantive research methods is the relationship between the human environment and the geographical location of the country. influences. As a powerful land-power state in the eastern part of Eurasia and a sea-power country on the west coast of the Pacific Ocean, China could be regarded as a typical land-sea complex country. One Belt and Road Initiatives is based on the development reality of China's current era, the geographical location combined with land and sea, and historical background. Starting from the geopolitical theory, the article explores the inheritance of the traditional Chinese geopolitical theory according to One Belt and Road Initiatives.

Chapter 3. Geo-political Theory

3.1 Relevant Concepts and Introduction

Geopolitics: Geopolitics is based on two disciplines: political science and geography. From the etymological derivation, the term “geopolitics” refers to the study of the effects of geography (especially economic geography) on international politics⁷, but its meaning is far more than that. Because of the limitations of the times and the needs of international interests, scholars of different times and countries have given it different meanings. Inspired by German geographer Friedrich Ratzel, Rudolph Kjellén, a Swedish political scientist, first defined “geopolitics” in 1899 as the theory of the state as a geographical organism or phenomenon in space.⁸ Later, Nicholas Spykman put forward that one of the meanings of geopolitics, that is, be regarded as a synonym of political geography, so that it became a branch of geography, describing the structure of individual countries and the division of world political regions.⁹

Geostrategy: here refers to the macro-strategic thinking of the state in the international system based on the analysis of geographical reality and the realization of national strategic goals, involving foreign affairs, security, economics, and culture.¹⁰

The rise of any country has almost a set of guidance under its own geopolitical theory. So far, western geopolitics has developed four classic geopolitical theories, namely, organic state theory, sea power theory, land power theory, and rim-land theory. Each theory is proposed by the researcher according to the reality, geopolitical pattern and geographical conflict of the country in which it is located. And in a certain historical period, the country will be guided to a staged prosperity.

⁷ Available from website: https://en.wiktionary.org/wiki/geopolitics#cite_note-1, 2013 July 19, Timothy Garton Ash, “Where Dr Pangloss meets Machiavelli”, in *The Guardian Weekly*, volume 189, number 6, page 18.

⁸ Marklund, C. (2015). "The return of geopolitics in the Era of Soft Power: Rereading Rudolf Kjellén on geopolitical imaginary and competitive identity." *Geopolitics* 20(2): 248-266.

⁹ Cohen, S. B. (2014). *Geopolitics: the geography of international relations*, Rowman & Littlefield.

¹⁰ Ištók, R. and D. Plavčanová (2015). "Geostrategic position of Slovakia (selected issues)." *EJG* 3: 5.

The topic of my thesis is about interpreter China's BRI through geopolitical perspectives. BRI is a guiding strategy for China's geostrategy and diplomacy in the past five years and even in the next decade. During the process of reading the literature, I found that many scholars habitually use Western geopolitical theory to analyze China's geopolitical policies. After more than a hundred years of development and evolution, Western geopolitical science has formed a systematic and authoritative classical geopolitical theory, providing a set of geopolitical thinking models and epistemological frameworks. Affected by this, contemporary Western geopolitical elites will have two habitual thinking when interpreting the One Belt and Road Initiative: The first is the historical analogy, comparing China with the rising powers according to history; the other is the general sense that China will imitate the development model of Western countries in pursuit of expansion and hegemony. In my opinion, this way does not apply to China's national conditions. First of all, although China has not yet formed a complete geopolitical theory system, China's current geostrategic approach is traceable. China's geostrategic choices are influenced by its history and culture for thousands of years. Secondly, each classical geopolitical theory proposed is one of the theoretical products required by the historical background, domestic and international reality at that period.¹¹ Therefore, in the theoretical part of this chapter, I will study the historical background and conditions of the proposal of Western classical geopolitical theory, and theoretically analyze the cognitive basis of Western classical geopolitical theory. Then I will discuss the geostrategic thinking of Chinese traditional Sun Tzu's Art of War and the tributary trade rooted in the Chinese dynasty for thousands of years. It is thus concluded that the logic and intention of pushing to China's geostrategic strategy based on Western classical geopolitical theory is not comprehensive.

3.2 Western Classical Geopolitical Theory

As an important scholarship in the study of international relations, geopolitics is an old topic. As early as in ancient Greece, Herodotus applied geography knowledge to the analysis and research in the fields of politics, diplomacy and military.¹² Especially since the Swedish political scientist Rudolf Kjellén (he is the student of Friedrich Ratzel who proposed organic state theory.) creatively

¹¹ Hu, Z. and D. Lu (2016). "Re-interpretation of the classical geopolitical theories in a critical geopolitical perspective." *Journal of Geographical Sciences* 26(12): 1769-1784.

¹² Lacoste, Y. (2012). "Geography, Geopolitics, and Geographical Reasoning." *Hérodote*(3): 14.

proposed the concept of “geopolitics” in 1899,¹³geopolitical research was unique in the field of international relations. From a dynamic space perspective, a country’s territory, climate, resources, Research on geographical location and human characteristics has formed a set of geopolitical thinking models and epistemological frameworks.

And to the present, the cognition of the hierarchical relationship between different cultures and countries is the hallmark of modern geopolitical imagination. As Simon mentioned in Green Politics, “The modern geopolitical imagination ... both a Eurocentric worldview and a global vision, the product of an historic process connected to the expansion of European power over the last half millennium. We both see the world as a whole then divide it into a hierarchy of places, blocs and states which have attributes of political importance. In the process we make a series of conceptual transformations of time into space: modernity is here, primitiveness there.”¹⁴

Classical geopolitical theories mainly refer to land power theory proposed by Mackinder (British)¹⁵, sea power theory proposed by Mahan (American)¹⁶, organic state theory proposed by Ratzel (German)¹⁷ and rim-land theory proposed by Spykman (American)¹⁸. The four classical geopolitical theories could be summarized in two perspectives, the space perspective and the power perspective.¹⁹Land power theory and rim-land theory are space perspectives, sea power theory is the power perspective, and organic state theory is a combination of two perspectives.

¹³ Haggman, B. (1998). “Rudolf Kjellén and modern Swedish geopolitics.” *Geopolitics* 3(2): 100.

¹⁴ Dalby, S. (2008). “Green geopolitics.” *A companion to political geography*: 440.

¹⁵ Halford John Mackinder. *The Geographical Pivot of History*. Beijing: The Commercial Press, 2011. [哈·麦金德. 历史的地理枢纽. 林尔蔚, 陈江, 译. 北京: 商务印书馆, 2011.]

¹⁶ Alfred Thayer Mahan. *The Influence of Sea Power upon History*. Beijing: The People's Liberation Army Press, 2006. [阿尔弗雷德·塞耶·马汉. 海权对历史的影响. 安常容, 成忠勤, 译. 北京: 解放军出版社, 2006.]

¹⁷ Wang Enyong, Wang Zhengyi, Lou Yaoliang, et al. *Geopolitics*. Beijing: Higher Education Press, 2003. [王恩勇, 王正毅, 楼耀亮, 等. 政治地理学. 北京: 高等教育出版社, 2003.]

¹⁸ Nicholas Spykman. *The Geography of the Peace*. Beijing: The Commercial Press, 1965. [斯皮克曼. 和平地理学. 刘愈之, 译. 北京: 商务印书馆, 1965.]

¹⁹ Hu, Z. and D. Lu (2016). “Re-interpretation of the classical geopolitical theories in a critical geopolitical perspective.” *ACTA GEOGRAPHICA SINICA* Vol.70, No.6:185

3.2.1 Space Perspective

In the long history of geography development and the long-term tradition of geographer research, “There are four traditions whose identification provides an alternative to the competing monistic definitions that have been the geographer’s lot...The following discussion treats the traditions in this order: (1) a spatial tradition, (2) an area studies tradition, (3) a man-land tradition and (4) an earth science tradition.”²⁰ Among them, space is one of the most important geographical conceptions, which has been considered as a core status in the study of geography for a long period. Philosophy and sociology have had an important impact on geoscientists’ research space and the study of geographical phenomena from a space perspective.²¹ Both Mackinder and Spykman accept the view that geographical factors have a significant impact on the country. Therefore, it is not surprising that they all propose geopolitical theory from a space perspective. In 1899, Mackinder served as the first director of the Department of Geosciences at the University of Oxford. At the time, the geographers at the University of Oxford regarded the world as a whole and considered it according to the natural unit, which had a great impact on Mackinder.²² At the same time, throughout the 19th century, Russia was the most threatening to the United Kingdom, and Russia’s expansion was of paramount importance to the world. Therefore, Mackinder proposed his land power theory from a space perspective, and considered the world as a whole, thus treating it as a complete political system.²³ And he divided the world into the World-Island, the offshore islands and the outlying islands, the center of the land power, the so-called “geographical Pivot of history”, is the central part of Eurasia, roughly equivalent to the territory of the Soviet Union.²⁴ Mackinder’s theory can be summarized into three sentences: “Who rules East Europe commands the Heartland;

²⁰ Pattison, W. D. (1964). “The four traditions of geography.” *Journal of Geography* 63(5): 214.

²¹ Hu, Z. and Luo, H. (2016). “Research Perspectives of Classic Geopolitical Theories and Their Enlightenment for Developing China’s New Geopolitical Theory” *TROPICAL GEOGRAPHY* Vol.34, No.2:184

²² The introductory part of *The Geographical Pivot of History*, by E.W. Gilbert.

²³ Hu, Z. and D. Lu (2016). “Re-interpretation of the classical geopolitical theories in a critical geopolitical perspective.” *ACTA GEOGRAPHICA SINICA* Vol.70, No.6:856

²⁴ Mackinder, H. J. (2014). *The geographical pivot of history*. Geopolitics, Routledge: 44-48.

who rules the Heartland commands the World-Island; who rules the World-Island commands the world.”²⁵

Based on Mackinder’s spatial division of the world, Spykman made some modifications. He defined the middle areas between the heartland of the continent and the marginal sea as the rim-land of Eurasia.²⁶ The spatial form of political activity in Eurasia, delineated by Mackinder, is the country where the nomadic people in the heartland of the mainland are pressing the fringe. However, Spykman pointed out that the spatial form of global political activities is always the same, that is, conflicts are always in the countries of certain marginal regions and the United Kingdom against other marginal regions and Russia, or the United Kingdom and Russia together against a powerful country that rules the rim-land.²⁷ The United States has been involved in war twice in 30 years, and each time the fringe of Eurasia is about to be ruled by a single power. Because once the United States faces the united Eurasian marginal region, it will still find itself surrounded by a dominant force.²⁸ It can be drawn that the land power theory and the rim-land theory based on the space perspective are primarily indicated in two sides: one is the historical investigation of spatial conflicts; the other is the spatial division based on geographical factors. The core of geopolitics from a space perspective is to analyze the spatial nature of national interests, that is, where the national interests are concentrated in the world.

3.2.2 Power Perspective

Power seems to be an eternal theme of international politics. In the real international political arena, power is the ubiquitous focus and the fundamental reason for constituting and deciding conflicts and cooperation.²⁹ As a general of the US Navy, Mahan, who was deeply influenced by the ancient

²⁵Mackinder, H. J. (2011). “Democratic ideals and reality.” *Polis. Political Studies* 2(2): 134-144.

²⁶ Sloan, G. R. (1988). *Geopolitics in United States strategic policy, 1890-1987*, Harvester Wheatsheaf: 16-19.

²⁷ Wilkinson, D. (1985). *Spykman and geopolitics. On Geopolitics: Classical and Nuclear*, Springer: 77-129.

²⁸ *Ibid.*

²⁹ Ye Jiang and Yin Xiang (2008). A Comparative Analysis of Realism and Neo-liberal Institutional View of Power—Also on Different Understandings of Contemporary Power Patterns in Different Views of Power." *International Political Studies*. “现实主义与新自由制度主义权力观之比较分析——兼谈不同权力观对当代国际格局的不同理解.” *国际政治研究*(1): 131.

Greek naval commander Themistocles and the politician Pericles, proposed the sea power theory from the perspective of power.³⁰ Mahan believes that the sea power is the most important for a country's power. The main routes of the ocean can bring a lot of commercial benefits, so there must be a strong fleet to ensure the sea power.³¹ With the increase of US national power and the increase of overseas interests, the United States must develop a strong navy to protect overseas interests and ocean transportation and to fight against British maritime hegemony.³² At the same time, he also analyzed the ability of a country to obtain such maritime status depending on its geographical location, land shape, territorial scope, population, national character and government policy.³³ For power, it is a lasting topic in the international geopolitics. In addition, it is also the main reason for constituting and determining conflicts and cooperation. Therefore, Some Chinese scholars asserted: "the power perspective can guide and analyse the change of strength between states and the short board effect of state power."³⁴

3.2.3 Combination of Space Perspective and Power Perspective

Ratzel's academic thinking is mainly from geographical Darwinism.³⁵ He believes that human beings are the product of the geographical environment, but because environmental control is limited, since location, space and boundaries are the three geographical factors that govern human distribution and migration.³⁶ On the basis of this understanding, he proposed the organic state theory and apply the biologist Darwin's competitive choices and the concept of evolution to the survival

³⁰ Hu, Z. and D. Lu (2016). "Re-interpretation of the classical geopolitical theories in a critical geopolitical perspective." ACTA GEOGRAPHICA SINICA Vol.70, No.6:856

³¹ Mahan, A. T. (2013). The influence of sea power upon history, 1660-1783, Read Books Ltd.:25-27

³² James Holmes, "Mahan, a 'Place in the Sun,' and Germany's Quest for Sea Power," Comparative Strategy, 2004, Vol. 23, No. 1, p. 28.

³³ Hu, Z. and Luo, H. (2016). "Research Perspectives of Classic Geopolitical Theories and Their Enlightenment for Developing China's New Geopolitical Theory" TROPICAL GEOGRAPHY Vol.34, No.2:18

³⁴ Hu, Z. and D. Lu (2016). "Re-interpretation of the classical geopolitical theories in a critical geopolitical perspective." Journal of Geographical Sciences 26(12): 186

³⁵ Bassin, M. (1987). "Imperialism and the nation state in Friedrich Ratzel's political geography." Progress in human geography 11(4): 477

³⁶ Ibid:478

and development of the country. Because of his emphasis on the distribution and migration of humans such as space and boundaries, his geopolitical theory combines both space and power perspectives. In order to achieve this combination, Ratzel defined the main content of political geography as a fixed base for studying the population movement. The size and shape of the country depend on its residents.³⁷ In other words, the country expresses its population movement according to its population growth and decline. “A state, for example, was simply the result of a particular people’s adaptation to an environment. The form that a state or an entire culture took was therefore shaped by the relationship to Lebensraum and the struggle for it.”³⁸ He regards the country as a biological organism. It has birth, growth, reproduction, growth, stagnation, sometimes illness, and finally death.³⁹ But the theory of this theory is that geographical conditions are only not the determining factor of national development, but also for the survival of the country.⁴⁰ He believes that expanding territory to neighboring countries is the basic law for a country to survive. However, the development of a state is mainly restricted by the law of social development. For example, the development of Japan as a small and island territory after the war can prove the restrictive effect of the law of social development on the survival and development of the country.

Ratzel himself also recognized the shortcomings of his theory. He repeatedly emphasized that his theory was only an initiating argument. But then the theory was still used by geopolitical scholars of the German Nazi Party. They lead the people to believe that a strong country must expand its territory in order to survive.⁴¹ This theory became the excuse and basis for fascist external aggression and expansion. Therefore, a long time in the history, the study of geopolitics was ashamed to mention about this theory.

³⁷ Friedrich Ratzel.(1901). “Die Erde und das Leben. Eine vergleichende Erdkunde” Leipzig and Vienna: pp. 590-606.

³⁸ Smith, W. D. (1980). “Friedrich Ratzel and the origins of Lebensraum.” *German Studies Review* 3(1): 53

³⁹ Friedrich Ratzel.(1901). “Die Erde und das Leben. Eine vergleichende Erdkunde” Leipzig and Vienna: pp. 590-606.

⁴⁰ Ibid.

⁴¹ Saul Betnard Cohen: “Geopolitics: The Geography Of International Relations” Shanghai Academy of Social Sciences Press: pp. 24-25.

3.3 Situation and Experience of Four Classical Geopolitical Theories

In order to further demonstrate these two kinds of perspectives put forward by the four classic geopolitical theories summarized above, this paper will provide historical evidence from two aspects of spatial conflict and power change to prove that each geopolitical theory has its own specific historical background and conditions. Here I come up with two questions:

1. Why was land power theory, sea power theory and organic state theory presented at almost the same time?

2. Why Mackinder proposed the heartland theory for the British country as an island country, not the sea power theory. Spykman wanted to change Mahan's sea power theory and put forward the rim-land theory?

3.3.1 Space Conflict

Here I will answer the second question I proposed before: why did Mackinder propose a land power theory for the United Kingdom as an island state? This is mainly because from the perspective of space, Russia is the biggest threat to British hegemony. As the place of origin of the first industrial revolution, Britain's economic and technological power has dominated the world for a long time. Due to its strong economic support, the British colonial expansion overseas is also rapidly progressing. At this time, the United Kingdom, as one of the states which occupied the largest amounts of overseas colonies, its core interests are mainly concentrated in Eurasia.⁴² However, since 1828, Russia has expanded into Central Asia and the Caucasus. As Russia established its rule in Iran, Afghanistan and the Ottoman Empire, its influence has spread to the Indian border. Facing the majestic Russia in the north and the sense of impetus, the United Kingdom sent army to Afghanistan twice in 1838 and 1842 in an attempt to establish a pro-British regime there.⁴³ Faced with the powerful forces established by Russia on the Eurasian continent, it has already created a huge threat to the United Kingdom. The United Kingdom especially fears that Russia and Germany will form

⁴² Marshall P J. Cambridge illustration of the history of the British Empire [M]. Fan Xinzhi, translated. Beijing: World Knowledge Publishing House, 2004.

⁴³ Ingram, E. (2013). In Defence of British India: Great Britain in the Middle East, pp. 7-19, Routledge.

an alliance to control the hub area and then unify Eurasia, thus transforming the power of sea power and land power in a direction favorable to land rights. Land rights pose a threat to sea power, and then build on the sea. The UK's global hegemony based on the power of advantage creates challenges.⁴⁴ Since it is not difficult to understand that Mackinder proposed the geopolitical spatial strategic intention of land power theory.

The same reason, when Spykman proposed the rim-land theory, the United States has experienced two world wars. In World War II, many of the US strategies were to prevent the strong countries of Eurasia from controlling the fringe. The US national interests and national conflicts after World War II have spread throughout Eurasia. Therefore, combined with historical wars and the participation of the United States in the practice of Second World War, and based on the future of the United States to dominate the global strategy, Spykman's analysis focuses not on the causes of war itself, but on the space struggle or space conflict of war.

3.3.2 Strength Changes among Countries

In 1890, Mahan proposed the sea power theory for the United States. In 1896, Ratzel proposed the organic state theory in Germany. In 1904, Mackinder proposed the land power theory for the United Kingdom. By 1944, Spykman proposed the rim-land theory for the United States. They have proposed four classic geopolitical theories in more than half a century, which is coupled with the trajectory of national economic development or strength change at that time.

In 1870, the world share of US GDP began to approach the United Kingdom, and this was the second period of industrial revolution in the United States. In just 20 years, the US manufacturing industry and agriculture have achieved great development, and they must abandon isolationism and expand overseas.⁴⁵ However, in the 1880s, the US Navy was merely a fleet of about 140 outdated wooden structures, without an armored ship.⁴⁶ The biggest threat to the United States is on the sea,

⁴⁴ Geoffrey Sloan, "Sir Halford J. Mackinder: The Heartland Theory Then and Now," *Journal of Strategic Studies*, 1999, Vol. 22, Issue 2-3, pp. 26.

⁴⁵ Maddison, A. (2001). *The world economy: a millennial perspective*, Economic Cooperation and Development (OECD), pp. 261

⁴⁶ Ding Zeming (2002). *American Civil War and Gilded Age: 1861-19th Century*, Beijing: pp:234

from the United Kingdom. Therefore, Mahan's sea power theory has adapted to the growth of the US economy, foreign trade and overall strength.

From 1870 to 1913, Germany's economic and military strength gained tremendously. By 1913, its GDP accounted for more than the world's share of world.⁴⁷ With the development of the economy, overpopulation was considered to be one of the major problems faced by European countries at the time, and this was the most serious in Germany.⁴⁸ For Ratzel and his followers, there is an inextricable link between the development of the country and the availability of sufficient space, and in Europe, territorial expansion is considered the only way to obtain living space. This is why the theory introduced by Ratzel is completely different from other geopolitical theories. His organic state theory is essentially a solution that pursues territorial expansion to solve serious domestic conflict of overpopulation. Then the Nazi leaders who pursued the theory achieved their expansion goals through racial expulsion or extinction. The German geopolitical school is also deliberately distorting the essence of geopolitical theory, advocating extreme geographical determinism, becoming a theoretical tool for aggression and expansion in Germany during World War II, and has been criticized by the world and led to the decline of entire geopolitical theory after World War II.

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Mackinder proposed that the land power theory also adapted to the changes in British power at that time. After 1870, the UK's economic development began to decline. By 1913 its overall economic strength had been surpassed by the US, the former Soviet Union as well as Germany.⁵⁰ Although the territorial expansion of the UK was equally striking in the late 19th century, the volume of

⁴⁷ Maddison, A. (2001). The world economy: a millennial perspective, Economic Cooperation and Development (OECD), pp. 177

⁴⁸ Maddison, A. (2001). The world economy: a millennial perspective, Economic Co-operation and Development (OECD), pp. 261

⁴⁹ Saul Betnard Cohen: "Geopolitics: The Geography of International Relations" Shanghai Academy of Social Sciences Press: pp. 24-25.

⁵⁰ Maddison, A. (2001). The world economy: a millennial perspective, Economic Co-operation and Development (OECD), pp. 261

overseas trade grew tremendously and overseas investment increased significantly, but it was seriously threatened. This threat mainly came from Russia. Therefore, in order to fight against Russia, maintain British hegemony, and slow down the recession, Mackinder constructed its geostrategic theory.

3.4 Chinese Traditional Geostrategic Thinking

The analysis and research of various geographical elements has become the basis and premise for revealing the geostrategic rules and exploring the formation and development of ancient geostrategic ideas. Geographically, Chinese civilization originated in East Asia, occupying the Eurasian continent in the east and facing the Pacific Ocean. In the east and south of the region is the sea, the west is the plateau and the desert, and the north is the wasteland. This geographical pattern semi-closes China and the other parts of the world, thus maintaining a strong independence.⁵¹ The birthplace of Chinese civilization and culture is mainly concentrated in the middle and lower reaches of the Yellow River and the Yangtze River basin. It is a typical agricultural region. This geographical feature deeply influences and finally determines the characteristics of ancient Chinese geostrategy. Therefore, since the records of his own history, it has not been manifested as the expansion of geopolitical power as in the West, but more as a check and balance of geopolitical power. This is also the point I want to make in this chapter. This is also the biggest difference between Chinese geopolitical thinking and Western geopolitical theory. In addition, “history matters. It matters not just because we can learn from the past, but because the present and the future are connected to the past by the continuity of society's institutions. Today's and tomorrow's choices are shaped by the past.”⁵² Therefore, so as to recognize the logic of the geopolitical reconstruction in modern China, we need to date back to the historical evolution of China's geopolitical strategy. Therefore, in the next section I will study these two issues. How has China's geopolitical economic strategy evolved in history? How does it shape or influence China's current geopolitical economic strategy?

⁵¹ Cheng Yonglin (2006). Probing into Geo-strategy Thought in Ancient China, Journal of Baoshan Teachers'College, pp. 96.

⁵² Douglass C. North, Institutions, Institutional Charve and Economic Petornance, New York: Cambridge University Press, 1990, Preface, pp.vii.

3.4.1 The Geographical Thought of Sun Tzu's Art of War

The most representative of China's ancient geopolitical strategy and military strategic thinking is represented by the core idea of Sun Tzu's Art of War.⁵³ It is the oldest book in the world which has the scent of geopolitics. There are thirteen articles in the book. Among them, the "Variation in Tactics" and "Terrain" and "The Nine Situations"⁵⁴ all evaluate the influence and significance of space on political activities from a geographical point of view. Sun Tzu holds that geography is the basis for analyzing and judging the political situation, the terrain is an auxiliary condition for war.⁵⁵ All military activities cannot be separated from the terrain, and the corresponding operational principles must be determined according to the specific terrain. For example, in the stalemate, it is necessary to use the steep mountains as a dependency, and then separated by the river; in the melee, it is necessary to reinforce the fortifications and transfer the masses and materials so that the enemy cannot attack the stronghold.⁵⁶ These have, to a certain extent, embodied the germination of geopolitical thinking.

Although Sun Tzu's Art of War is a book that guides how to fight, Sun Tzu does not advocate the use of war to resolve conflicts between nations. He first linked the war to the survival of the country, so the survival and defeat in the war must be carefully analyzed. The thinking of being cautious in war as the Sun Tzu's basic attitude toward war runs through his entire comprehensive and complete system of war thoughts. "The supreme art of war is to subdue the enemy without fighting."⁵⁷ This is the ideal state of war for Sun Tzu. In the inevitable situation of war, he set three thresholds for the war: "Move not unless you see an advantage; use not your troops unless there is something to be gained; fight not unless the position is critical."⁵⁸ The above three principles are his thinking of being cautious in war further embodiment.

⁵³ Tzu, S. (2012). Sun Tzu Art of War, ISBN: 9781590302255.

⁵⁴ Ibid.

⁵⁵ Ibid, Chapter Terrain.

⁵⁶ Ibid.

⁵⁷ Ibid. Chapter Attack by Stratagem.

⁵⁸ Ibid. Chapter the Attack by Fire.

3.4.2 The Ideal and Real Situation of Thinking of Being Cautious in War

As a realist strategist, Sun Tzu's wisdom of being cautious in war is based on his deep understanding of war. His first sentence in "The Art of War" is: "The art of war is of vital importance to the State. It is a matter of life and death, a road either to safety or to ruin. Hence it is a subject of inquiry which can on no account be neglected."⁵⁹ Sun Tzu warned the monarch and the general, must be cautious in the decision-making of war, and must not easily launch a war, otherwise the country may suffer huge economic losses or even demise. This is the strategy that Sun Tzu put forward in the decision-making of war, a high-level strategic thinking, that is, "The supreme art of war is to subdue the enemy without fighting."⁶⁰ This strategic thinking is the highest ideal pursuit of Sun Tzu's thinking of being cautious in war. This pursuit is based on safeguarding the fundamental interests of the country.

In order to realize the ideal situation of subduing the enemy without fighting, Sun Tzu proposed two methods at the strategic level, balk the enemy's plans, so that the enemy has to give up the attempt to confront us; prevent the junction of the enemy's forces, destroy the alliance of the hostile forces and expand its allies so that the enemy can succumb to us. The use of force and war to attack the enemy is the lowest way.⁶¹

In reality, in the era when the war was frequent, Sun Tzu raised this point: If it is to your advantage, make a forward move; if not, stay where you are.⁶² The specific conditions are the three points mentioned above: Move not unless you see an advantage; use not your troops unless there is something to be gained; fight not unless the position is critical. If it is not in the national interest, if there is no confidence to win, if the country does not suffer a serious crisis, the monarch must treat the war with caution.⁶³ Under the premise of reducing the frequency of war and reducing unnecessary wars, if war cannot be avoided, he advocates the use of war and force to safeguard national interests

⁵⁹ Ibid. Chapter Laying Plans.

⁶⁰ Ibid. Chapter Attack by Stratagem.

⁶¹ Ibid.

⁶² Ibid. Chapter the Attack by Fire.

⁶³ Ibid.

and national security. The generals must carefully plan the war, minimize the possible losses caused by the war, and strive to win the war with the least cost.

3.4.3 Sun Tzu's Geo-environmental Thinking

Sun Tzu's geo-environmental thinking refers to the rational understanding of military terrain classification and battlefield environment analysis based on geography. It can be regarded as the first level of Sun Tzu's geo-ideal thinking and the foundation of its geo-ideal thinking. According to the description from *The Art of War*, the so-called geo-environment of Sun Tzu can be divided into military terrain and battlefield environment. The former belongs to the category of physical geography and the latter belongs to the category of human geography.⁶⁴ Sun Tzu said: "The art of war recognizes nine varieties of ground: Dispersive ground; facile ground; contentious ground; open ground; ground of intersecting highways; serious ground; difficult ground; hemmed-in ground; desperate ground."⁶⁵

He pointed out that the areas where the princes fought in their own territory were called dispersive ground; those that entered the enemy's not-deep areas were called facile ground; the areas where we got favorable and the enemy got favorable were called contentious ground; The area where we can go, the enemy can come is called open ground; the area adjacent to the vassal states, the area where the vassal state aid can be obtained first, called ground of intersecting highways; the area deep in the enemy's hinterland, backed by the enemy's numerous cities, is called serious ground; Difficult obstacles, swamps and other difficult areas are called difficult ground; the army enters a narrow road, the road to retracement is far away, and the enemy can defeat many areas of our strength with a small amount of troops, called hemmed-in ground; You can survive if you fight hard, and you will die if you don't actively resist it. It is called desperate ground.⁶⁶

He also put forward clear principles for the treatment of these nine environments: 1.Do not fight in the dispersive ground; 2.Do not stay in the facile ground; 3. Do not attack in the contentious ground;

⁶⁴ Qiu Jianmin (2017). *Sun Tzu's Geopolitical Thoughts*, pp35.

⁶⁵ Tzu, S. (2012). *Sun Tzu Art of War*, Chapter the Nine Situations.

⁶⁶ Ibid.

4.Do not sever contact in the open ground; 5.In the ground of intersecting highways to make tributary allies; 6.in the serious ground to plunder the grain; 7.in the difficult ground to quickly pass; 8.In the hemmed-in ground, you should use your strategy to get out of danger; 9.Fight hard in the desperate ground.⁶⁷

Among them, Sun Tzu placed a high premium on the ground of intersecting highways. The traffic location of the ground of intersecting highways is very important. This is also a strategic point where the interests of many countries are intertwined and the strategists of past dynasties have to contend for each other. As a result, there are many diplomatic incidents and wars in the ground of intersecting highways. And this idea coincides with the current Belt and Road thinking. The current policy of the Chinese government is to develop relations and diplomacy with these transportation hub countries to expand their development. The attitude of the Sun Tzu's art of Being Cautious in War or no war, is also the attitude that China now expresses in the international community. The Chinese Foreign Ministry has always stated that China must adhere to a path of peaceful development, not take the initiative to wage war, and cooperate through interests to achieve its goals.

3.5 Tributary Trade System in Ancient China

If geopolitical thinking in Sun Tzu's art of war is the cornerstone of China's contemporary geopolitical strategy, the tributary trade in ancient China is a framework for BRI. The foreign relations in ancient China were deeply influenced by Chinese traditional philosophical culture. The tributary trade system embodied the ideal state of Chinese ancient diplomatic thought. The tributary trade is a way of dealing with foreign relations in accordance with Chinese Confucian traditional culture. It has strong ethics.⁶⁸ It does not completely exclude military, but the military as an unconventional way, emphasizing the establishment of a harmonious order in an ethical way can be called ethical idealism.⁶⁹ The tributary trade system has existed in the history of ancient China in the past 1500 years. And the connotation of it is very rich.

⁶⁷ Ibid.

⁶⁸ J.K. Fairbank and S. Y. Teng, "On the Ch'ing Tributary System," p.37, p. 140.

⁶⁹ T.F. Tsiang(1936), "China and European Expansion," *Politica*, Vol.2, No.5, pp. 3-4, J.K. Fairbank and S.Y. Teng, "On the Ch'ing Tributary System," p. 140.

The earliest tribute began as a political concept in China, during the Western Zhou Dynasty (AD1046-AD256). The tribute trade at this time reflected the political view of dealing with the relations between the various ministries in the surrounding area. It is centered on the Zhou Dynasty and divides the surrounding tribes according to the distance. The countries at the outermost level must tribute gifts to the monarchs of the Zhou Dynasty. They must recognize the dominance of the monarchs of the Zhou Dynasty and fulfill their pilgrimages. If you are not tribute, you will be punished or be levied by force.⁷⁰

The formation of the tributary is related to the attraction of the feudal political system centered on Confucian culture in China. The most typical in the Tang Dynasty (618-907). The power of the Tang Dynasty was strong, it was an era of great unity and an era of pioneering and outward-oriented. The strong performance of the Tang Dynasty was attracted by the ritual system, including advanced politics, economy, culture, education system, and even customs. The countries most affected are North Korea, Japan and Vietnam. In the relationship between the output and acceptance of politics and culture, the Chinese cultural circle characterized by the export of Confucian culture is formed.⁷¹ In a nutshell, the interactions of human society are usually manifested in three forms of military conquest, trade and cultural communication. Culture and identity are not necessary conditions for the formation of a regional cooperation system, but it is undoubtedly a form of advanced civilization. In terms of the spread of culture, the existence of heterogeneous culture is a prerequisite for communication. Through the collision, conflict and gradual integration in the process of communication, new cultural factors are generated. However, cultural differences still exist and are the foundation for the next cultural conflict. Through such a cycle of recurring cycles, culture completes the exchange of energy with the outside world and gains new vitality.⁷²

In the Song Dynasty (960-1279), the national policy at that time focused on self-protection, and the promotion of tribute trade was not backed by force. The priority position of tribute and trade is reversed. Several separatist regimes have emerged in China. During this period, the existence of

⁷⁰ Jiang Yingliang(1990), "Chinese National History" (I), National Publishing House, pp. 76.

⁷¹ Feng Tianyu(1990), "The History of Chinese Culture", Shanghai People's Publishing House, pp. 625.

⁷² Peng Shuzhi, (2002), "Civilization Communication", Shanxi People's Publishing House.

the tributary trade system adapted to the development of the commodity economy and promoted trade between Song and Southeast Asian countries.⁷³

However, tributary trade is not a perfect system. The ancient civilization empire generally takes the central state as the axis and forms a relatively closed area. Coupled with the relatively special geographical environment of the East Asian continent and the limitations of the ancient people's horizons, the Chinese feudal dynasty that flourished in the Yangtze and Yellow Rivers has always thought it is the center of the world. This self-positioning is relatively blind.⁷⁴ The tributary trade system is an ideal state of Chinese Confucianism. Its main purpose is tribute rather than trade.⁷⁵ The tributary is a hierarchical society for the ideals of Confucianism, and its core is the appeal of culture. However, according to the realist point of view, in order to achieve this goal, realistic means must be taken, such as the temptation of interest or the coercion of force. Because it is clear that tribute trade is divided by political hierarchy, and it is difficult to achieve fairness and balance, because wars and conflicts are often difficult to avoid.⁷⁶

Each system or model contains a set of internal coherence (regardless of formal or informal) rules that define the actors' roles, specific behaviors, and shape people's expectations.⁷⁷ The maintenance of the tribute trade must meet the expectations of both parties. The tribute side is looking forward to trade rather than tribute, which is an economic benefit; the Chinese dynasty is looking forward to tribute rather than trade, which is a political interest. Once the cooperation system fails to meet the expectations of both parties, it will lead to a paralysis of the cooperation system and even a war.

⁷³ "History of Song Dynasty" Volume 485, "Foreign One".

⁷⁴ Huang Lianzhi(1992), "A Study of the System of the Rule of Heaven and the Rule of Law, The Huaxia Order of Asia: The Morphology of the Relationship between China and Asian Countries", China Renmin University Press.

⁷⁵ Huang Renyu(2014), "The History of Modern China", Beijing: Zhonghua Book Company, pp. 29.

⁷⁶ He Fangchuan(1998), "The Theory of Ancient China Order", in Journal of Peking University (Philosophy and Social Sciences), pp. 41- 42.

⁷⁷ Huang Lianzhi(1992), "A Study of the System of the Rule of Heaven and the Rule of Law, The Huaxia Order of Asia: The Morphology of the Relationship between China and Asian Countries", China Renmin University Press.

3.6 Analysis

From this perspective, in fact, China's BRI which is a way of giving economic benefits to neighboring countries in exchange for benefits, is rooted in Chinese tradition. The dynasties in Chinese history usually supply money, giving and other material profits to surrounding countries in various approaches in exchange for the latter's political compliance with China. This system is an important means by which the rulers of ancient China fulfilled their geopolitical goals, that is, the political needs of self-defense and the medium of international relations and diplomacy. The tribute trade helps China achieve the geostrategic goal of attracting many countries around it to its own-centered rules, thereby exchanging political power with the loss of economic interests.

There are obvious differences between the tributary trade in ancient China and the current One Belt and Road Initiative in content and scope, but they have great similarities in terms of operation form and purpose. One of the core targets of BRI is to balance and exchange interests in accordance with the general trend of China's rise. Second, it can also expand China's influence, such as raising the status of the RMB in the international monetary system; the most similar point, BRI and the tribute trade are all trying to establish a set of rules that can be self-centered.⁷⁸ Therefore, it can be seen that the strategic layout behind the China's BRI is in fact significantly different from the four classic geopolitical theories mentioned earlier. As a land-sea composite country, China's adoption of a single sea power strategy or land power strategy is insufficient to meet its development needs. From this perspective, BRI is actually a new set of geopolitical strategies with Chinese characteristics based on China's inheritance of its own historical experience. Its purpose is to break the long-standing pattern of separation of land power and sea power, which promote the formation of a geopolitical spatial pattern in which Eurasia is fully integrated with the Pacific Ocean, the Atlantic Ocean and the Indian Ocean.⁷⁹

The thought in Sun Tzu's Art of War, as a geopolitical ideology that has been inherited for thousands of years in China, has also exerted tremendous influence in the contemporary era. From the

⁷⁸ Li Xiao, Li Junjiu (2015), "One Belt and Road and the Reshaping of China's Geopolitical and Geo-economic Strategy", pp 41-42.

⁷⁹ George Modelski and William R. Thompson (1988), "Sea-power in Global Politics, 1494-1993", Macmillan Press Ltd.

perspective of strategic guidance, Sun Tzu focuses on solving the contradictory problems by diplomacy and strategy and opposes the suppression of violence and physical means. BRI also reflects Chinese government desire to exaggerate its international effect through diplomatic and economic means. Because in the traditional political concept of China, once a war occurs, it will inevitably lead to huge losses. However, “Move not unless you see an advantage; use not your troops unless there is something to be gained; fight not unless the position is critical”⁸⁰, this kind of evasive attitude toward war does not effectively promote the peace process in a certain sense, but it is an interest-oriented choice. At present, China is not attempting to establish a split-new international order; China’s target is not to overthrow the global order it does not like, but to make it more in line with its own interests and rules of conduct.

In addition, although I explicitly stated in the previous chapter, China’s geopolitical theory should not be understood using Western classical geopolitical theory. However, it is undeniable that the areas covered by BRI overlap with the strategically important areas of these classic geo-theories. “One Belt” mainly runs through the Eurasian continent, passing through what McIntosh calls the “heart zone”; “One Road” moves with the sea, and it covers the rimland that Spykman claims. In the following chapters, I will analyze the interest orientation of the China BRI and then analyze the possible adverse effects of this orientation.

⁸⁰ Ibid. Chapter the Attack by Fire.

Chapter 4. China's One Belt and Road Initiative

One Belt and Road Initiative is a transnational economic belt initiated and led by Chinese government in 2013. It covers the history of the Silk Road and the Maritime Silk Road through China, Central Asia, North and West Asia, the Indian Ocean, and the Mediterranean coast.⁸¹

In September 2013, Chinese President Xi Jinping visited Kazakhstan and delivered a speech entitled “Promote Friendship Between Our People and Work Together to Build a Bright Future” at the University of Nazabayev.⁸² In this speech, he proposed to jointly build the Silk Road Economic Belt, an initiative to connect Europe through the Asia-Pacific region. In October 2013, during his visit to Indonesia, President Xi Jinping delivered a speech entitled “Towards A Closer ASEAN-China Community of Shared Future”⁸³ and formally proposed the construction of “21st-Century Maritime Silk Road”⁸⁴ in the 21st century, developing economic cooperation between China and Southeast Asia, South Asia, the Middle East, North Africa and Europe. These two strategic ideas are collectively called “One Belt and Road.”

On February 1, 2015, the leading group for the construction of BRI led by Zhang Gaoli, member of the Standing Committee of the Political Bureau of the CPC Central Committee and Vice Premier of the State Council, was formally established. In March of the same year, Chinese Premier Li Keqiang further promoted the “One Belt and Road” during his visits in Asia and Europe and wrote it into the government work report.⁸⁵ On the 28th, the State Council of the People's Republic of

⁸¹ Wang Juanjuan, Du Jialin (2017), “Research on the Inter-provincial Geoeconomic Relationship in the Key Areas of the Belt and Road” [J]. Hebei Journal, pp. 125-131.

⁸² Promote Friendship Between Our People and Work Together to Build a Bright Future:

https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1078088.shtml

⁸³ Towards A Closer ASEAN-China Community of Shared Future:

<http://politics.people.com.cn/n/2013/0908/c1001-22842914.html>

⁸⁴ Work together to build a China-ASEAN community of destiny:

<https://www.yidaiyilu.gov.cn/xwzx/xgcdn/62334.htm>

⁸⁵ http://www.gov.cn/guowuyuan/2015-03/16/content_2835101.htm

China authorized the National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce to jointly publish a white paper entitled “Vision and actions on jointly building Belt and Road.”⁸⁶

After that, One Belt and Road strategy was gradually launched under the promotion of the Chinese government, mainly including the following processes:

1. In order to meet the financing needs of BRI infrastructure, China led the establishment of Asian Infrastructure Investment Bank (AIIB), Silk Road Fund (the Chinese government established the Silk Road Fund in 2014 and invested US\$40 billion as a start-up fund.⁸⁷ By 2017, the fund’s funding had reached \$100 billion.⁸⁸), New Development Bank (NDB) and Shanghai Cooperation Organization Development Bank (SCODB), has injected a lot of liquidity into the infrastructure construction of BRI with the situation of multilateral development institutions. On March 12, 2015, the UK took the lead in signing up for the intention to become a member of AIIB.⁸⁹ The next day, Switzerland also made a willingness to apply. Subsequently, developed countries such as France, Italy and Germany also followed suit. Countries such as South Korea and Russia and Brazil also applied to join the founding member countries before March 31 of the application deadline.⁹⁰ In terms of diplomacy with European countries, during President Xi Jinping’s visit to Europe in March 2019, Italy became the first G7 member to sign the Memorandum of Understanding on BRI.⁹¹ During the second BRI summit in Beijing in late April, Ueli Maurer, President and

⁸⁶ “Vision and actions on jointly building Belt and Road”, March, 2015, Authorized by the State Council of China, available at: http://www.ndrc.gov.cn/gzdt/201503/t20150328_669091.html

⁸⁷ Xi Jinping's speech at the opening ceremony of the “Belt and Road” International Cooperation Summit Forum, Xinhua Net, available at: http://news.xinhuanet.com/politics/2017-05/14/c_1120969677.htm.

⁸⁸ List of results of the “Belt and Road” International Cooperation Summit Forum (Full Text). Xinhua Net, http://news.xinhuanet.com/world/2017-05/16/c_1120976848.htm.

⁸⁹ Zhang Pengju (2018). “Research on international financial cooperation in the field of “Belt and Road” infrastructure construction”, University of International Business and Economics: pp. 20.

⁹⁰ Ibid.

⁹¹ Italy joins China's New Silk Road project: <https://www.bbc.com/news/world-europe-47679760>

Minister of Finance of Switzerland, signed a memorandum of understanding on cooperation between China and China under BRI framework.⁹²

2. In May 2013, Premier Li Keqiang proposed the idea of building a China-Pakistan economic corridor when he visited Pakistan.⁹³ The main intention was to promote energy cooperation, industrial cooperation, and land and sea transport. In April 2015, when President Xi Jinping visited Pakistan, he made a statement with the leaders of Pakistan on the joint construction of Karakoram Highway, Gwadar Port, New International Airport and cross-border optical cable construction, with the aim of promoting the interconnection between Central Asia and South Asia. The first is the railway. In 2015, China Railway Corporation and Pakistan signed an agreement on the upgrade of No. 1 Railway Trunk Line (ML1) to prepare for the transformation and upgrading of the Pakistan Railway⁹⁴. In addition, the feasibility study of the China-Pakistan Railway has been completed. The second is aviation. In October 2015, Air China opened the direct flight route from Beijing to Islamabad, which was the first air passage in Beijing and Islamabad. The third is the highway.⁹⁵ In August 2013, China began to renovate the road reconstruction project in the Karakorum-Brunn section. In 2017, China invested 3.2 billion U.S. dollars to renovate the Blumkou to Hongqila Port section and is expected to be completed in 2020.⁹⁶ Pakistan also introduced the East, Central and West Supporting Public Development Project (PSDP) for the China-Pakistan Economic Corridor. The west line of the China-Pakistan Economic Corridor is divided into five regions, all of

⁹² Switzerland joins BRI as the initiative extends further into central Europe:

<https://news.cgtn.com/news/3d3d514f30556a4d34457a6333566d54/index.html>

⁹³ Premier Li Keqiang's speech at the Pakistani Senate:

http://www.gov.cn/ldhd/2013-05/24/content_2410141.htm

⁹⁴ China-Pakistan Jointly Launches China-Pakistan Economic Corridor Railway Project Feasibility Study and Signs Cooperation Document:http://www.nra.gov.cn/xwzx/gjjl/wsd/201504/t20150422_13227.shtml

⁹⁵ Jiang Hui (2018). "Research on the relationship between China's direct investment in the "Belt and Road" countries and bilateral economic growth". University of International Business and Economics: pp. 46.

⁹⁶ Part of China-Bajstan Road is completed and opened to traffic:

http://www.zgkashi.com/ydyl/201702/t20170208_32895.html

which have been started and completed in June 2018.⁹⁷ On January 4, 2018, the Pakistani central bank announced that since then, bilateral trade between China and Pakistan can be settled through the renminbi and abandon the US dollar settlement.⁹⁸

3. In terms of cross-border logistics and transportation cooperation, China Railway Corporation cooperated with railway companies in Central Asia and Europe to build CHINA RAILWAY Express (CR express) and ended their independence in 2016. The brand “CHINA RAILWAY Express” was officially opened⁹⁹. According to statistics, in 2014, CR express has already started 308 trains. In 2015, 815 trains were opened. In 2016, 1702 trains were opened, up 109% year-on-year.¹⁰⁰ By the end of 2016, CR express have already opened more than 2,900 trains, transporting goods up to 260,000 TEUs, driving import and export trade totally more than 20 billion US dollars, and achieving total import and export trade of more than 20 billion US dollars.¹⁰¹ “The CR express Construction and Development Plan (2016-2020)”¹⁰² promulgated by the National Development and Reform Commission of China proposes that in 2020, CR express will plan to operate around 5,000 trains. In addition, the Chinese-led AIIB is also planning to lay a new Silk Road. Its first projects include a 64-kilometer highway in Pakistan, a highway from the capital of Tajikistan to the border between the country and Uzbekistan, and Almaty in Kazakhstan.¹⁰³ The three Central Asian and Pakistani traffic routes, including a loop. From the perspective

⁹⁷ Pakistan will formulate four-year plan for supporting projects of China-Pakistan Economic Corridor: <http://karachi.mofcom.gov.cn/article/c/201507/20150701040163.shtml>

⁹⁸ Liang Zhenmin(2018), “Construction of China-Pakistan Economic Corridor: Significance, Progress and Path Research”, Asia-Pacific Economics, pp. 13-20.

⁹⁹ China Railway Express to Europe: http://www.china.org.cn/english/china_key_words/2017-04/20/content_40657257.htm

¹⁰⁰ Ibid.

¹⁰¹ Zhang Pengju (2018). “Research on international financial cooperation in the field of “Belt and Road” infrastructure construction”, University of International Business and Economics: pp. 36.

¹⁰² The CRexpress Construction and Development Plan (2016-2020): <http://www.ndrc.gov.cn/zcfb/zcfbghwb/201610/P020161017547345656182.pdf>

¹⁰³ Zhang Pengju (2018). “Research on international financial cooperation in the field of “Belt and Road” infrastructure construction”, University of International Business and Economics: pp. 37.

of road transport cooperation, in July 2016, China formally joined and signed the International Road Transport (TIR), becoming the 70th Convention of the Convention, which came into effect on May 5, 2017.¹⁰⁴ China's accession to the TIR Convention has taken an important step in promoting the development of road transport and multimodal transport in Asia and Europe. It has become a booster for China's BRI construction, and also promotes economic and trade cooperation between BRI countries which providing strong hardware support. After joining the TIR Convention, China's cargo containers can be transported directly to Ireland by road. The transportation time with European countries and regions will be reduced from an average of 28 days to an average of 21 days for road transport and 14 days for rail transport.¹⁰⁵

4. China has invested in large-scale infrastructure construction in BRI countries. The Chinese government is leading the establishment of a shipping port in Hambantota, Sri Lanka.¹⁰⁶ The first phase of the port project was started on November 8, 2010. The first "Jetliner" ship was ceremonially anchored at the port facility, and the former president of the port, Mahinda Rajapaksa, was named. The Port Authority of Sri Lanka is responsible for inland construction and management. The estimated total construction cost for the first phase of the project is US\$361 million. The Export-Import Bank of China accounts for 85% of the investment.¹⁰⁷ At the same time, China has also entered the railway construction market in Bangladesh. In September 2017, China Civil Engineering Corporation won the second tender of the Cocos Bazaar Railway in Bangladesh and became the first project of the Division to win the bid in Bangladesh. In May 2014, China agreed to fund the construction of a new East African railway with a view to eventually connecting the six East African

¹⁰⁴ <https://www.china-briefing.com/news/china-joins-tir-convention-opens-borders-international-trucking/>

¹⁰⁵ Zhang Pengju (2018). "Research on international financial cooperation in the field of "Belt and Road" infrastructure construction", University of International Business and Economics: pp. 37.

¹⁰⁶ <https://www.ship-technology.com/features/hambantota-port-china-sri-lanka/>

¹⁰⁷ Das, K. C. (2017). The making of one belt, one road and dilemmas in South Asia. China Report, 53(2), 125-142

countries.¹⁰⁸ The Chinese government is also involved in investing in water conservancy projects in South Asia. China Water Resources and Electric Power Corporation has two hydropower projects in the Upper Marti Hydropower Project and the Nasuwakari Hydropower Project in Nepal, the former of which was officially connected to the grid on December 25, 2016.¹⁰⁹

¹⁰⁸ Ma, J., Balezentis, T., Zhao, Z., & Fang, C. (2017). ONE BELT ONE ROAD (OBOR) INITIATIVE IN CENTRAL ASIA: THE STUDY OF OBOR ON CHINA AND CENTRAL ASIA AGRICULTURAL TRADE. *Transformations in Business & Economics*, 16(3).

¹⁰⁹ List of results of the “Belt and Road” International Cooperation Summit Forum (Full Text). Xinhua Net, http://news.xinhuanet.com/world/2017-05/16/c_1120976848.htm.

Chapter 5. Analysis: China's Intention

5.1 China's Social Situation Background

5.1.1 Overcapacity and Causes

Overcapacity refers to the fact that due to the limitation of total social demand, economic activities have not attained the ordinary standard of export, thence resources are not entirely utilized, and production capacity (or capacity output) has been idle to some extent.¹¹⁰ The original merchandise export structure is relatively simple, and the market is mature, which does not help to solve the domestic overcapacity. For companies that occupy a leadership or monopoly position, in order to maintain their status, they will even produce more products in an uncertain environment than in a certain environment.¹¹¹

From the domestic background of China, overcapacity has become a major obstacle to China's economic growth. The current stage of China's economy is the three periods superimposed. The so-called "The three periods superimposed", that is, the economic slowdown period, the structural adjustment period, and the pre-stimulation policy digestive period.¹¹² The original merchandise export structure is relatively simple, the market is mature, and there is no obvious help in solving China's domestic overcapacity.

In the past, China has maintained rapid growth Since the Reform and Opening in 1978, and the average annual growth rate of GDP in 1978-2018 was 9.5%.¹¹³ In half of the years after 2001, the

¹¹⁰ Xiong Ailun, Pu Yongjian, Zhang Yong(2015), "One Belt and One Road" and Excess Capacity Transfer" "一带一路"与过剩产能转移: pp. 75.

¹¹¹ ③Scott Clark (1973), "Labor Hoarding in Durable Goods Industries", The American Economic Review: pp. 811-824.

¹¹²In February 2014, Xi Jinping made a judgment on the stage of China's economic development in his speech on "Comrade Xi Jinping's Important Discussion on Economic Work since the Eighteenth National Congress". He believed that the Chinese economy was in the period of "The three periods superimposed". Available at: <http://cpc.people.com.cn/n/2014/0222/c64094-24435968.html>

¹¹³ Data from the National Bureau of Statistics of China: <http://www.stats.gov.cn/tjsj/>

first driver of GDP growth in China was investment. In 2009, the GDP growth rate was 9.2%, the investment contribution rate was 86%, and the export contribution rate was -42%.¹¹⁴ Specific to the investment field, from 2003 to 2014, China's fixed asset investment mainly flowed to the manufacturing and real estate industries, with an average annual investment growth rate of 25% and 24% respectively.¹¹⁵ A large amount of capital fund has poured into the traditional industries, such as steel, cement, flat glass, chemical, textile, metal, paper, etc.,¹¹⁶ which has resulted a quick growth in productivity and the quality of their products. After 2008, went through the financial crisis, market demand begins to decline. However, at the same time, there was no corresponding reduction in investment, and it still maintained a high-speed rise, which eventually led to excessive investment.

China's main economy is a state-owned enterprise, so the central government and local governments play a major influence in China's investment-driven growth model, which formulates and implements policies that focus on economic growth, such as five-year plans, industrial strategies, and related fiscal, financial, and trade policies.¹¹⁷ These policies have spurred investment in key industries that have a significant impact on economic growth and employment. In addition, local governments are also actively encouraging companies to expand investment, even in the face of overcapacity and over-investment.

Second, at the industrial level, China's strong economic growth has strengthened market confidence, prompting both state-owned and private companies to expand investment as a major part of their development plans. However, China's huge market size and transition to a market economy have increased the difficulty of market coordination. In addition, Chinese companies tend to invest in highly competitive emerging industries, which also leads to over-investment.¹¹⁸

¹¹⁴ Data all from the National Bureau of Statistics of China, available at:

http://www.stats.gov.cn/tjsz/tjsj/tjcb/dysj/201412/t20141231_662243.html

¹¹⁵ Ibid.

¹¹⁶ Liu Lei, Bu Xiaoning, Zhang Meng (2018), "Improvement of global value chain status and overcapacity in manufacturing industry", *Economic Review*: pp. 47.

¹¹⁷ China Development Research Foundation Funded Project, 2013 China National Economic Operation Comprehensive Report (3) - New Situation and New Countermeasures for China's Current Overcapacity.

¹¹⁸ The State Council, China's Cabinet, "Emerging Sectors of Strategic Importance during the 13th Five-Year Plan Period (2016-20)"

Third, since the 2008 financial crisis, the Chinese government carried out a large-scale stimulus plan for steady growth and formed a large amount of public infrastructure investment (mainly concentrated in the transportation and power industries).¹¹⁹ This move has greatly stimulated the enthusiasm of investors and led to the quick resume and growth of traditional industries such as steel, cement and metals. In addition to fiscal stimulus, the government has adopted a policy of credit expansion and interest rate cuts to stimulate economic growth.¹²⁰

Subsequently, the government also introduced the “Ten Industry Adjustment and Revitalization Plan” to promote the growth and employment of ten key industries such as steel, shipbuilding, textile, light industry, non-ferrous metals, equipment manufacturing, petrochemical, automobile, electronic information and logistics.¹²¹ The plan introduced a number of supporting policies, including government funds, credit support, tax breaks and so on. These stimulus policies helped Chinese companies recover after the financial crisis, and also promoted economic stability and sustainability, but also exacerbated China's overcapacity.

The imperfection of China's entire market mechanism itself is the underlying cause of overcapacity. China's resource factor marketization reform is lagging behind, policies, planning, standards, environmental protection and other guidance and constraints are not strong, investment systems and management methods are not perfect, supervision and inspection and accountability are not in place, leading to distortions in production factors and fair competition market environment.¹²² Unsound, the market mechanism has not been effectively implemented, the backward production capacity has been outdated, and the contradiction of overcapacity has intensified.

¹¹⁹ China Development Research Foundation Funded Project, 2013 China National Economic Operation Comprehensive Report (3) - New Situation and New Countermeasures for China's Current Overcapacity: pp. 7.

¹²⁰ “The 10th Anniversary of the Global Financial Crisis: Lessons and Challenges—A Summary of the Symposium of the China Social Science Forum”, International Economic Review, 2019, Chapter. China's Perspective.

¹²¹ “Opinions on Implementing the Adjustment and Revitalization Plan of Ten Key Industries and Further Strengthening Standardization Work” :http://www.gov.cn/gzdt/2009-07/03/content_1356554.htm

¹²² Yu Yujie, Jin Yang (2018), “The Status Quo, Causes and Countermeasures of Overcapacity”. Journal of Chang'an University: pp. 10.

5.1.2 Current Status of Overcapacity

The chart below is a summary of China's State Council Documents mentioned Overcapacity Industries over the years. It can be seen that overcapacity is primarily mainly focus on steel, coal, cement, electrolytic aluminium, flat glass and other industries, and it is recurring. The five overcapacity industries mentioned in 2013 were almost completely covered in the 2007 document. Among them, the most frequently mentioned are the two major industries of steel and coal. Industries such as textiles have once become overcapacity industries, but they are no longer mentioned as overcapacity industries after 2006. For example, in the steel industry, the period of severe overcapacity is 2012-2016. Steel is the most overcapacity industry. In 2015, China's crude steel output attained 804 million tons, almost half of the world's total, with a production capacity of about 1.2 billion tons and a capacity utilization rate of only 67%.¹²³

China's State Council Documents mentioned Overcapacity Industries

File number	Overcapacity Industries
[2006] no.11	Steel, electrolytic aluminum, calcium carbide, ferroalloy, coke, automobile (cement, coal, electricity, textile).
[2007] no.15	Electricity, steel, building materials, electrolytic aluminum, ferroalloy, calcium carbide, coke, coal, flat glass.
[2009] no.38	Steel, cement, flat glass, coal chemical, polysilicon, wind power equipment (electrolytic aluminum, shipbuilding, soybean crush).
[2010] no.7	Electricity, coal, steel, cement, non-ferrous metals, coke, paper, leather, printing and dyeing.
[2013] no.41	Steel, cement, electrolytic aluminum, flat glass, ship.
[2016] no.6	Steel.
[2016] no.7	Coal.
[2018] no.80	Steel, electrolytic aluminum, flat glass, coal, cement, shipbuilding, paper, coke, chlor-alkali, photovoltaic, wind power, wire and cable, ceramics, pesticides, nitrogen fertilizer.

PS: The industries in parentheses in 2006 and 2009 were potential overcapacity industries.¹²⁴

¹²³ Ibid: pp. 6.

¹²⁴ All the documents are available at: <http://www.gov.cn/zfwj/>

As can be seen from the above table, China's overcapacity is not only concentrated in the general traditional industrial industry, but also in some strategic emerging industries. Some coal chemical industry, wind power equipment manufacturing industry, polysilicon, photovoltaic cells, etc. also have a large surplus. For example, the wind power industry has a serious overcapacity from 2012 to 2013. It is attracted by market demand and stimulates the development of strategic emerging industries. The wind power industry also faces serious overcapacity in a period. Wind power equipment capacity utilization in 2012 and 2013 was less than 70%.¹²⁵

A direct consequence of overcapacity is to exacerbate trade frictions between China and the countries concerned. Since overcapacity means a lower product prices, it will naturally lead to a decline in the price of products exported to other countries. In fact, China has been the biggest target of anti-dumping review and sanctions since it joined the WTO in 2001.¹²⁶ Based on data from the World Bank's Temporary Trade Barrier Database, experts counted the frequency of products that China suffered from anti-dumping investigations during this period. The highest is steel, and the second highest is steel fittings, which are just the most severe steel products in the overcapacity. The number of anti-dumping investigations was 869 and 657, respectively, accounting for 21.6% and 16.4% of the total anti-dumping investigations during this period. In other words, the steel industry alone constitutes 38% of China's anti-dumping investigations.¹²⁷ The most important reason for the anti-dumping investigation is overcapacity. Here I have compiled anti-dumping and countervailing investigations against China initiated by the EU for overcapacity since 2016.

¹²⁵ China Development Research Foundation Funded Project, 2013 China National Economic Operation Comprehensive Report (3) - New Situation and New Countermeasures for China's Current Overcapacity: pp. 3.

¹²⁶ Liu Jianjiang, Luo Shuangcheng, Ling Sili(2015), "International Experience and Enlightenment to Resolve Overcapacity", Economic Aspects: pp 34.

¹²⁷ Yu Yujie, Jin Yang (2018), "The Status Quo, Causes and Countermeasures of Overcapacity". Journal of Chang'an University: pp. 9.

Anti-dumping and countervailing investigations and punishments on overcapacity initiated by the EU against China since 2016

Time	Invents
FEB,2016	The European Commission initiated an anti-dumping review of Chinese-made hot rolled coils. ¹²⁸
MAY,2016	The EU initiated a countervailing investigation into the product.
MAY,2016	The European Parliament refused to recognize China's market economy status and believed that China's steel industry was over-producing and cutting prices. ¹²⁹
JULY,2016	Levying the definitive anti-dumping duty on the registered imports of certain cold-rolled flat steel products originating in the People's Republic of China. ¹³⁰
April,2017	Imposing a definitive anti-dumping duty on imports of certain hot-rolled flat products of iron, on-alloy or other alloy steel originating in the People's Republic of China. ¹³¹
FEB,2018	Imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain corrosion resistant steels originating in the People's Republic of China. ¹³²

5.1.3 One Belt and Road: Output Excess Capacity

For China, the strategic destination of BRI has enormous potential for industrial transfer and capacity absorption. International capacity cooperation is an important part of BRI. In May 2015, the

¹²⁸ COMMISSION IMPLEMENTING REGULATION (EU) 2016/181 of 10 February 2016:

http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc_154263 prov.en.L37-2016.pdf

¹²⁹ EU lawmakers reject granting China the market economy status: <https://www.euractiv.com/section/trade-society/news/eu-lawmakers-reject-granting-china-the-market-economy-status/>

¹³⁰ COMMISSION IMPLEMENTING REGULATION (EU) 2016/1329 of 29 July 2016: http://trade.ec.europa.eu/doclib/docs/2016/august/tradoc_154832.levy.en.L210-2016.pdf

¹³¹ COMMISSION IMPLEMENTING REGULATION (EU) 2017/649 of 5 April 2017: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0649&from=EN>

¹³² COMMISSION IMPLEMENTING REGULATION (EU) 2018/186 of 7 February 2018: http://trade.ec.europa.eu/doclib/docs/2018/february/tradoc_156600.def.en.L34-2018.pdf

State Council of China issued the “Guiding Opinions of the State Council on Promotion of International Production Capacity and Equipment Manufacturing Cooperation”,¹³³ pointing out the overall task of promoting international capacity and equipment manufacturing cooperation. That is, “Developing countries that highly compatible with China’s equipment and production capacity, that have a strong aspiration for cooperation therein, and that are of good conditions and basis for cooperation therein shall be taken as priority countries, while markets in developed countries shall be actively developed, with promotion of work thereof in all areas by drawing upon the experience gained on key points, and with gradual extension thereof. The sectors of iron and steel, nonferrous metal, building materials, railway, electric power, the chemical industry, the light industry, the textile industry, the automobile industry, telecommunications, engineering machinery, aerospace, shipbuilding and oceanography engineering, etc shall be taken as priority sectors for taxonomic implementation and orderly promotion thereof.”¹³⁴ In particular, the opinion also emphasized the need to “On the basis of domestic advantages, launch of foreign production capacity cooperation by the iron and steel industry and the nonferrous metal industry shall be promoted. In keeping with the structural reform of the iron and steel industry in China, iron and steel production bases of iron making, steel making, steel products manufacturing, etc shall be built in priority countries with favourable conditions of resources, with a strong matching capacity and with vast market potential by means of export of complete sets of equipment, investment, acquisition, project contracting, etc, to lead export of iron and steel equipment.”¹³⁵ Most of the key industries mentioned are China’s overcapacity industries.

Countries along BRI ¹³⁶		
Areas	Countries	Amount

¹³³ China State Council issued (2015) No. 30, “Guiding Opinions of the State Council on Promotion of International Production Capacity and Equipment Manufacturing Cooperation”.

¹³⁴ Ibid.

¹³⁵ Ibid.

¹³⁶ Zhang Pengju (2018). “Research on international financial cooperation in the field of “Belt and Road” infrastructure construction”, University of International Business and Economics: pp. 32.

East Asia and Southeast Asia	Singapore, Malaysia, Indonesia, Myanmar, Thailand, Laos, Cambodia, Vietnam, Brunei, Philippines, East Timor, Mongolia	12
South Asia	India, Bangladesh, Pakistan, Sri Lanka, Nepal, Afghanistan, Maldives, Bhutan	8
Central Asia	Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan	5
West Asia and the Middle East	Iraq, Jordan, Qatar, Saudi Arabia, United Arab Emirates, Yemen, Egypt, Lebanon, Israel, Kuwait, Oman, Bahrain, Syria, Palestine, Iran, Afghanistan, Armenia, Azerbaijan, Georgia	19
Eastern Europe	Russia, Poland, Czech Republic, Hungary, Slovakia, Romania, Ukraine, Slovenia, Lithuania, Belarus, Bulgaria, Serbia, Croatia, Estonia, Latvia, Bosnia and Herzegovina, Macedonia, Albania, Moldova, Montenegro	20
Total		64

According to the China National Information Centre (2017)¹³⁷, the total GDP of 64 BRI countries at the end of 2016 was about 12 trillion US dollars, accounting for 16.0% of global GDP. The total population of these countries is 3.21 billion, accounting for 43.4% of the global population. From the level of per capita GDP, the economic development of many BRI countries behind China, which means huge space for industrial transfer. According to data released by the Ministry of Commerce of China, China's imports and exports in the BRI countries totalled 6.3 trillion yuan in 2016; direct investment in the BRI countries was 14.5 billion US dollars, accounting for 8.5% of China's total foreign investment,¹³⁸ which effectively promoted China's industrial upgrading and overcapacity problems are resolved.

¹³⁷ China National Information Center(2017), "One Belt, One Road" Big Data Report (2017).

¹³⁸ All data is available at: <http://data.mofcom.gov.cn/>

5.2 One Belt and Road: Strategic Choices to Address Global Climate Change (Case Study: Arctic Region)

5.2.1 The Relationship between Climate Change, Energy Security and Geopolitics

Geopolitical logic is concerned with a country with a clear political power, territory and population as an actor, rational behaviors and reactions in international affairs or in the face of threats, and the interactions between these behaviors and reactions. Therefore, almost all political geo-strategies aim to maximize their own state's interests. From the perspective of geography, geopolitics emphasizes the influence of geographical factors on the interrelationship between countries in international politics.¹³⁹ Although geography is the most basic factor of national diplomacy, it is not eternal, and climate change will affect geographical factors. After the end of the Cold War, the pattern of globalization and political multi-polarization has gradually strengthened. As the impact of climate change on individual countries has increased and the status of important geostrategic regions such as the Middle East, Central Asia and the Arctic has changed, the geostrategies of countries have also changed. This influence is reflected in various aspects, including diplomacy between countries, scientific research cooperation, economic and trade cooperation, and so on.

Among them, due to the impact of climate change, the world's energy structure and development direction have also changed. At present, the industrial revolution based on "green energy" (green energy refers to energy that does not emit pollutants) and cutting-edge information technology are being formed worldwide. It will profoundly affect the economic production mode, reorganize the industrial structure and the competitive landscape, and it will also profoundly change the people's lifestyle and the form of social organization drives a series of changes.¹⁴⁰ Since many traditional energy sources cause serious pollution to the environment and even lead to ecosystem degradation, various countries have introduced policies to promote environmental protection, rational use of resources, and research and development of renewable energy. Green development has become an

¹³⁹ WANG Wentao, LIU Yanhua, YU Hongyuan(2014), "The geopolitical pattern of global climate change and energy security issues", *Acte Geographica Sinica*: pp. 1261.

¹⁴⁰ Wang, W. and Y. Liu (2015). "Geopolitics of global climate change and energy security." *Chinese Journal of Population Resources and Environment* 13(2): 3-7.

inevitable direction. This kind of development model will promote the transformation of economic development models and industrial structure in various countries. Correspondingly, the geopolitical pattern and the international competition rules will also undergo great changes. Therefore, actively responding to climate change will fundamentally reform the traditional scale expansion model and position the international status and image.

China is in the middle of industrialization, which tackling climate change is also an intrinsic demand in China's development stage. First, while China is over-consuming fossil energy, it emits a large amount of carbon dioxide and also emits a large amount of pollutants. Solving the problem of environmental pollution has become China's imminent domestic demand, and the most direct livelihood issue cannot be ignored. Now China's economic development model and industrial structure are facing a critical transition period. China's extensive development model and low energy efficiency have become obstacles that restrict and hinder further development. For example, in 2012, China's energy consumption per 10,000 US dollars of GDP was 4.74 tons of standard coal, exceeding the world average of 3.65 tons of standard coal, which is 2.5 times that of 1.94 tons of standard coal in the United States. Four times that of Japan's 1.15 tons of standard coal.¹⁴¹ Also, China's energy security issues should have long-term plans. In 2012, China's oil imports were dependent on 58% and natural gas imports were 29%. China has switched from a net exporter of coal to a net importer, with imports reaching 270 million tons in 2012.¹⁴²

In the future, the dependence on energy such as oil and natural gas may increase. However, China's previous energy transportation channels were not smooth. After the "9.11" incident, uncertainties in energy security have increased, factors such as energy production, sea energy transportation, energy price instability, and the rise of resource nationalism have become the direct challenges to maintaining energy security.¹⁴³ The continued turmoil in Egypt and other Middle East-North African countries in 2011, and the "Arab Spring" spread to countries such as Egypt, Libya, Yemen,

¹⁴¹ World Bank Open Data, <http://data.worldbank.org/>.

¹⁴² Department of Energy Statistics of National Bureau of Statistics of China (2013). *China Statistical Yearbook- 2013*. Beijing: China Statistics Press, 2014.

¹⁴³ Chen Yingchun (2012). "Analysis of the Causes of the "Islamic Arc Belt" Turbulence and the Warning of China's Security". *World Geography Research*: pp. 37.

Syria and Bahrain, and the unrest affected the production of major oil and energy producing areas. It is the fluctuation of global oil and energy prices. Therefore, under the background of climate change, the Chinese government decided to develop new energy transportation channels to solve its own energy security problems, and to prepare for the world's new energy technologies and market layout. Addressing climate change will be an important issue for the long-term international continuation, and it will be related to the future economic, political and energy landscape of the world. The Chinese government is considering achieving a dual transformation between domestic and international under the climate change, to create new development momentum and opportunities in the country, to increase the voice of the international society and to play a greater influence in international affairs.

Under the global climate change environment, the geopolitical position of the Arctic has also undergone tremendous changes. In the next section, I will use the Arctic region as an example to analyze the strategic intentions of China's BRI on climate change.

5.2.2 China's Strategic Intention in the Arctic under Climate Change

A direct result of climate warming in the Arctic is the opening of the Arctic Ocean channel. In July 2009, two German cargo ships successfully crossed the northeast route and announced the birth of a new commercial route.¹⁴⁴ Later, shipping companies in Russia, Norway, Denmark and other countries actively tested the Arctic navigation, and the commercial navigation on the Northeast Passage increased year by year. In 2010, the number of foreign merchant ships passing through the Northeast Passage was 6; in 2011, 34; in 2012, 46.¹⁴⁵ In 2013, it grew to 71 ships. In 2013, the freight volume of cargo ships transported through the Northeast Passage totaled 1.35 million tons,

¹⁴⁴ Ibid.

¹⁴⁵ Trude Pettersen (2013), "China starts commercial use of Northern Sea Route", Barents Observer: <http://barentsobserver.com/en/arctic/2013/03/china-startscommercial-use-northern-sea-route-14-03>.

an increase of 7.5% over 2012.¹⁴⁶ The opening of the Arctic Channel will have a major impact on the world's ocean transport pattern and will have a far-reaching strategic effect.¹⁴⁷

Once the Arctic route is fully opened, it will provide many opportunities for China's foreign trade, regional economic development, and the growing of the marine economy and the construction of a maritime power. For example, China's use of the Arctic route will greatly shorten the transportation cycle between China's eastern coast and Europe and the eastern United States, reduce transportation costs, and directly bring economic benefits to China's foreign shipping and trade.¹⁴⁸ The Arctic route will also affect China's regional economic development pattern. The eastern coastal areas of China, especially the northern coastal areas, will bring new opportunities for economic development and growth in those areas; the Arctic route will also change China's external transportation pattern, increase the choice of foreign exchange channels, and further diversify the marine transportation routes, which will help reduce the dependence on the Indian Ocean routes, dispersing marine transportation safety risks.¹⁴⁹

It is noteworthy that after the opening of the Arctic Channel, the Arctic Ocean between Europe, Asia and North America will highlight its central role, and its strategic position and value will increase significantly. The Arctic route will evolve into an important strategic resource and strategic means. Competition between the relevant countries will be carried out around the control of the route. The right to control the Arctic route will become the new geopolitical competition between the Arctic countries and the countries concerned. Like traditional canal routes, the Arctic route will also be the target of strategic resource allocation for countries that want to control the world or compete for world hegemony, creating new geopolitical competition.¹⁵⁰ The opening of the Arctic

¹⁴⁶ Atle Staalesen(2014), "Putin wants Russian ships on Arctic route", Barents Observer: <http://barentsobserver.com/en/arctic/2014/04/putin-wants-russian-shipsarctic-route-28-04>.

¹⁴⁷ Lu Junyuan(2014), "Analysis of the Strategic Impact of Environmental Chance on China", Human Geography: pp. 99.

¹⁴⁸ Guo Peiqing(2009), "Research on International Issues of Arctic Channels". Beijing: Ocean Press: pp. 60.

¹⁴⁹ Lu Junyuan(2010), "Arctic Geopolitics and China's Response". Beijing: Current Affairs Press: pp. 313

¹⁵⁰ Caitlyn Antrim. Russia and the geopolitics of a changing Arctic[R]. Presentation at the Henry L. Stimson Center, April 16, 2009.

Channel will increase the geopolitical influence of the countries along the Arctic Ocean, especially those countries whose routes pass through the sea, will gain certain control over the main maritime traffic, strengthen their position in the sea, and translate into international affairs. Russia, the United States, Canada, Norway, Denmark and other countries have obvious influence on the new route. Most of the northeast channel needs to pass through the Russian-controlled sea area. The northwest channel needs more to pass through the northern Canadian waters, and the two channels eventually need to pass the Arctic waters controlled by the United States and Russia. On the Arctic route issue, China is in an asymmetrical position compared with the Arctic countries, especially the countries where the routes are located. China's role will be mainly for users of the channel, in the opposite strategic position with the channel owners and dominators. In the strategic game, the complexity and passiveness of China's ocean strategic decision-making cannot be ignored.

Although China is not an Arctic country, China is clearly not willing to give up its participation in the Arctic affairs and deploy geopolitical strategies to gain benefits in the Arctic such as the international mechanism of the Arctic route. Therefore, Chinese government has begun to put its perspective on the northernmost part of the world map, the Arctic region. Since 2012, especially, with the growth of China's economic strength and the improvement of its international status, the Chinese government's vocalization of the Arctic affairs has become more frequent. In 2013, Chinese President Xi Jinping proposed One Belt and Road Initiatives. Some experts put forward the idea of incorporating the Northeast passage of the Arctic channel into the maritime Silk Road.¹⁵¹ Since the beginning of 2017, President Xi Jinping has met with leaders of Russia, Denmark, Finland, the United States, Norway, and Canada to exchange information on Arctic cooperation and bilateral relations. When meeting with the Russian Prime Minister Dmitri Anatolyevich Medvedev¹⁵², Xi Jinping pointed out: China and Russia should jointly carry out the cooperation in Arctic route's development and utilization to create Polar Silk Road.

¹⁵¹ Zhang Yao (2013), "Arctic Affairs and China's Participation", Journal of Shandong Institute of Business and Technology: pp. 104.

¹⁵² China's BRI expansion and great power ambition: The Silk Road on the ice connecting the Arctic:<https://www.veruscript.com/CJES/publications/chinas-bri-expansion-and-great-power-ambition-the-silk-road-on-the-ice-connecting-the-arctic/>

On January 26, 2018, the Chinese government issued a white paper entitled “China’s Arctic Policy” (2018)¹⁵³. In addition to describing China’s interests and intentions in the region, the White Paper also highlights China’s important role as a major stakeholder in the Arctic by announcing China as a “near-Arctic country”.¹⁵⁴ The document also attempts to incorporate the Polar Silk Road into One Belt and Road initiative. In terms of bureaucracy, in March 2018 China carried out a large-scale reorganization of state institutions, including Chinese polar institutions, and the dissolution of the State Oceanic Administration. This led the Chinese Arctic and Antarctic Authority (CAA) to be directly affiliated with the new Ministry of Natural Resources (MNR).¹⁵⁵ Regarding the Arctic region, it will be responsible for the development and organization of maritime, deep sea and polar strategies. In addition, MNR announced the launch of the Arctic Environmental Satellite and Numerical Weather Forecast project in December 2018.¹⁵⁶ In addition, the agency announced in December last year that it will work with Arctic countries to launch environmental satellite and weather forecasting projects. This project allows for clearer data and environmental monitoring for vessels traveling in the Arctic. These actions show that China will deepen its influence on the Arctic affairs and continue to expand the scale of the Belt and Road route to the Arctic.¹⁵⁷ The Kiruna satellite receiving station in northern Sweden is such a case of cooperation. However, there are still some hidden dangers in such cooperation.¹⁵⁸ For example, local people will worry that the station may transmit military intelligence, so they have already encountered public relations problems.

¹⁵³ Text available at: http://english.gov.cn/archive/white_paper/2018/01/26/content_281476026660336.htm

¹⁵⁴ Ibid, II. China and the Arctic.

¹⁵⁵ Cui Bailu, Wang Yiwei(2018). “Arctic International Cooperation under the Framework of One Belt and Road: Logic and Model”. Journal of Tongji University (Social Science Edition): pp. 49.

¹⁵⁶ Ibid, pp 50.

¹⁵⁷ “Arctic Environmental Satellite Remote Sensing and Numerical Forecast Cooperation Platform Construction Project Launched in Beijing”: http://www.mnr.gov.cn/dt/hy/201812/t20181213_2379042.html

¹⁵⁸ Swedish defence agency warns satellite station could be serving Chinese military: <https://www.scmp.com/news/china/diplomacy/article/2182026/swedish-defence-agency-warns-satellite-station-could-be-serving>

5.3 One Belt and Road: Response to the Rebalancing toward Asia-Pacific Strategy

Since the end of the Cold War, especially since China's accession to the WTO, China has further deepened the integration of the US-led international political, economic, and monetary and financial order, and has become the biggest beneficiary of the US-led international economy and monetary and financial system.¹⁵⁹ China's increasing economic growth and remarkable improvement in its international economic status: First, after surpassing Germany to become the world's third largest economy in 2008. Then China overtook Japan in 2010, becoming the second largest economy in the world after the United States.

In response to the rise of China, the United States has adopted two different strategies: On the one hand, it must contact China. In the trade sector, US-China bilateral trade has grown steadily year after year, and the opening of the US market has become an important external driver for China's export-oriented economic growth. In the financial sector, the US government has achieved a greater degree of entry into the Chinese market by its multinational corporations and financial institutions through the China-US Strategic Economic Dialogue. By contrast, the United States is also using various means to contain China. In the trade field, as of July 13, 2015, the United States initiated a total of 99 anti - dumping lawsuits and 31 anti - subsidy lawsuits against China, accounting for 37% of the total number of anti - dumping and countervailing lawsuits in the United States.¹⁶⁰ In the financial sector, the United States not only oppressed the appreciation of the Renminbi through unilateral parliamentary bills, but also applied pressure to China through multilateral occasions such as the G20 and the IMF, trying to replicate the successful experience of financial negotiations on Japanese currency in the 1980s. In the area of rulemaking, the United States announced in January 2009 and soon led TPP. This strategy to some extent excludes China's accession and limits China's influence in the Asia-Pacific region, thus achieving the strategic goal of balancing China's rise.¹⁶¹ In the security field, the United States has implemented a military "Rebalancing toward

¹⁵⁹ Zhang Wei (2012), "A Comparative Study of China-US "Partnership" Diplomacy", Diplomatic College, 2012 PhD Thesis: pp. 12.

¹⁶⁰ Data is available at:

https://www.usitc.gov/trade_remedy/731_ad_701_cvd/investigations/active/index.htm

¹⁶¹ Li Xiao and Li Junjiu(2004), "The Transfer of Power in East Asia in the Dollar System: Nature and Prospects", World Economics and Politics: pp 47-48.

Asia-Pacific” strategy, which not only strengthens the military presence in East Asia, but also closes military alliances or partnerships with East Asian countries. The US-Japan alliance has been further consolidated.¹⁶² “The US government's China policy has shifted from working with China on global issues to explicitly preventing China from challenging international norms.”¹⁶³

Under such circumstances, China’s strategic development space has been compressed to a large extent in East Asia, forcing China to use BRI to find a way out to the northeast, southeast, and west. Faced with the north-south and south-east, China and South Korea, New Zealand, Australia, ASEAN and its members signed a free trade zone and the latter’s initiative to join the AIIB, helping to resolve the US’s strategic pressure on China in the areas of trade, investment, financing and monetary finance. At the same time, China is also actively contacting Europe to win their support for BRI. China is pursuing its selective standards and policies in many areas and is trying to fully test US leadership.¹⁶⁴

As a typical trading country, China has succeeded in export-oriented industrialization in the long-term implementation of the US dollar exchange rate and dependence on exports to the United States, but it also faces a systemic dilemma: due to the closed and underdeveloped domestic financial market, it is unable to lead international finance, market development direction and rules. Since currency is not widely distributed in the world, it must rely on exports to earn foreign exchange income. It cannot use foreign exchange for export goods for domestic consumption and can only reinvest in the US stock market and bond market. As a financial country, the United States has the privilege of the dollar as the sole world currency, despite its current account deficit and debt.

¹⁶² On April 27, 2015, the United States and Japan held consultations in New York to formally revise the " Guidelines for Japan-U.S. Defense Cooperation". The new "Guidelines for Japan-U.S. Defense Cooperation" decided to expand the cooperation between the US military and the Japanese Self-Defense Forces to a global scale, and to propose comprehensive cooperation from the usual events to emergencies. This means that the geographical restrictions of the Japanese Self-Defense Forces are removed and can play a more aggressive role in the world: <https://www.mofa.go.jp/files/000078188.pdf>

¹⁶³Bonnie S. Glaser, “Pivot to Asia: Prepare for Unintended Consequences”, Center for Strategic and International Studies: pp. 22.

¹⁶⁴ Michael D. Swaine (2010), “Perceptions of An Assertive China”, China's Leadership Monitor: pp. 1.

This new type of unequal international division of labour has put China at a systemic risk of depreciation of the dollar and shrinking of foreign reserves. To this end, China needs to use regional economic, monetary and financial cooperation to reduce the risks and costs of the US dollar system. Then, in recent years, the two major countries in East Asia, Sino-Japanese relations, have become increasingly tense due to territorial disputes. The East Asian regional monetary and financial cooperation faces major setbacks.¹⁶⁵ Therefore, it is necessary to expand the geographical space of new regional economic, monetary and financial cooperation. First, promote the internationalization of RMB by implementing BRI. The degree of internationalization of BRI countries has increased: (1) The types and scale of bond issuance in the offshore RMB market along the route have been expanded, covering the UK, Switzerland, Australia, Luxembourg, France, UAE, Malaysia, Korea, etc. (2) The international cooperation of RMB has progressed steadily. First, the role of the RMB as a reserve currency is gradually accepted.¹⁶⁶ Among the 32 bilateral currency swap agreements signed by the People's Bank of China, 25 BRI countries were involved, and the agreement amount reached 2.25 trillion yuan. Second, the budget for the clearing of the Renminbi has been expanded. The financial centres covered include Singapore, London, Frankfurt, Seoul, Paris, Luxembourg, Doha, Sydney, Kuala Lumpur and Bangkok. Third, the pilot of RMB Qualified Foreign Institutional Investors (RQFII) was steadily rolled out, including the United Kingdom, France, South Korea, Germany, Singapore, Australia, Switzerland, Luxembourg and Qatar, with a total amount of 550 billion yuan.¹⁶⁷

Second, through the implementation of One Belt and Road Initiative to promote monetary and financial cooperation between China and the major creditor countries in Asia and Europe. There are four main types of Asia-Europe countries radiated in the resurrection of the Bretton Woods system with the United States as the central country and the US dollar as the central currency. One is the trade-oriented countries represented by East Asian countries. The US exports industrial manufactured goods to obtain US dollars; the second is the energy-based countries represented by the

¹⁶⁵ Li Xiao (2011), "Why did the East Asian currency cooperation encounter setbacks? Internationalization of the People's Currency and Its Impact on Future East Asian Currency Cooperation", *International Economic Review*: pp. 109-128.

¹⁶⁶ People's Bank of China website: <http://www.pbc.gov.cn/>

¹⁶⁷ Ibid.

Middle East oil-producing countries, which obtain US dollars by exporting oil to the United States; and the third is the commodity-type countries represented by Australia and New Zealand. The US exports agricultural products to obtain US dollars; the fourth is the investment countries represented by the United Kingdom, Germany, and France, which earn US dollars by investing in the United States. Under such an international currency pattern, the United States is the world's largest debtor, and the Asian and European countries collectively constitute the international creditor of the United States. As creditors, these countries have the same investment preservation or value-added needs as China. To guard against the risk of the dollar, they are motivated to seek diversification of the export market and diversification of investment instruments in China. In fact, these countries have signed bilateral currency swap agreements with China, established the offshore currency centre of China, and piloted RQFII, which proves that the monetary and financial cooperation between China and the major creditor countries in Asia and Europe has a realistic basis.¹⁶⁸

5.4 Protecting the Overseas Investment Interests of Chinese Companies

With the rise of China and the deepening of its integration into the global economy, more and more Chinese companies are investing in other countries. After 2006, the Chinese government began to simplify the examination and approval procedures for foreign investment projects and implemented a range of policies to encourage enterprises to invest overseas.¹⁶⁹ Affected by this, China's foreign direct investment flows reached 107.84 billion US dollars in 2013, the same growth 22.8 %, ranked as the third largest foreign investor in the world for two consecutive years; the stock of foreign direct investment (accumulated net amount) reached 6604.8 billion US dollars, two times ahead of the previous year, ranking the 11th in the world.¹⁷⁰ Among them, countries and regions along road of BRI have become an important destination for China's foreign direct investment. In terms of stocks, China's direct investment in countries and regions along the route of BRI in 2013 was

¹⁶⁸ Li Xiao, Li Junjiu (2017). "One Belt and One Road and the Reconstruction of China's Geopolitical Economic Strategy", *Journal of International Studies*: pp. 47.

¹⁶⁹ Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China: <http://cpc.people.com.cn/GB/64162/71380/71382/71386/4837946.html>

¹⁷⁰ Department of Foreign Investment and Economic Cooperation of the Ministry of Commerce of China (2013): "Bulletin of China's Foreign Direct Investment Statistics"

720. 200 million US dollars, accounting for 10 % of China's total foreign direct investment.¹⁷¹ From the perspective of traffic, during the period of 2003 - 2013, China's direct investment in BRI countries increased by an average of 51% annually, higher than the growth rate of investment in other regions during the same period. This momentum was in 2008. This was especially evident after the financial crisis. From the perspective of regional distribution, China has the largest direct investment in Southeast Asia and the fastest growth in investment in Central Asia. At the national scale, China's direct investment is mainly concentrated in Singapore, Russia, Indonesia, Kazakhstan, Myanmar and Mongolia.¹⁷²

The BRI countries are almost the most complex geographic regions in the world with the most complicated geographical and cultural differences, the most serious ethnic conflicts, the most turbulent state and regional situations, and the most entangled relationship between major powers. Here, the overseas investment interests of Chinese companies are highly vulnerable to the war in Central Asia, the "Islamic State (IS)" emerging in the West Asia region, the political instability of the countries where the investment is located, and the anti-China trend of Chinese countries. Therefore, China took the opportunity of construction in BRI, conducted economic and trade exchanges and political exchanges with BRI countries, and ensured the institutionalization of project cooperation between Chinese enterprises and the local government; through extensive investment in infrastructure construction to realize the investment income of Chinese enterprises to benefit the host government and the public, and to enhance the attractiveness of Chinese capital in foreign competitive investment.

¹⁷¹ Ibid.

¹⁷² See Zheng Lei and Liu Zhigao (2015), "China's Direct Investment Space Pattern along the Belt and Road", *Progress in Geography*: pp. 65.

Chapter 6. Impaction, Problem and Challenges

The geopolitical benefits brought about by geopolitical significance are not all of BRI. It is accompanied by high returns, which is a high-risk threat. First of all, BRI is a national interest-oriented geopolitical strategy, so it is difficult to achieve the absolute balance between the two countries in the process of operation. In this process, a series of incidental adverse consequences can occur. In addition, as a global geopolitical strategy, BRI covers different cultural traditions, ideologies, religious beliefs, ethnic positions, etc., so there are potential geopolitical risks. Geopolitical risks occur in the geopolitical interactions of international political actors. The causes of geopolitical risks are often the ones issued or executed by international actors, whether they are subjective or objective foreign political policies or behaviours that trigger the anxiety, counter-measure or geopolitical structure of relevant international political actors. It also includes negative geo-environmental factors that influence the policy release or implementation of the country in the geopolitical interaction process. Next, I will conduct an in-depth analysis of BRI from the adverse effects and potential geopolitical risks.

6.1 Adverse effects of One Belt and Road Initiative

6.1.1 Increased debt

One of the focal points that the Belt and Road strategy has been criticized by the international community and public opinion is whether it is exporting debt traps. Although the Chinese government has been denying this proposition, the data shows that a weak BRI country is indeed at risk of a huge debt crisis. A previous study published by the Centre for Global Development (CGD) showed that 23 of the 68 countries that signed an agreement with China on BRI were found to have higher debt distress risk.¹⁷³ Eight of them will significantly increase their risk of falling into sovereign debt because of the “funding financing” associated with BRI.¹⁷⁴ The research institute FT Confidential Research(FTCR) combed the World Bank data and found that the external debt levels

¹⁷³ Hurley, J., Morris, S., & Portelance, G. (2018). Examining the debt implications of the Belt and Road Initiative from a policy perspective. CGD Policy Paper, 121: pp. 1.

¹⁷⁴ Ibid: pp. 15.

of six Southeast Asian countries have been significantly higher than the average level of developing countries, which may lead to a serious debt crisis of the six countries, Laos' foreign debt as a percentage of Gross National Income (GNI) is as high as 93.1%, well above the developing average of 26%.¹⁷⁵ This is followed by 69.6% in Malaysia and 54.4% in Cambodia. The external debt ratio of Vietnam, Indonesia and Thailand is also significantly higher than the overall average. The reasons behind the author conclude that Laos, like Malaysia, are carrying billions of dollars in related debts because of the BRI infrastructure project. For example, the railway from the capital of the Lao capital Vientiane to Kunming, China, has a scale of 5.8 billion US dollars, equivalent to 40% of the country's GDP.

The same problem does not exist only in Southeast Asia. According to the report of GDC, 17 countries in the Middle East and Africa signed the BRI agreement with China, including African countries such as Djibouti, Egypt, Ethiopia and Kenya.¹⁷⁶ The report suggests that Djibouti may significantly increase its debt risk because of BRI related financing. At the end of 2016, 82% of all external debt was against China's debt.

6.1.2 Low Infrastructure Utilization

Undertake the debt crisis of the last part, Sri Lanka is also a typical country of this case. Under the BRI strategy, China has borrowed loans to develop Hambantota in Sri Lanka. As a result, Sri Lanka officially leased the strategic port built by China to China for use in the form of a 99-year lease in December 2017.¹⁷⁷ But the deeper reasons for its debt crisis are the low utilization of these infrastructure projects.

In order to build the first phase of the port, Sri Lanka borrowed US\$307 million from China with a commercial interest of 6.3% per annum. Analysts at CSIS (Centre for Strategic and International

¹⁷⁵ Asian View : <https://asia.nikkei.com/Editor-s-Picks/FT-Confidential-Research/Southeast-Asia-s-foreign-debt-spirals>

¹⁷⁶ Hurley, J., Morris, S., & Portelance, G. (2018). "Examining the debt implications of the Belt and Road Initiative from a policy perspective". CGD Policy Paper, 121: pp. 16.

¹⁷⁷ Inability to pay off debts, Sri Lanka handed over strategic ports to China: <https://cn.nytimes.com/world/20171213/sri-lanka-china-port/>

Studies)'s Jonathan Hillman and Ship Technology's Eva Gray pointed out that the commercial interest rates on these loans are relatively high.¹⁷⁸ Analysts believe that China's high interest rate clause reflects the lack of competitive bidding. The lack of competitive bidding is because other entities do not believe that it is economically feasible to provide loans to the Sri Lankan government to build a port in Hambantota. The port of Hambantota performed poorly after opening in 2010. In the first two years, there were no large ships docked at the port due to large rocks on the seabed. In order to clear the stone, the Sri Lankan government had to borrow another 40 million dollars from the Chinese government. Finally, even after the port was fully opened in 2012, almost no ships arrived. For example, in 2012, it is estimated that 34 of the 50-60,000 vessels passing through the southern tip of Sri Lanka are actually docked at the port of Hambantota. By 2016, the business was so low that the port's annual profit was only \$1.81 million. With the increase in operating costs and the scarcity of revenue at the port, the Sri Lankan government was forced to convert debts to Chinese companies by the end of 2017.¹⁷⁹

The low utilization rate of some infrastructure projects and the inability to obtain effective returns on investment costs exacerbate the debt risk of the host country. However, on the one hand, the research before the project is inadequate, and the leaders are persistent, on the other hand, because the project is opaque, not open, and lacks consultation, many local residents do not understand the actual situation of the project. How to improve the transparency of the Belt and Road construction is an important issue to promote its long-term development. This effectively reflects the great difficulty of China's large-scale implementation of infrastructure projects in an unfamiliar political and economic environment. Therefore, China should disclose the economic data of the project, loan conditions, and conduct effective risk, feasibility and sustainability assessments for all projects.

¹⁷⁸ Cost-Risk Analysis of One Belt One Road Initiative on Sri Lanka:

<http://www.dailynews.lk/2019/02/27/business/178640/cost-risk-analysis-one-belt-one-road-initiative-sri-lanka>

¹⁷⁹ Inability to pay off debts, Sri Lanka handed over strategic ports to China:

<https://cn.nytimes.com/world/20171213/sri-lanka-china-port/>

6.1.3 Low Transparency of Projects and Human Rights Issues

The international community's controversy over One Belt and Road Initiative stems from the opacity of many of these projects. Transparency International, a global monitoring agency based in Berlin, published a survey in 2016 that reflected Chinese companies to be the lowest transparent in the world.¹⁸⁰ Transparency International evaluates the performance of multinational companies in emerging markets in combating corruption and business transparency based on a survey of 100 companies in 15 emerging markets. The survey used a 10-point scale, with 0 being the lowest transparent and 10 being the most transparent. The Chinese companies that accounted for 1/3 of the companies surveyed had the worst overall performance.¹⁸¹ The three companies rated as 0 were all from China. And not just Chinese companies, this low level of transparency is reflected in all aspects of Chinese society.

There are large number of foreign websites that cannot be accessed normally in mainland China, like the world's largest search engine Google, social platforms Facebook, Instagram and Twitter, financial network Bloomberg, video network YouTube, New York Times, radio BBC Chinese Net, as well as the British Financial Times, the US Wall Street Journal and so on, covering political, economic, cultural, postal, photo, video, cloud storage types of websites, etc. And until now, the Chinese government has not given a clear explanation why it is necessary to block these websites. Even in China's domestic social networking sites like Weibo, information about politically sensitive information is subject to network control, prohibiting users from commenting on forwarding, or simply not being able to search for relevant content. In modern life, the Internet has largely changed the way people communicate and pass information. It also enables more people to participate in grassroots economic and socio-political discussions and public citizenship.¹⁸² However, as far as China is concerned, the Internet will, to a certain extent, give people the opportunity to question the authority and management of the government, thus reducing the authority of state control

¹⁸⁰ CORRUPTION PERCEPTIONS INDEX 2016:

https://www.transparency.org/news/feature/corruption_perceptions_index_2016

¹⁸¹ Transparency International Report: Chinese companies are the most opaque:

<https://botanwang.com/articles/201607/透明国际报告：中国公司最不透明.html>

¹⁸² Yang, G. (2009). *The power of the Internet in China: Citizen activism online*. New York: Columbia University Press.

and opening up various aspects of social and political issues for debate.¹⁸³ This may be the reason for the opacity of the Chinese network.

This opacity also exists in some aspects of BRI. Due to the lack of transparency in BRI project process, it is difficult for foreign companies to participate in the BRI project in the early stage. The two sides often have disputes due to fairness and reciprocity issues. Unclear project standard issues, procurement bidding processes, and investment risks have added more obstacles to the entry of foreign companies. In addition, the problem of low transparency in this operational process also provides conditions for the generation of corruption.

According to Transparency International, many BRI countries have become the most corrupt countries in the world.¹⁸⁴ Leaders in various countries say that they are promoting economic development, but they are also swearing through kickbacks and secret trading. In fact, the “Belt and Road Initiative” has triggered many cases of corruption. In Kyrgyzstan, there were problems with the construction of power plants in China, and two former prime ministers were accused of receiving kickbacks from Chinese construction companies and both were arrested.¹⁸⁵ In Malaysia, the funds provided by the Export-Import Bank of China were misappropriated by a company associated with former Prime Minister Najib Razak, which led to the cessation of two large pipeline projects related to BRI.¹⁸⁶

The lack of transparency in BRI projects is not addressed, and it will be difficult for other countries to look at this initiative with a positive view. Lack of transparency can not only fuel corruption, but also exacerbate the debt crisis in developing countries, and it will also exacerbate people’s doubts. Similarly, the Digital Silk Road, as an integral part of the BRI, is also seen as a channel for China’s

¹⁸³ Wang, X., Juffermans, K., & Du, C. (2016). Harmony as language policy in China: An Internet perspective. *Language Policy*, 15(3): <https://link.springer.com/article/10.1007/s10993-015-9374-y>

¹⁸⁴ CORRUPTION PERCEPTIONS INDEX 2018: <https://www.transparency.org/cpi2018>

¹⁸⁵ Catherine Putz (2018), “Kyrgyzstan Hunt for Power Plant Corruption Continues”, *The Diplomat*: <https://thediplomat.com/2018/06/kyrgyzstan-hunt-for-power-plant-corruption-continues/>

¹⁸⁶ Stefania Palma (2018), “Malaysia cancels China-backed pipeline projects”, *Financial Times*: <https://www.ft.com/content/06a71510-b24a-11e8-99ca-68cf89602132>

export surveillance technology. This includes the use of facial recognition software in Zimbabwe,¹⁸⁷ using a social credit-like management system in Venezuela,¹⁸⁸ introducing cyberspace security laws for Uganda and Tanzania, and using the Great Wall Firewall in Russia.¹⁸⁹ This move also raises questions about human rights violations.

6.2 Risk

BRI strategy accelerates the closeness of the East Asian geostrategic jurisdiction and also expands the scope of the jurisdiction, which is based on the rise of China's national strength to become the world's second. However, compared with the US and the EU as well as other developed countries in the world, China's per capita GDP is seriously insufficient, and the overall strength is strong, but the development is seriously unbalanced. China's manufacturing is still in the transition period created for China. The decline of demographic dividends and the deterioration of environmental resources are the core issues that constrain China's strategic resource allocation. Therefore, how to use strategic resources more rationally in this case is an important proposition. "Either the 'strategic military' or the 'strategic economy' has a major internal balance. Simply put, one of the biggest problems of China's foreign policy is what is the strategic focus? Once the excess is wasted in areas with limited strategic value. Resources will bear huge losses for China. China's strength is not enough to support China's security protection for investment BRI areas.

At the same time, it should be noted that the core of China's "One Belt, One Road" strategy is economic cooperation, not military strength. Therefore, if the "One Belt, One Road" strategy is to seek the pursuit of power or the vacuum of power in Eurasia, it is not easy. As the two geopolitical countries of the traditional Eurasia, the United States and Russia have formed a dynamic balance between the geopolitical game and the local interest groups. The promotion of China's BRI strategy

¹⁸⁷ Lynsey Chutel (2018), "China is exporting facial recognition software to Africa, expanding its vast database":<https://qz.com/africa/1287675/china-is-exporting-facial-recognition-to-africa-ensuring-ai-dominance-through-diversity/>

¹⁸⁸ Angus Berwick (2018), "How ZTE helps Venezuela create China-style social control":
<https://www.reuters.com/investigates/special-report/venezuela-zte/>

¹⁸⁹ Shayera Dark(2018), "Strict new internet laws in Tanzania are driving bloggers and content creators offline":<https://www.theverge.com/2018/7/6/17536686/tanzania-internet-laws-censorship-uganda-social-media-tax>

is difficult to undermine the original equilibrium system, because the implementation of China's One Belt and Road strategy depends to a certain extent on the stable environment of the original structure. Therefore, the promotion of China's BRI strategy must be based on the joint promotion of multiple entities, with the aim of optimizing the geopolitical environment along the BRI road, using economic cooperation and interconnection as a means, and choosing partnerships with limited support. Countries with better geo-environmental conditions and better strategic conditions will gradually promote the maturity and movement of East Asian geostrategic jurisdictions with soft power (soft power is relative to the gross domestic product such as GDP and urban infrastructure.¹⁹⁰ It refers to the factors that influence the development potential and appeal of a country's culture, values, and social systems¹⁹¹) in a phased manner. Here, China must do a good job in assessing and predicting the geopolitical risks of BRI countries, which promote the multi-governance of the BRI strategic geopolitical risks based on the concept of global governance.

¹⁹⁰ Zhang Wei (2017). "Geo-strategy research on China's "Belt and Road" construction". Jilin University: pp. 50.

¹⁹¹ Zhao Wei (2018). "Research on the improvement of Chinese cultural soft power under the "Belt and Road" strategy". Lanzhou University of Technology: pp.32.

Chapter.7 Conclusion

China's Belt and Road Initiative, combined with the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road", is China's guiding geostrategy for decades to come. This strategy emphasizes coordinated development policies, financial cooperation, strengthening investment and trade relations, building infrastructure networks and deepening social and cultural exchanges. The Belt and Road Initiative involves a large number of countries, a vast territory, and complex economic, political and cultural backgrounds. This complexity requires detailed risk-benefit analysis, which has been absent from academic and political fields to date. For many scholars, the Belt and Road Initiative is an attempt by China to challenge and re-plan existing global political and economic structures that can create new growth opportunities for other developing countries and cities that participate in numerous projects. On the other hand, we see potential financial and even political risks in participating cities and countries, which may cause damage to the project if not discussed.

In my thesis, I first analyse the difference between the geographical origins of China and the West from the perspective of geopolitical theory, which provide evidence for China's Belt and Road in terms of historical background. Then, by expounding the status quo of the Belt and Road, we introduce the geopolitical intentions that China wants to build through this strategy. In the end, I will summarize the advantages and disadvantages of the countries involved in One Belt and Road Initiative, which conclude BRI is not a so-called altruistic policy. In the process of participation, it will also face corresponding risks. Need to be vigilant and weigh. I also analysed the risks and losses that China may face in this strategy to conduct a comprehensive anatomy of the strategy. I hope that the data and policies in the One Belt One Road policy will provide a more open and transparent channel for more scholars to study in depth.

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