

Global Power Shift

S. Mahmud Ali

China's Belt and Road Vision

Geoeconomics and Geopolitics



Springer

Global Power Shift

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Structure and Organisation

The work elucidates terrestrial and maritime BRI projects, and Western and allied scepticism (Bulloch 2018; Friedman 2017; Yamada and Palma 2018), explores Chinese and adversarial thinking colouring the arguments' dialectics, examines the historical evolution of the BRI framework, studies cases central to its core components, i.e., the 'Silk Road Economic Belt' (SREB) and the 'Twenty-First Century Maritime Silk Road' (MSR) constructs and analyses the geoeconomic and geopolitical aspects and implications of China's 'trillion-dollar project of the century'. The book is organised in seven chapters:

Chapter 1 **Introduction** summarises the historical background of the Silk Road construct and how, since 2013, China's Leader, Xi Jinping, has used this framework to pursue an initiative comprising terrestrial and maritime connectivity, infrastructure-building, trade, regulatory coordination and financial convergence between China on the one hand, and the rest of Eurasia, Europe, Africa, Oceania and Latin America on the other. The Belt and Road Initiative (BRI), specifically its globe-girdling scale, massive funding outlays, alleged lack of transparency and purported geostrategic motives concealed underneath its geoeconomic garb, deepened China-rooted anxiety among members of the US-led tacit coalition being forged to counteract the 'China threat' said to be challenging the 'rules-based' post-Cold War global order. Intensifying Sino-US strategic rivalry painted a contextual backdrop for the polarised BRI discourse, reinforcing the dialectic dynamic powering the *transitional fluidity* afflicting the *system*.

Chapter 2 **Fear Factor: Strategists Versus Bankers** reviews the literature on Beijing's BRI vision—examining Chinese, Western and allied policy-statements, leadership remarks and academic and think tank analyses. It summarises the key arguments posited by BRI's champions and critics to illuminate the nature and roots of anxiety afflicting critical practitioners and their advisers. The chapter also examines contrasting postulates advanced by major Western financial/commercial organisations, juxtaposing two distinct perspectives—'strategists' and 'bankers'—to establish BRI's purported geoeconomic and geopolitical pros and cons and,

on that basis, expose the widely varied lenses through which the BRI blueprint is viewed at home and abroad.

Chapter 3 **China's Belt and Road: An Evolving Network** consolidates the accretive imagery presented by the proponents and managers of Beijing's dynamic BRI vision, to enable an appreciation of the enterprise's variegated, eclectic, even diffuse, nature. For an understanding of the physical manifestations of BRI's 'final' impression as espoused by Xi Jinping, the CPC Politburo Standing Committee (PBSC), the State Council and the National Development and Reform Commission (NDRC), the chapter focuses on the Silk Road Economic Belt (SREB) undertaking, reviewing the narrative's variations and modifications refined by successive Chinese leaders since 1994. It finally examines longitudinal SREB-MSR connectors in an empirical preview of BRI's purpose and prospects.

Chapter 4 **East Meets West: BRI's Eclectic Origins** reviews significant contributions to Beijing's BRI vision made by myriad non-Chinese institutions, organisations and corporations, whose actions, alongside China's developmental drivers, socio-economic priorities and planning processes, laid down the bed on which the BRI vision germinated. The chapter posits that rather than a singular strand of covertly revisionist geostrategic thought precipitating BRI, slowly crystallising commercial considerations, multilateral socio-economic objectives, regional integrationist politico-economic imperatives and, occasionally, visionary imagination, converged from diverse origins. Mutually reinforcing accretive trends, coinciding after the Cold War, were accelerated by the *Great Recession's* severity. Beijing's responses to that crisis, informed by multilateral Western advice, and aided by multinational innovation, shaped Xi Jinping's policy inheritance, the latter being the fountainhead of his BRI proclamations.

Chapter 5 **Case Study 1: The China-Pakistan Economic Corridor** examines the 'flagship' network of energy production, transmission and distribution, transport and communications, industrial and agricultural, and infrastructure and connectivity projects announced by Chinese Premier Li Keqiang and President Xi Jinping during consecutive visits to Pakistan, and revised upwards since then. While proponents eulogise its transformative effect on Pakistan's economic and state-building prospects, critics underscore its allegedly hidden objectives, its challenges and uncertain future. The chapter analyses CPEC's domestic, bilateral, regional and systemic ramifications and illuminates a complex combination of positive and negative outcomes characterising such potentially transmogrifying visions, both for Pakistan and Sino-Pakistani relations, and for the South Asian regional *sub-system* and the wider *system* itself.

Chapter 6 **Case Study 2: The Twenty-First Century Maritime Silk Road** reviews Chinese and external documentation explaining both economic and security motivations driving a revival of China's oceanic interests, especially since China's accession to the World Trade Organisation (WTO), when its primarily maritime commerce exploded, transforming global trade patterns and resource flows. Within a decade, China's output expanded to the world's second highest,

altering geoeconomic balances, eroding long-familiar assumptions and threatening to redraw the geopolitical order. MSR proposes a series of ports linking coastal China to Asia, Africa and Europe via the SCS, the Indian Ocean, the Pacific and the Mediterranean. Against the backdrop of a competitive pushback by Beijing's critics, the chapter asks, what does the MSR seek to achieve, how and why? What likely challenges confront it, and what are its prospects?

Chapter 7 Conclusion. The final chapter, seeking answers to the prefatory questions, summarises the foregoing examination. It is impossible to predict BRI's final outcome before all its planned projects are operational, but the evidence presented above suggests much anxiety informing Western analyses is rooted in a fear of the unknown precipitated by *systemic transitional fluidity* flowing from China's rapid renaissance, rather than a rational evaluation of the BRI blueprint per se. An uncertain transition from the 300-year-old trans-Atlantic-centric political-economic order catalysed fearful suspicions and a profound *displacement anxiety* stemming from accretive disruptions backstopping Beijing's BRI vision. Strategists' angst-ridden, zero-sum prophecies draw greater attention than bankers' reasoned analyses. A lack of objective detachment could promote self-fulfilling assumptions. This work aims to address that risk.

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Abbreviations

AAGC	Asia-Africa Growth Corridor
ABC	Australian Broadcasting Corporation
ACMECS	Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy
ADB	Asian Development Bank
AI	Artificial Intelligence
AIIB	Asian Infrastructure Investment Bank
ALTID	Asian Land Transport Infrastructure Development
AMTI	Asia Maritime Transparency Initiative
ANU	Australian National University
AP	Associated Press
APEC	Asia-Pacific Economic Cooperation Forum
APFTA	APEC Free Trade Area
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
AT	Arbitral tribunal
AWC	Army War College
B&R	Belt and Road
BAS	Bulletin of the Atomic Scientists
BBC	British Broadcasting Corporation
BCIM	Bangladesh–China–India–Myanmar
BIT	Bilateral investment treaty
BoC	Bank of China
BRF	Belt and Road Forum
BRI	Belt and Road Initiative
C3I	Command, control, communications and intelligence
CASA	Central Asia-South Asia
CCCC	China Communications Construction Company
CCG	China Coast Guard

CCTV	China Central Television
CD	China Daily
CDB	China Development Bank
CEEC	Central and Eastern European Countries
CEO	Chief executive officer
CFO	Chief financial officer
CFR	Council on Foreign Relations
CHEC	China Harbour Engineering Company
CIA	Central Intelligence Agency
CIFIT	China International Fair for Investment and Trade
CIMSEC	Centre for International Maritime Security
CJCS	Chairman of the Joint Chiefs of Staff
CM	Chief Minister
CMC	Central Military Commission
CMPH	China Merchant Port Holdings
CNA	Centre for Naval Analysis
CNO	Chief of Naval Operations
COPHC	China Overseas Ports Holding Company
CPC	Communist Party of China
CPCCC	CPC Central Committee
CPEC	China–Pakistan Economic Corridor
CPV	Communist Party of Vietnam
CRCC	China Railway Construction Corporation
CRI	China Radio International
CRS	Congressional Research Service
CSG	Carrier strike group
CSIS	Centre for Strategic and International Studies
CTF	Carrier task force
CUES	Code for Unplanned Encounters at Sea
DCI	Director of Central Intelligence
DHS	Department of Homeland Security
DIA	Defence Intelligence Agency
DMP	Doraleh Multipurpose Port
DMZ	Demilitarised Zone
DNI	Director of National Intelligence
DoD	Department of Defence
DoJ	Department of Justice
DoS	Department of State
DPP	Democratic People's Party
DW	Deutsche Welle
EAF	East Asia Forum
EAS	East Asia Summit
EBRD	European Bank for Reconstruction and Development
ECRL	East Coast Rail Link
ECS	East China Sea

EEC	Eurasian Economic Community
EIU	Economist Intelligence Unit
EMP	Electromagnetic pulse
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FATA	Federally administered Tribal Areas
FBI	Federal Bureau of Investigation
FDI	Foreign direct investment
FM	Foreign ministry
FMPRC	Foreign Ministry of the People's Republic of China
FOCAC	Forum on China–Africa Cooperation
FoN	Freedom of navigation
FP	Foreign policy
FPRI	Foreign Policy Research Institute
FT	Financial Times
FTA	Free-trade agreement
FTZ	Free-trade zone
FWO	Frontier Works Organisation
FYP	Five-Year Plan
G7	Group of seven developed economies
G20	Group of 20 developed and emerging economies
GDA	Gwadar Development Authority
GDP	Gross Domestic Product
GMS	Greater Mekong Subregion
GNI	Gross national income
GoI	Government of India
GoP	Government of Pakistan
GPA	Gwadar Port Authority
GPS	Global Positioning System
GT	Global Times
HASC	House Armed Services Committee
HP	Hewlett-Packard
IBRD	International Bank for Reconstruction and Development
ICG	International Crisis Group
ICT	Information and communications technology
IDSA	Institute for Defence Studies and Analysis
IFC	International Finance Corporation
IISS	International Institute for Strategic Studies
IMF	International Monetary Fund
INDOPACOM	Indo-Pacific Command
IOR	Indian Ocean Region
IP	Intellectual property
IPR	Intellectual property rights
ISR	Intelligence, surveillance, reconnaissance
IT	Information technology

JCEBS	Journal of Chinese Economic and Business Studies
JCS	Joint Chiefs of Staff
JICA	Japan International Cooperation Agency
JSG	Joint Study Group
K2K	Kunming to Kolkata
KKH	Karakoram Highway
KWh	Kilowatt-hour
LAT	Los Angeles Times
LDP	Liberal Democratic Party
LMC	Lancang-Mekong Cooperation
LMI	Lower Mekong Initiative
LTP	Long-term plan
MCKIP	Malaysia-China Kuantan Industrial Park
MDG	Millennium Development Goals
MEA	Ministry of External Affairs
MiC2025	Made in China 2025
MND	Ministry of National Defence
MoFA	Ministry of Foreign Affairs
MOFCOM	Ministry of Commerce
MPDR	Ministry of Planning, Development and Reform
MSDPRC	Military and Security Developments Involving the PRC
MSR	Maritime Silk Road
MWe	Megawatts electricity
NASIC	National Air and Space Intelligence Centre
NBR	National Bureau of Asian Research
NDAA	National Defence Authorisation Act
NDB	New Development Bank
NDRC	National Development and Reform Commission
NDTV	New Delhi Television
NDU	National Defence University
NI	National Interest
NLD	National League for Democracy
NPC	National People's Congress
NSA	National Security Advisor/Agency
NSC	National Security Council
NSS	National Security Strategy
NYT	New York Times
OBOR	One Belt One Road
ODA	Official development assistance
ODI	Overseas Direct Investment
ONA	Office of Net Assessment
OPIC	Overseas Private Investment Corporation
ORF	Observer Research Foundation
OSD	Office of the Secretary of Defence
OUP	Oxford University Press

PBSC	Politburo Standing Committee
PD	People's Daily
PLA	People's Liberation Army
PLAAF	PLA Air Force
PLAN	PLA Navy
PLANAF	PLAN Air Force
PMO	Prime Minister's Office
PS	Project Syndicate
PTI	Pakistan Tehreek-e-Insaf/Press Trust of India
R&D	Research and development
RMA	Revolution in Military Affairs
RMB	Renminbi
SAARC	South Asian Association for Regional Cooperation
SASC	Senate Armed Services Committee
SCMP	South China Morning Post
SCO	Shanghai Cooperation Organisation
SCS	South China Sea
SDG	Sustainable Development Goals
SEZ	Special economic zone
SIPRI	Stockholm International Peace Research Institute
SKRL	Singapore–Kunming Rail Link
SLoC	Sea Lines of Communications
SLPA	Sri Lanka Ports Authority
SoD	Secretary of Defence
SOE	State-owned enterprises
SREB	Silk Road Economic Belt
SRF	Silk Road Fund
SSD	Special Security Division
TAPI	Turkmenistan–Afghanistan–Pakistan–India
TAR	Trans-Asian Railway
TEU	Twenty-foot equivalent unit
ToI	Times of India
TRACECA	Transport Corridor Europe Caucasus Asia
UAE	United Arab Emirates
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNGA	United Nations General Assembly
UNSC	United Nations Security Council
UPI	United Press International
USAF	United States Air Force
USCC	United States-China Economic and Security Review Commission
USN	United States Navy
USPACAF	United States Pacific Air Force

USTR	United States Trade Representative
VoA	Voice of America
WBG	World Bank Group
WEF	World Economic Forum
WFB	Washington Free Beacon
WotR	War on the Rocks
WP	Washington Post
WTO	World Trade/Tourism Organisation
YDRC	Yunnan Development and Reform Commission

Chapter 1

Introduction



China's Belt and Road Initiative (BRI) has drawn passionate critique, notably from political leaders, senior practitioners, academic analysts, media commentators and think tank strategists, from the USA, Europe, Japan, India and Australia. The focus of much vitriol has been on the assertion that BRI is more geopolitical in intent and content, than geoeconomic, as indicated by policy-makers and officials from China and its BRI partner countries. For the analysis in this work, the following definitions are essential to avoid any ambiguity.

Geoeconomics *Economics in its relationship to such geographical conditions as location and natural resources; a condition of economic rivalry among nations.* Collins English Dictionary

*The use of economic instruments to produce beneficial geopolitical results.*¹
Robert Blackwill

Geopolitics *The study of the effect of geographical factors on politics, especially international politics; the combination of geographical and political factors affecting a country or area; politics as they affect the whole world; global politics.* Collins English Dictionary

¹Blackwill (2018) and Blackwill and Harris (2016).

1.1 Beijing's Belt and Road Initiative

Ancient China, famed for its lightweight and glossy silken fabrics, jade, paper, porcelain, salt, spices, sugar, teas and other luxury goods, traded with Europe, Persia and Eurasian lands in between, via numerous trading posts strung along caravan routes. This diffuse skein of trans- and intercontinental trade routes linked the Han Dynasty capital, Xian, to Antioch, a Graeco-Roman metropolis. Starting from around 130 BC, merchants carried gold, silver, other valued metals, ivory, gemstones, cotton, dates, pistachio nuts, saffron powder, livestock, especially camels and, until the fifth century, glass, to China, while returning with Chinese novelties. The route was made famous by the Venetian explorer, Marco Polo (1254–1324), whose travels along these routes to China and Mongolia lasted 24 years, and who for a time was an advisor to the Yuan Dynasty Emperor, Kublai Khan. However, the route was only named the 'Great Silk Road' by the German historian, Ferdinand von Richthofen, in his book, 'China', in 1877.²

More recently, in April 2019, Xi Jinping, General-Secretary of the Communist Party of China (CPC), President of the People's Republic of China (PRC) and Chairman, Central Military Commission (CMC), hosted dozens of foreign leaders, ministers and officials at the Second Belt and Road Forum for International Cooperation (BRF) in Beijing. Guests at this meeting included many more national leaders than was the case at the first BRF in 2017, at which Xi formally inaugurated China's Belt and Road Initiative (BRI). Initially named the One Belt One Road (OBOR) scheme, BRI was designed to link 64 Asian, European and African countries to China³ via new or refashioned transportation and communications networks, pipelines, ports, digital links and trans-border regulatory resonance. By early 2018, the number of BRI partners had reached 'at least 68 countries with an announced investment as high as \$8tn' in transportation, energy and telecommunication infrastructure networks linking Asia, Europe and Africa.⁴ Oceania and Latin America, too, beckoned.

Notwithstanding Beijing's insistence on BRI/OBOR's collectively beneficial objectives, its purported goals triggered raging controversy among policy- and strategic analytical communities in the USA, Europe, India, Japan, Australia and elsewhere. BRI's champions and detractors advanced starkly contrasting perspectives.⁵ Shortly after taking office, President Donald Trump proclaimed Washington's new

²Voisin (2017), Liu (2012) and Hopkirk (1984).

³Afghanistan, Albania, Armenia, Azerbaijan, Bahrain, Bangladesh, Belarus, Bhutan, Bosnia and Herzegovina, Brunei, Bulgaria, Cambodia, Croatia, Czech Republic, Egypt, Estonia, Georgia, Hungary, India, Indonesia, Iran, Iraq, Israel, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Lithuania, Macedonia, Malaysia, Maldives, Moldova, Mongolia, Montenegro, Myanmar, Nepal, Oman, Pakistan, Palestine, Philippines, Poland, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovakia, Slovenia, Sri Lanka, Syria, Tajikistan, Thailand, Timor-Leste, Turkey, Turkmenistan, Ukraine, United Arab Emirates, Uzbekistan, Vietnam, Yemen. Government of the PRC (2017); six months later, the list was expanded to include Djibouti, Ethiopia, Kenya and South Korea. Hurley et al. (2018, pp. 6–7).

⁴Hurley et al. (2018, p. 1).

⁵Report (2019).

muscularity vis-à-vis Beijing, painting the policy-landscape on which US responses to China generally, and BRI specifically, was fashioned: 'Around the world, we face rogue regimes, terrorist groups and rivals like China and Russia that challenge our interests, our economy and our values. In confronting these dangers, we know that weakness is the surest path to conflict, and unmatched power is the surest means of our defence'.⁶ His Vice President, Mike Pence, in a closely watched speech detailing Washington's China policy, announced, 'We will be giving foreign nations a just and transparent alternative to China's debt-trap diplomacy...Be assured: we will not relent until our relationship with China is grounded in fairness, reciprocity, and respect for our sovereignty'.⁷

1.2 The Initiative Triggers a Polarising Discourse

The US Intelligence Community assessed, 'China's leaders will try to extend the country's global economic, political, and military reach while using China's military capabilities and overseas infrastructure and energy investments in the BRI to diminish US influence'. A key concern: 'Successful implementation of the BRI could facilitate PLA access to dozens of additional ports and airports and significantly expand China's penetration of the economies and political systems of participating countries'.⁸ Mike Pompeo, then Director, Central Intelligence Agency (CIA), noted, 'The Chinese are very active... We can watch very focused efforts to steal American information, to infiltrate the US with spies—with people who are going to work on behalf of the Chinese government against America'. Pompeo discerned the greatest threat from covert Chinese competition: 'The Chinese are working diligently to put themselves in a position where they are a superpower... We have to do better pushing back against Chinese efforts to covertly influence the world'.⁹

James Mattis, who served as Secretary of Defence until January 2019, mirrored this anxiety in a valedictory report: 'OBOR, which at first included economic initiatives in Asia, South Asia, Africa, and Europe, now encompasses all regions of the world, including the Arctic and Latin America, demonstrating the scope and reach of Beijing's ambition'. Beijing's 'ambitions', when juxtaposed to BRI's alleged purposes, illuminated the *systemic primate's* angst: 'While some OBOR projects appear to be motivated by economic considerations, OBOR also serves a greater strategic purpose. China intends to use OBOR to develop strong economic ties with other countries, shape their interests to align with China's, and deter confrontation or criticism of China's approach to or stance on sensitive issues'.¹⁰ Since BRI partners could 'develop economic dependencies from over-reliance on Chinese capital',

⁶Trump (2018).

⁷Pence (2018).

⁸Coats (2019, p. 25).

⁹Pompeo (2018).

¹⁰OSD (2018a).

dire implications were anticipated: ‘Some OBOR investments could create potential military advantages for China, should it require access to selected foreign ports to pre-position the necessary logistics support to sustain naval deployments’ defending Chinese interests in ‘the Indian Ocean, Mediterranean sea and Atlantic Ocean’.¹¹

President Xi assured a gathering of high-level foreign guests: ‘No matter how much progress China has made in development, China will not threaten anyone else, attempt to overturn the existing international system or seek spheres of influence’.¹² His pledges failed to reassure the White House. Trump’s Senior Adviser, Matthew Pottinger, representing the President at a Chinese National Day reception at the PRC embassy in Washington, explained why: ‘We at the Trump administration have updated our China policy to bring the concept of competition to the forefront. It’s right there at the top of the President’s National Security Strategy’.¹³ The USA was certainly being transparent.

Given the proclaimed scale and extended time frames of China’s globe-girdling BRI proposals, empirical evidence essential to reaching reasoned conclusions was limited and ambiguous. Developments—both positive and negative—recorded between the two BRFs offered a data set which could serve as an interim basis for ascertaining what was planned, assessing how plans were translated into ‘facts on the ground’, and derive rational inferences therefrom. That is the goal of this work. The complexity of this task was dramatically deepened by the USA’s suddenly pronounced shift to an adversarial grand-strategic posture vis-à-vis China, formalised in various Trump Administration policy-documents and leadership-level remarks, reinforcing the tenor of the public discourse on China generally and BRI/OBOR particularly.¹⁴

Dichotomy marked the inaugural BRF, attended by 29 heads of government and 1200 delegates from over 100 countries and multilateral organisations. It was overshadowed by the absence of US President Donald Trump, Japanese Prime Minister Shinzo Abe, and his Indian counterpart, Narendra Modi. With deepening security and economic tensions colouring relations with China, lower-level delegations represented differing depths of scepticism of the substance, intent and prospects of China’s ‘trillion-dollar project of the century’.¹⁵ Still, underscoring an alignment of interests, Xi announced that participants had signed ‘more than 270 cooperation projects or agreements’.¹⁶ Leaders signed a Joint Communiqué noting convergent policy-orientation, laying the normative foundations for their shared BRI vision.¹⁷

¹¹ OSD (2018a).

¹² Xi (2018).

¹³ Pottinger (2018).

¹⁴ Sevastopulo (2019), Pence (2018), OSD (2018b), Coats (2018), Mattis (2018) and NSC (2017).

¹⁵ White House (2017a, b, c), Han and Sink (2017), Matsui et al. (2017), Yoshino (2017), PTI (2017) and Akbar (2017).

¹⁶ Wu (2017).

¹⁷ FMPRC (2017).

However, some participants, while lauding Xi's BRI template, urged transparency, equality and mutuality of benefit during project implementation. Uncertainty reflected much anxiety, even suspicions, among some leaders, senior officials and other practitioners that BRI was Beijing's stratagem designed to non-militarily challenge, and eventually supplant, the USA as the globally dominant *systemic primate*, without offering it an exploitable *casus belli* triggering military conflict which China was unlikely to win.¹⁸ Critics resented Beijing's reticence on widely suspected linkages between China's pursuit of 'the great rejuvenation of the Chinese nation' (*Zhonghua minzu weida fuxing*), a much-publicised leitmotif reportedly driving China's domestic and external engagements, and BRI. Nevertheless, two years later, at the second BRF, senior-level participation, enumeration of projects underway and successes achieved, and proclaimed future plans, highlighted BRI's steady gains in momentum.

1.3 A Schizophrenic Response to China's 'National Rejuvenation'

Japan offered an example. Prime Minister Abe indicated interest in Japan's participation in BRI shortly after sending a leader of his Liberal Democratic Party (LDP) to represent him at the 2017 BRF. And although Narendra Modi condemned BRI's flagship programme—the China–Pakistan Economic Corridor (CPEC)'s alleged violation of Indian sovereignty, Delhi acquiesced in India's inclusion in Beijing's original list of BRI partner states.¹⁹ The latter's 'economic cooperation area', stretching from the Western Pacific to the Baltic Sea, accounted for 62.3% of humanity, 30% of the global GDP and 24% of household consumption.²⁰ Nonetheless, Abe and Modi swiftly planned to build a new 'Freedom Corridor' stretching from the Asia-Pacific to Africa, one widely perceived as a counterpoint to BRI.²¹ And in 2019, after treating nuclear-armed North Korea as the most acutely urgent threat to Japanese national security for years, Tokyo identified China as the source of its gravest collective insecurity.²²

Still, in addition to China's original 64 BRI partners, another 48 countries in Asia, Australasia, Europe, Africa and Latin America expressed interest in the initiative.²³ Xi reiterated his message that BRI was 'an open, diversified and win-win' proposition designed to open opportunities and benefit all partner states. Even for countries not participating in building networks of roads, railways, power grids, bridges, tunnels,

¹⁸Cavanna (2018), White (2017), Tellis (2017), Blanchard and Flint (2017), Ploberger (2017), Nye (2017), Clarke (2017) and Phillips (2017).

¹⁹Report (2015) and Chin and He (2016, pp. 1–2).

²⁰Chin and He (2016, pp. 2–4).

²¹Chaudhury (2017) and Report (2017b).

²²Kono and Iwaya (2019).

²³Chin and He (2016, pp. 5–6).

harbours, pipelines and fibre-optic cables, BRI would serve as an ‘open platform’ to which they could link their own commerce, and transport and communications networks, to derive whatever gains they thought appropriate to their needs. Beijing envisaged investing \$1.2tn in BRI over 2017–2027.²⁴ Enthusiasts compared BRI to the USA’s Marshall Plan for reconstructing war-ravaged Western Europe.²⁵

The scale of the BRI *problematique* was reflected in Beijing pouring billions into BRI projects from the Asian Infrastructure Investment Bank (AIIB), China Development Bank (CDB), Silk Road Fund (SRF), Export-Import Bank and the New Development Bank (NDB). By 2016, outward FDI by Chinese state-owned enterprises (SOE) and private firms hit \$183.2bn; with BRI-related investment accelerating, this was expected to rise to \$750bn by 2022. By the end of 2016, China’s three biggest banks had lent \$225.4bn to BRI projects.²⁶ In May 2017, CDB set aside \$36.7bn for future BRI projects; it was already funding over 500 projects worth \$350bn in BRI regions.²⁷ By mid-2017, China’s Exim Bank had loaned RMB671.4bn to support 1279 BRI projects while the SRF’s project-funding topped \$80bn.²⁸ By mid-2017, the Bank of China (BoC) reported having lent over \$80bn to 470 projects along BRI alignments, while the Industrial and Commercial Bank of China and China Construction Bank, too, had ‘lent billions’.²⁹ BRI’s incorporation into the CPC Constitution in October 2017 suggested Beijing saw it as a high-stakes undertaking meriting focused leadership-level attention.

Across the Pacific, perspectives and narratives diverged diagonally. Anxious to stop further erosion of US pre-eminence vis-à-vis China, the Trump Administration launched a series of ‘national security’-relevant reports reflecting and reinforcing China-focused angst and framing the USA’s newly formalised grand-strategic discourse.³⁰ Resource allocation, military procurement, reorganisation, training and operational deployments would follow. Congress collaboratively acted ‘to develop a long-term strategic vision and a comprehensive, multifaceted and principled US policy for the Indo-Pacific region’, enacting the Asia Reassurance Initiative Act.³¹ The Trump Administration’s ‘tariff war’ against China, a part of Trump’s ‘all-of-government’ anti-China campaign, given the two largest national economies’ interdependence and their linkages to the remainder of the global economy, threatened a significant downturn. The newly ensconced Managing Director of the International Monetary Fund (IMF), Kristalina Georgieva, warned the world in her inaugural address, ‘In 2019, we expect slower growth in nearly 90% of the world. **The global**

²⁴Pi et al. (2017).

²⁵Report (2018), Editorial (2018) and Shen and Chan (2018).

²⁶Peng and Jia (2017).

²⁷Xinhua (2017).

²⁸Zhou (2017) and Report (2017a).

²⁹Pi et al. (2017).

³⁰Coats (2019, pp. 4–5, 7, 9, 14–17, 20–22, 24–26, 28, 35), OSD (2018b, pp. i, v–vi, 2–3, 6–7, 11, 24, 31–32, 34–37, 2019), Coats (2018, pp 4–7, 12–13, 15, 18), Mattis (2018, pp. 1–4, 6, 9) and NSC (2017, pp. 2–3, 25–27, 35, 45–47).

³¹US Senate (2018).

economy is now in a synchronised slowdown. This widespread deceleration means that growth this year will fall to its lowest rate since the beginning of the decade'. Georgieva emphasised the toll trade disputes were taking: '**Global trade growth has come to a near standstill.** In part because of the trade tensions, worldwide manufacturing activity and investment have weakened substantially. There is a serious risk that services and consumption could soon be affected'.³²

Given the resonances in mutually aimed US and Chinese pursuit of competing objectives, the lethality of their destructive prowess and the degree of economic integration and linkages interweaving them into the world economy, the two powers' apparently zero-sum approaches, taken to their logical extreme, could thrust the planet into arguably catastrophic conflagrations. It is against that forbidding backdrop—China's determined pursuit of its national-regenerative 'dream', reactive and countervailing responses of US and allied critics in Japan, India, Australia and elsewhere, and the dangerous dialectic dynamic thus unleashed—that BRI merits scrutiny. To restore stability, at least some of the many questions that present themselves must be addressed. Key Questions: Does China seek to build an economy-focused network linking Asia, Europe, Africa and Latin America, using comparative advantages and Chinese finance, to fashion a new geoeconomic order elevating prospects in an unprecedented push for developing countries? Or is the BRI vision, as critics contend, a clandestine geopolitical enterprise with the grand-strategic objective of supplanting *pax Americana* undergirding the US-led liberal-capitalist order with a Sino-centric illiberal, statist and mercantilist successor?

Or could the truth reside elsewhere? What *does* the record show? What were the origins of the BRI vision, and what are its likely consequences? Can the US-led status quo forces defeat allegedly revisionist ones manifest in China's *national rejuvenation* in a non-lethal, geoeconomic, competition and lead the planet peacefully towards a new geopolitical *systemic* equilibrium? Does the evidence offer reasonable ground for optimism? In short, is there any hope, or is BRI a death knell for the post-Cold War world order?

In the context of an apparent juxtaposition of the USA's relative decline and internally focused 'America First' perspective to China's proactive 'going global' policy-framework, these topical, and important questions, having acquired critically elevated salience for the current international relations' discourse, especially on questions focused on global power shifts, at least deserve purposive attempts to provide answers.³³ This book, using primary and secondary evidence from China, the USA, Japan, India, European Union member-states, and elsewhere, seeks to address that crucial need.

³²Georgieva (2019). Emphases in original.

³³Gu and Ohnesorge (2019), Dervis (2018) and Hoge (2004).

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Chapter 2

Fear Factor: Strategists Versus Bankers



2.1 Xi Jinping's 'New Silk Road'

In November 2018, after US Vice President Mike Pence excoriated President Xi Jinping's Belt and Road Initiative (BRI) at the APEC summit in Port Moresby, Papua New Guinea, APEC leaders failed to issue a joint statement. This was the first time since APEC's establishment in 1989 that superpower discord disrupted global diplomacy.¹ Pence, making clear Washington's outrage at Chinese conduct, vowed to respond robustly: 'China has taken advantage of the US for many, many years. And those days are over'. He told fellow summiteers that OBOR/BRI was a poor choice: 'The US offers a better option. We don't drown our partners in a sea of debt. We don't coerce or compromise your independence. The US deals openly, fairly. We do not offer a constricting belt or a one-way road'. The US alternative was truly 'win-win': 'When you partner with us, we partner with you, and we all prosper'.²

President Xi Jinping's response sounded sober and circumspect: 'We should reject arrogance and prejudice, be respectful of and inclusive toward others, and embrace the diversity of our world. We should seek common ground while putting aside differences, draw upon each other's strengths and pursue co-existence in harmony and win-win cooperation'.³

Although Pence posed an unprecedentedly direct and high-level challenge to Beijing's landmark initiative, tensions had simmered for years. The latest phase began in November 2012. Assuming leadership of the Communist Party of China (CPC), Xi 'articulated a vision for the nation's future' framed as the 'China Dream'.⁴ He apparently borrowed the phrase from the work by a PLA political commissar, Col. Liu Mingfu, published during the *Great Recession*.⁵ Four months later, ascending

¹Banyan (2018).

²Pence (2018a).

³Xi (2018).

⁴Report (2014).

⁵Liu (2009).

to China's presidency, Xi told the National People's Congress (NPC): 'the great rejuvenation is a dream of the whole nation, as well as of every individual. The Chinese dream, after all, is the dream of the people'.⁶

Since then, Xi's policy initiatives—e.g. giving market forces 'decisive' influence, launching a sustained and expansive anti-corruption campaign targeting both 'tigers and flies', restricting dissent and media freedom, demanding foreign investors' transfer technology to joint venture partners, constructing artificial islands with military-basing potential on disputed South China Sea (SCS) reefs, or initiating the deepest military reforms since 1949—made him the most assertive and, to critics, concerning, Chinese leader since Deng Xiaoping.⁷ Xi abandoned Deng's 'hide our strength and bide our time' dictum, disturbing many. Conflicting perspectives jostled in October 2017 as the CPC reappointed Xi its General Secretary, and he chose its new Political Bureau Standing Committee (PBSC) at its 19th Congress for the next five years.

Xi asserted, 'The Chinese nation now stands tall and firm in the east'. Envisioning China becoming a 'moderately prosperous' socialist country able to realise 'socialist modernisation' by 2035 and turn 'China into one of the world's richest and most powerful' states by mid-century, he ended quiet accumulation of 'national comprehensive power'. Xi suggested, 'socialism with Chinese characteristics offered a new option for other countries and nations who want to speed up their development while preserving their independence'. Beijing explained, 'the Chinese experiment showed the world that socialism could achieve its full potential in a developing country'.⁸ The NPC incorporated Xi's 'thought' and his BRI vision into the CPC Constitution, placing him theoretically next to Mao Zedong and Deng Xiaoping. This, Xi's offer of China's experience as a template for the developing world, and the end of presidential term limits, troubled critics. Some detected imperious hubris in Xi's three-and-a-half-hour speech and others highlighted the pushback his assertive policies triggered.⁹

Even before Xi's ascent, as the 2008–2010 *Great Recession* challenged the liberal-capitalist order's stability, Western scholars debated theoretical and practical ramifications of 'power shift', a formulation seeking to explain primarily Chinese economic growth eroding the US-led post-Cold War *international system*, and US *primacy* underpinning it.¹⁰ At the depth of the *Great Recession*, US academic Robert Sutter pointed to 'a time of testing' in US–China relations as Beijing, reflecting 'deep mutual suspicions', robustly diverged from US policies and interests. While both powers sought to manage the public discourse and optics, US arms sales to Taiwan proved particularly insulting and threatening to China, which warned it would be less helpful in addressing issues such as Iran's nuclear programme. Sutter averred that increasing Chinese assertiveness indicated growing confidence from having emerged 'stronger than other major powers, including the USA', from the 2008–2009 economic crisis.

⁶Xi (2013a).

⁷Keck (2013), Pollock (2016) and Ching (2017).

⁸Xi (2017c), Xu (2017) and Wang (2017b).

⁹Fan (2017), Mitchell and Clover (2017) and Perlez (2017).

¹⁰Mayer and Kremer (2011).