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The Great Game's new player: China's Belt and Road strategy for Central Asia

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The Great Game's new player:
China's Belt and Road strategy for Central Asia

by

Darrell Carter

A thesis submitted to the graduate faculty
in partial fulfillment of the requirements for the degree of

MASTER OF ARTS

Major: Political Science (Global Politics)

Program of Study Committee:
Jonathan Hassid, Major Professor
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Tao Wang

The student author, whose presentation of the scholarship herein was approved by the program of study committee, is solely responsible for the content of this thesis. The Graduate College will ensure this thesis is globally accessible and will not permit alterations after a degree is conferred.

Iowa State University

Ames, Iowa

2018

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DEDICATION

For my father

For Stefany

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NOMENCLATURE

BRI	Belt and Road Initiative
OBOR	One Belt One Road Initiative
SREB	Silk Road Economic Belt
MSR	Maritime Sea Route
FDI	Foreign Direct Investment
ODI	Overseas Direct Investment
CCP	Chinese Communist Party
GDP	Gross Domestic Product
PPP	Purchasing Power Parity
OECD	Organization for Economic Cooperation and Development
IMF	International Monetary Fund
AIIB	Asian Infrastructure Investment Bank
CNPC	China National Petroleum Corporation
SOE	State Owned Enterprise
EEU	Eurasian Economic Union
RMB	Renminbi

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ABSTRACT

Under the leadership of President Xi Jinping China is taking ambitious strides towards greater economic and political influence globally, seeking to establish itself as great power by all definitions. Recently, one policy pushing towards that goal is the Belt and Road Initiative (BRI) initiative which will expand on trade routes and resource pipelines over land and sea reaching to Africa, the Middle East, and even Europe. The land leg of BRI is the Silk Road Economic Belt (SREB) which passes through Central Asia before reaching the desired destinations, making the region critical to China's goals for BRI. Through an analytical review of China's past behavior in similar developing regions I will identify a pattern which indicates how China will develop Central Asia for its Belt and Road Initiative. Additionally, I will explore the connection between trade, FDI, and political influence using a statistical test of UN voting behavior. I will also discuss how BRI presents China with the opportunity for growth of political influence in the region on top of the economic benefits, but that new costs and challenges, potentially increased by Russian efforts, will limit China's political gains.

CHAPTER 1. INTRODUCTION

China is a returning superpower, having demonstrated its ability to rise to a level of influence and relevance similar to what it held throughout history when it was known as the 'middle kingdom' of Asia.¹ By successfully transitioning from colonial exploitation to a Soviet-style communist state into an independent socialist state with a hybrid market economy, China has achieved great economic growth in the past century, rising to compete with the United States for first in terms of total GDP depending on the measure. While China has achieved great political and economic success, it has yet to achieve a position of leadership in the international system. China has reclaimed a place of relevance after decades of foreign exploitation, war, and self-inflicted catastrophes. Today, China has attained membership within the World Trade Organization (WTO), is a powerful part of the global economy, and has a permanent seat on the United Nations Security Council. China uses economic power as its primary method for pursuing its national interest abroad, and it has been an effective vehicle for China's global rise. However, Beijing seeks more than just economic might, desiring a comprehensive power that covers multiple areas.² To this end, the Chinese leadership has sought to increase both China's military power and its soft power. Soft Power here is defined as co-opting or coercing the other party without force, such as through cultural methods; in short, soft power means getting another state to want the same things you want and have the same ideals you have.³ The Chinese leadership

¹ The term middle kingdom is a translation of the traditional name of China that was used by Chinese rulers and other Asian countries during various historical periods.

² David Shambaugh, *China goes Global* (New York: Oxford University Press, 2013), 5

³ Joseph Nye, "Soft Power," *Foreign Policy* 80, (1990), 619

believes that soft power, along with their established economic power and a strong military, is a necessity for its ascension as a great power and realization of China's foreign policy goals.⁴ Regarding the aspect of military power, China continues to lag behind other great powers in force projection capability. Unlike states such as the United States, Great Britain, and Russia, China lacks a true 'blue water' navy. Blue water navy is a term used by analysts to describe a state's ability to project its power through the sea to other parts of the world. While not the sole reason China is reliant on non-military might, this lack contributes significantly to the limitations on hard power options faced by Chinese leaders. Beijing cannot rely on a hard power option if other methods fail to the same degree as other great powers. Economic power remains China's strongest individual component of its comprehensive state power. This economic reliance means trade and investment are crucial to China's power base. President Xi Jinping's Belt and Road Initiative (BRI) is the largest current economic initiative and is described as the "central foreign policy undertaking" of President Xi's tenure.⁵ The Belt and Road Initiative is a proposed network of countries and infrastructure to facilitated economic and energy resource trade between multiple countries that would stretch from China to Europe. BRI could have a large impact on the economic and political order due to its 'vast' size, its importance to President Xi, and because it is a challenge to the United States and other great powers.⁶ This Belt and Road

⁴ Jae Ho Chung, "Decoding the Evolutionary Path of Chinese Foreign Policy 1949-2009." *East Asia* 28, (2011), 182

⁵ Werner Fasslabend, "The Silk Road: A political marketing concept for world dominance." *European View* 14, (2015), 294

⁶ "Our bulldozers, our rules," Foreign Policy, *The Economist* July 2nd, 2016

Initiative, often shortened to Belt and Road, is critical to understanding China's future development as a great power.⁷

President Xi Jinping is leading China forward at a quickening pace, enacting reforms of the military, the economy, and consolidating his power base. As China regains its great power status, new challenges will arise, and current tensions will grow. Human rights issues, the status of Taiwan, territory conflicts in the South China sea, unfair trade practices: these will only grow in importance as China asserts itself. President Xi has adopted a proactive foreign policy, increasing China's activities abroad, such as opening its first military base on foreign soil in Djibouti in 2017.⁸ President Xi is departing from the methods of his immediate predecessors with more aggressive strategies, which also creates greater pressure to deliver results.⁹ Belt and Road is one such strategy as it is an ambitious initiative meant to grow China's economic power, international influence, and regional leadership. A critical region for the success of BRI is Central Asia, which serves as the gateway from western China to the rest of the proposed Belt and Road network. China will have to further develop both its political relationship with several Central Asian states and its economic infrastructure for Belt and Road to work, such as Kazakhstan and Tajikistan. Central Asia will provide an informative case as China both asserts itself abroad and grows its influence.

This work seeks first to establish the model for understanding how China behaves in developing regions, and second, to apply that model to understand how China's BRI

⁷ The Belt and Road Initiative was originally labeled the "One Belt, One Road" initiative.

⁸ "China formally opens first overseas military base in Djibouti," *Reuters* August 1st, 2017

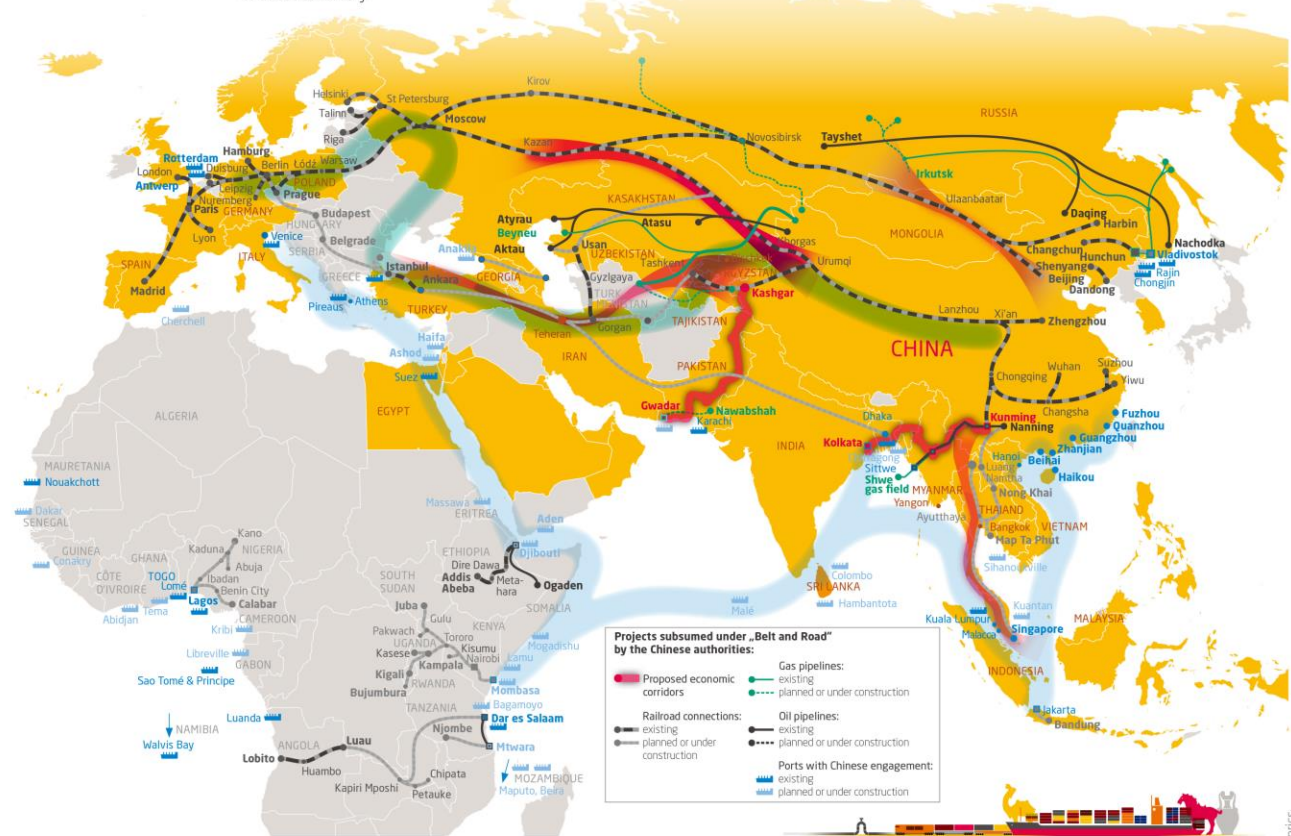
⁹ Cheng Li, *Chinese Politics in the Xi Jinping Era* (Washington D.C.: Brookings Institution, 2016), 25

development projects will affect Central Asia. Understanding each of these will provide important insights into Chinese foreign policy through a greater understanding of the capabilities and limitations of China as a great power. How China has wielded its influence previously will help to demonstrate how it will exert itself as a great power in other regions. This study will contribute to defining China's role among other Great Powers and what the future of the international system will look like with a more powerful China implementing more active foreign policy.

China will use investment, infrastructure development, and political support in Central Asia to meet the economic and political goals behind the Belt and Road initiative. I will illustrate the potential strategies China will employ through analysis of China's past behavior in developing countries. China's goals for relationships with developing states combined with the domestic conditions in the recipient state inform the model for China's actions, and the resulting effects in Central Asia. While many factors are relevant, this general model of behavior will establish four factors as most relevant: a state's initial resource value, the diversity of its economy, the stability of its economy, and the presence or absence of other potential investors. Through further analysis, I will propose that China is likely to achieve economic goals and short-term growth of political influence, but ultimately fall short of its larger political goals, especially soft power gains for Belt and Road in Central Asia. As a specific example of this potential outcome, I argue that China will hold greater influence in Tajikistan, while conditions in Kazakhstan will limit Beijing's influence. In both cases the influence will be economic based, restricting the potential of political or soft power gains.

China aims to build a global infrastructure network
 "Belt and Road" infrastructure projects, planned and completed (March 2017)

■ Silk Road Economic Belt ■ Maritime Silk Road of the 21st Century ■ AIB member states



Source: MERICS research

Figure 1 Graphic Representation of the Belt and Road Initiative

Source: Mercator Institute for China Studies¹⁰

Belt and Road Initiative

Proposed in 2013 by President Xi Jinping, the Belt and Road Initiative is a developing economic trade network planned to stretch from China all the way to Europe. Belt and Road builds upon existing roads, pipelines, and railroads in some areas while planning to create new infrastructure in others. These routes would stretch over land as the Silk Road Economic Belt (SREB) and over sea as the Maritime Silk Road (MSR), as shown in Figure 1. The SREB would have two main corridors, with several offshoots and hub cities. It would

¹⁰ <https://www.merics.org/en/china-mapping/silk-road-initiative>

begin in Xi'an, capital of Shaanxi province in western China, and continue west crossing Central Asia, the Middle East, possibly Russia, and finally end in Europe. The MSR has one primary sea corridor, also with many hubs and offshoots. The MSR would start in China's southeastern ports, travel along the coast of southeast Asia, around India, connect with the Persian Gulf, and end in the Mediterranean Sea. These different sub branches of the SREB and the MSR would create a multi-national network connecting China to East Africa, the Middle East, and Europe. This will facilitate trade, improve access to foreign energy resources and give China access to new markets. As stated by Chinese agencies for commerce, foreign affairs, and national development reform, China's goals for Belt and Road are:

1. "Building and upgrading transport infrastructure along the major trade routes between China and other countries, including ports, airports, railways, highways and even satellites;
2. Improving market access, eliminating trade barriers, simplifying foreign investment processes and building more free trade zones in the region;
3. Pushing for simpler customs clearance system including quarantine procedures to encourage more trade;
4. Encouraging greater cooperation in the field of natural resources exploration and extraction. Many developing countries around China are rich in natural resources such as former Soviet Republics in central Asia.
5. Apart from investing in infrastructure, another important aspect of this policy is to build stronger financial ties between China and other developing countries in Asia. This includes the development of a Pan-Asian bond market, greater use of Chinese currency in bilateral trades.
6. Beijing-backed multilateral financial institutions such as the Asian Infrastructure Investment Bank, the BRICS Development Bank and the Silk Road Fund are expected to play an important role in strengthening financial ties.
7. There are also softer elements of more students, cultural, medical and tourist exchanges."¹¹

¹¹ Peter Cai, "China's Ambitious New Marshall Plan for Asia," *The Australian* March 31st, 2015

If completed as planned, BRI will impact 65 countries, three continents, and roughly two thirds of the world's population. Belt and Road will require cooperation and agreements with over a dozen states along the route, greatly expanding not only China's economic connections to these regions, but also its political relationships. This, in turn, will expand China's sphere of influence into areas traditionally under the purview of other great powers.

Central Asia will be a critical region to BRI, especially to the SREB, as much of the belt's various routes and pipelines run through the region. They pass through Kazakhstan, Uzbekistan, and Tajikistan, with cities like Dushanbe as hubs for the BRI network. The actions and successes of China in Central Asia, and pre-existing conditions in the region, will both have a major impact on the success of BRI and the achievement of China's future goals. Beyond the BRI itself, Central Asia is an important area of influence for Russia and has a historical role in great power politics. China wading into Russia's 'backyard' will create ripples in the international system, which gives China's actions in Central Asia additional importance. Due to this change, understanding China's influence in Central Asia is crucial to understanding China's role in the international system as well as its future relations with Russia.

Theory and Method

This work intends to address several questions about China in Central Asia. What methods are likely to be employed to achieve the goals of the Belt and Road Initiative? Combined with pre-existing conditions, what will be the subsequent effects on Central Asia

states? How will BRI affect China? What effect, if any, will there be on the international system? How will this affect Sino-Russian relations? While none of these questions have a definite answer, we can begin to understand the factors involved and outline the shape of those answers.

The strategies China will employ in Central Asia are not entirely novel. China approaches change slowly, carefully exploring new strategies and political methods. This makes the creation of an entirely new strategy specific to Central Asia unlikely. Deng Xiaoping's famous statement that reforms are best tackled by "crossing the river by feeling the stones" has become an apt description for China's modern political strategy.¹² China's policies through the second half of the 20th century went through cycles of *fang* and *shou*, an 'opening' and 'tightening' in alternating periods. Essentially policies would become less oppressive for a period, allowing more political activity and reform, but then become more oppressive again when China's leadership decided reform had gone too far.¹³ This process results in an incremental forward progress, testing policies at a careful pace.

This lack of radical shifts in policy is relevant to this work because it supports the key assumption that China will continue to follow a similar pattern of behavior in the new BRI development in Central Asia as it has in other developing regions before. I will conduct a literature analysis of China's economic and political relationships with developing states in regions in the global south. The term 'developing nations' is a broadly used term without a simple clear definition. For the purposes of this work, it describes states that meet most,

¹² Richard Baum, 1994. *Burying Mao: Chinese Politics in the age of Deng Xiaoping* (Princeton: Princeton University Press, 1994), 17

¹³Baum, *Burying Mao*, 5

but not necessarily all, of the following conditions: they are a lower than 20th in global GDP(PPP); they are not classified as a developed economy by the IMF or World Bank; they are not classified as a developed nation by the UN; and they are not a stable democracy or they have recently transitioned to democracy. My approach and the model I will build fit into the tenets of neo-liberalism. China applies its economic might to create ties through trade and investment with developing states, growing its relationship with the recipient states and its economy simultaneously. The Belt and Road Initiative itself creates a supra-state level organization for participant states to cooperate and interact. Economic integration of the states through BRI will affect states' interaction with each other. The level of involvement and benefit from BRI will create a hierarchy within the network, with China at the top. With this understanding, I will examine how China is establishing Belt and Road in Central Asia, and what that means for China's place in the international order.

Initial Factors

My analysis begins with China's initial engagement with the recipient state. First, a potential recipient must possess something of specific interest to China. While there can be other possibilities, this first condition is almost always an energy resource, such as oil. While the growing Chinese state has many needs, energy resources are of the highest priority. Frequently in developing regions this initial interest in oil determines if China develops a significant economic relationship or not. Next in the analysis is how China invests in and develops these states. Chinese methods vary depending upon certain economic conditions, two of which I will focus on here. One is the 'health' of the recipient economy. A healthy

economy in this work is a combination of two factors: weakness and stability. Weakness specifically refers to raw performance of the economy, such as GDP; stability refers to likelihood the current economic performance will continue. Next, there is economic diversity: is it driven by multiple products or by a single valuable resource? These two are often connected to each other, and together provide the most significant factors determining Chinese behavior once it is committed to investment in a state. Nigeria's relatively more diverse and healthy economy made it appealing to China beyond just energy resources. China's interest in Sudan was more limited due to the instability and unhealthy economy present before China invested. The final domestic condition I will focus on is the presence of other wealthy states, especially great powers, as competing interested investors in the recipient state. The state's international credit rating, humanitarian record, or government often plays a role in determining this. This factor can limit China's interest or provide the recipient state with a position from which to negotiate. These domestic conditions will then result in different relationship structures with China, partially due to different strengths of bargaining positions relative to other recipient states. When a state has an unhealthy economy centered around energy resources, China is more likely to limit its development to extraction of that resource. With a healthy economy, Chinese firms will invest in broader development to create a more appealing market. This will lead up to the model developed at the end of this work.

China always possesses the strongest bargaining position, of course, but there is variance in the relative positions of the recipient states which depend on the domestic conditions I identify. China's goals also vary, ranging from a new market for Chinese labor to

greater political influence or acquiring energy resources. Typical strategies employed by China are direct investment, purchasing of oil or other energy resources, infrastructure development, and arms sales. China is the only major arms exporter that does not have any stipulations regarding civil or human rights.¹⁴ This is part of China's non-interference approach to bilateral relations based on its Five Principles of Peaceful Coexistence,¹⁵ which also allows China to place very few conditions on its investments in developing states. Some of these principles, such as equal benefit for both parties, are present more in rhetoric than in practice, but David Shambaugh describes them as a lasting hallmark of Chinese foreign policy. The model built from the historical analysis will then be applied to Central Asia. I will also include discussion of similar states in different regions who did not attract Chinese investment and development to strengthen which factors are most significant in determining Chinese behavior in a recipient state.

For my statistical test of the political effects of China's economic efforts, I will use an emerging standard of measure for political affiliation in statistical studies, UN voting habits. My test will evaluate the UN voting behavior of developing states with certain domestic conditions that have received a significant amount of FDI and trade from China. I will test for both a combined total of trade and FDI and FDI by itself. While UN votes are often on non-binding or symbolic measures, they can contribute to the understanding of political affinity between states. The ordinary least squares regression will be performed with controls for conditions in Central Asia, such as economic strength, region, and credit

¹⁴ Ian Taylor, "China's Oil Diplomacy in Africa," *Internal Affairs* 82, no. 5 (2006), 949.

¹⁵ The Five Principles are mutual respect for state sovereignty, mutual non-aggression between states, mutual non-interference in internal affairs of other states, mutual and equal benefit, and finally peaceful coexistence.

standing. The statistical test will explore any connection between China's economic power and gains in political influence in developing states.

China will use investment, infrastructure development, and political support in Central Asia to meet economic and political goals behind the BRI initiative. Certain domestic conditions in the recipient state will suggest China's actions, and the resulting shape of Central Asia with a more active China. The weaker the bargaining position of the state, the more Beijing can secure favorable terms for itself. While China often focuses on development only where the recipient state is in a vulnerable position, absolute gains are still possible. Understanding how China will behave in Central Asia will provide important insight into the future success of Belt and Road specifically, and President Xi's more aggressive foreign policy overall.

Limitations

Chinese policies are evolving, albeit carefully, and BRI is in one of the most ambitious undertakings of President Xi's tenure. There is no true precedent for comparison. There may be unidentified aspects in Central Asia that would alter the application of this model. This model is also susceptible to changes in Chinese domestic politics. Belt and Road Initiative may undergo serious changes or reductions if there is a shift in the economy or party priorities. I have endeavored in my case studies not to ignore any relevant factor in Chinese behavior. These strategies have been employed in the unrelated regions of Africa and South America, and I have demonstrated the Chinese reticence for sudden significant changes in policy. Chinese political leadership favors stability and proven options over

untested higher risk new methods. China's need for new economic growth and the desire to develop their great power status, especially in their immediate region, are not likely to change. China is entering a new period of greater global activity, and the dynamic leadership of President Xi Jinping creates a greater possibility for change. This could limit the usefulness of this model for exploring future Chinese foreign policy.

CHAPTER 2. ANALYTICAL LITERATURE REVIEW

To understand how China will develop the Belt and Road Initiative in Central Asia I will review China's past development behavior in similar regions. The following analytical review will begin with the current academic discussion about Belt and Road, Chinese foreign policy under President Xi Jinping, and then continue with China's relationship with recipient states. I will examine China's initial steps with a recipient state, and then how that relationship progresses and serves China's interests. The review will conclude with a discussion of China's challenges to gaining greater soft power internationally.

Academic discussions of the Belt and Road Initiative can be grouped into political or economic discussions. Is BRI viewed as a geopolitical power play by President Xi Jinping or is it mainly a vehicle to support domestic economic growth? Belt and Road has been viewed as a way for China to gain more influence in emerging world markets, to secure energy resources through direct investment, to balance inadequate domestic demand, promote its own currency, counter other great power influence, and strengthen diplomatic ties with partner nations that provide China with a geopolitical advantage. The division into economic and political categories is a simplification to organize the discussions of Belt and Road.

China's Goals for Foreign Trade and Investment

Through its foreign economic relationships, especially in the developing world, China seeks to feed its ravenous energy demands, create new markets for Chinese companies to relieve concerns about the domestic economy, and further establish itself as great power.

The Belt and Road Initiative fits into these goals neatly with very similar aims. The goals of the BRI as stated by Theresa Fallon are “(1) energy, (2) security, (3) markets.”¹⁶ Belt and Road implementation can be broken down into five areas, “...policy coordination, infrastructure construction, unimpeded trade, financial integration, and people-to-people ties.”¹⁷ Jae Ho Chung describes China’s foreign policy in the new millennium as “a great reversal” of the approach adopted after Mao, with “enormous aid-in-grant packages being offered” to the Third World. Chung continues to state “China wants natural resources and energy, as well as political support...therefore [China’s support] is highly interest-based” instead of being ideological.¹⁸ Yiping Huang believes China’s previous model of economic success “relied mainly on export and investment” which was driven by the manufacturing industry. Recent indicators “suggest that China’s past growth model has run its course” and “it now requires a new model to support economic development” which will have an “important international dimension” which is “to assert greater influence on international economic governance, starting from a specific regional trade and investment initiative.”¹⁹ President Xi’s BRI is one such initiative. China considers international influence and greater soft power as critical to solidifying its status as a great power and is allocating more resources towards this goal. President Xi has stated that China is committed to sharing the benefits of development globally, and to defend globalization overall. Elizabeth Economy states “...if there had been any doubts concerning Xi’s commitment, they were

¹⁶ Theresa Fallon, “The New Silk Road: Xi Jinping’s Grand Strategy for Eurasia,” *American Foreign Policy Interests* 37, no 3 (2015), 140

¹⁷ Junhua Zhang, “What’s Driving China’s One Belt One Road Initiative,” *East Asia Forum*, September 2nd, 2016

¹⁸ Chung, “Decoding the Evolutionary Path,” 180

¹⁹ Yiping Huang, “Understanding China’s Belt & Road Initiative: motivation, framework, and assessment,” *China Economic Review* 40, (2016), 317

allayed...when Xi became the first Chinese President to travel to the epicenter of globalization, the World Economic Forum's annual January gathering...and deliver yet another rousing defense of globalization."²⁰ The importance of leadership among smaller states is understood to be a part of this and plays a role in China's behavior with the developing world. For example, when discussing this aspect, Chung states China's main audience for its "anti-hegemonic discourse (*bu chengba bu dangtou*) should not be other great powers (e.g., the U.S. and Russia) but smaller nations" demonstrating the importance those states hold from the viewpoint of Beijing.²¹ President Xi intends for BRI to further these goals as a part of China's greater foreign policy strategy. Most of the discussion surrounding BRI focuses on either its economic or geopolitical purpose, with differing opinions in both camps regarding its likelihood of success.

Belt and Road Initiative – Geopolitical Perspectives

Scholars have taken note that China has been actively working to increase its influence around the world through image building, cooperation, investment and infrastructure development. China seeks greater soft power in addition to economic and political influence, as China believes this is an element of great power status. Fallon has written extensively on China's efforts to gain political influence. She describes how the idea of the rejuvenation of China is directly tied to China's ascension as a great power, with BRI playing a central role as "an expression of China's confidence and international clout."²²

²⁰ Elizabeth Economy, *The Third Revolution* (New York: Oxford University Press, 2018), 231

²¹ Chung, "Decoding the Evolutionary Path," 185

²² Fallon, "The New Silk Road," 141

Nadege Rolland also describes BRI as the possible mechanism for realizing President Xi's objective of rejuvenation, which he defines as restoring China to its "pre-nineteenth century grandeur and influence."²³ Belt and Road planning and announcements peaked in 2015 and 2016 and was the primary focus of China's diplomatic efforts in 2014 and 2015.²⁴ This timing indicated it could partially be a response to the Asia pivot by the U.S., with China wanting to establish itself as the leader in the region instead. It has also been described as China's Marshall Plan, conveying a heavy geopolitical clout. Ferdinand believes this description comes because of the aspects of large scale infrastructure development, greater connectivity between states, and its penitential to "fundamentally rebalance global economic geography."²⁵ Whether likened to the Marshall Plan or not, a great deal of discussion of Belt and Road focused on the geopolitical potential of new Chinese foreign policy signaled by the actions of President Xi Jinping.

President Xi himself is frequently discussed as an important aspect to the study of Belt and Road. Tom Miller states: "There is little doubt that President Xi sees the Belt and Road as a practical step towards realizing the strategic goal of national rejuvenation" domestically and helping to solidify President Xi's legacy.²⁶ Considered perhaps the most powerful and ambitious Chinese leader in recent times, President Xi strives to be a stronger leader than his predecessor Hu Jintao. He has created a new focus on asserting the political leadership and ideology of the CCP, equating the nature of the party, *dangxing*, with the

²³ Nadege Rolland, "China's New Silk Road," *National Bureau of Asian Research* (2015), 1

²⁴ Michael Swaine, "Chinese Views and Commentary on the One Belt, One Road Initiative," *China Leadership Monitor* no 47, (2015), 1-2

²⁵ Peter Ferdinand, "Westward Ho – the China dream and One Belt One Road: Chinese foreign policy under Xi Jinping," *International Affairs* 92, no 4 (2016), 951

²⁶ Tom Miller, *China's Asian Dream* (London: Zed Books 2017), 33

nature of the people, *renminxing*.²⁷ President Xi has built upon several existing concepts to create his picture for the future of China. The image campaign began under President Hu Jintao has intensified during President Xi's tenure.²⁸ The existing 'China dream' ideal has been re-emphasized as the 'New China Dream' under President Xi, becoming one of the primary ideological principles of his regime. However, President Xi's China Dream still lacks a clear definition, discussed in speeches and statements without any detailed explanation. Peter Ferdinand believes that, overall, foreign policy under President Xi has lost its cautious nature and became more bold and optimistic.²⁹ The idea of a renewed silk road is also not new, but similar to the new China dream, it has become a focus of President Xi with the BRI initiative. President Xi's approach to foreign policy has been described as departing from previous "risk-adverse" strategies to more "risk-embracing" ones.³⁰ President Xi seeks to lead China into a new stronger status as world power, and Belt and Road may be his geopolitical vehicle for doing just that.

Werner Fasslabend focuses on the geopolitical aspects of Belt and Road because he feels that is precisely what sets it apart from past silk road concepts.³¹ Belt and Road is then considered uniquely President Xi's strategy for a new geopolitical leadership role for China and central to his presidency. He has even tailored his language and presentation of the initiative to be distinct, choosing to refer to it as an 'economic belt' instead of a 'new silk road' so it would not be confused with other past initiatives such as Hillary Clinton's

²⁷ Ferdinand, "Westward Ho," 945

²⁸ David Shambaugh, "China's Soft-Power Push," *Foreign Affairs* 94, no 4 (2015), 99

²⁹ Ferdinand, "Westward Ho," 949

³⁰ Yongjin Zhang, "Dynamism and contention: Understanding Chinese Foreign Policy under Xi Jinping," *International Affairs* 92, no 4 (2016), 772

³¹ Fasslabend, "The Silk Road," 294

proposed vision.³² While China's changes in strategy are rarely drastic, we are seeing the biggest shift in modern times. Ferdinand views these riskier steps taken by President Xi's regime in foreign policy to move China outside of its current sphere of influence will have repercussions for Chinese leaders for decades to come and are particularly astonishing given the level of domestic political control the regime feels is necessary.³³

Fallon also touches on the more aggressive foreign policy aspects, discussing how measures like Belt and Road are part of Beijing's efforts to influence policy decisions in other spheres, like the European Union.³⁴ Fallon also discusses the security aspect of Belt and Road more than any other scholar. She included it as one of the three main goals mentioned previously. Fallon explains BRI can create a common economic community that will promote development, boost trade, and attract foreign investment, "...thereby enhance stability and security..." in the region. She continues to quote a Major General in the People's Liberation Army saying that the economic carrot provided by Belt and Road will provide a solution to many of China's border security problems.³⁵ While not described as security, necessarily, this concept is echoed in Rolland's discussion of "infrastructure diplomacy" by China, which is exemplified through Belt and Road. Rolland states that infrastructure diplomacy "...reflects a diplomatic imperative to strengthen relations around the continental periphery..." which she feels is central to China's diplomatic strategy.³⁶

³² Theresa Fallon, "Xi Jinping's Belt & Road Initiative: How to Win Friends & Influence Europeans," *The Asian Forum* Alternative Scenarios, April 29th 2016

³³ Ferdinand, "Westward Ho," 956-957

³⁴ Fallon, "How to Win Friends," 4

³⁵ Fallon, "The New Silk Road," 141

³⁶ Rolland, "China's New Silk Road," 3

Domestic political concerns are also addressed by Belt and Road. Beijing is becoming increasingly concerned about regional and ethnic disparity, especially in the region of Xinjiang where tensions have continued to grow in response to President Xi's opposition to ethnic autonomy.³⁷ Rolland describes how the BRI fits into the belief by Beijing "...that the political and ethnic tensions in Xinjiang can be attenuated by economic development..." which will increase with Belt and Road.³⁸ Fallon also states that policy makers see BRI as "...a way to help the economic development of China's less advanced central and western provinces" as they would see further investment because of the increased trade opportunities provided from the Belt and Road infrastructure development.³⁹ This will alleviate political tensions in these regions, which Beijing feels largely stem from economic inequality. While domestic concerns tend to be economic, as will be discussed later, they bleed over into the political arena. Any discussion of Belt and Road, economic or political, cannot be disconnected from domestic concerns.

The 'middle kingdom' has employed many methods to increase its international influence and image, ranging from non-governmental areas such as media, sports, and exchange programs to state directed foreign policy think tanks, diplomatic conferences, and military outreach organizations.⁴⁰ China's attempt to reshape its image and foster cooperation, described as a "Charm Offensive," was bolstered by the 2008 financial crisis. This global economic weakness provided an opportunity for China as a relatively stable

³⁷ Li, *Chinese Politics*, 355

³⁸ Rolland, "China's New Silk Road," 2

³⁹ Fallon, "The New Silk Road," 142

⁴⁰ Shambaugh, "China's Soft-Power Push," 102

economic powerhouse in the region, granting it more leverage to shift “away from reassurance and towards assertiveness and coercion” in its approach.⁴¹ Through this mixture of ‘charm’ and ‘host diplomacy,’ China has been successful in quieting its critics in the region and achieving a relatively cooperative environment with its neighbors. However, in the context of China’s ultimate goals of greater influence and being viewed on par with world powers such as the United States or Russia, that success has been limited.⁴² According to many of China’s own political analysts, Beijing has failed to establish itself as a leader and instead, just become a friendly neighbor.⁴³ More is needed to adopt that leadership role, and if BRI is successful it could be that extra step, but there are many obstacles.

Most analysts are unwilling to make predictions about the level of success, or failure, that Belt and Road will experience at this point in its development, but there is discussion of the challenges it faces. Michael Du states that one major obstacle may be that the size of the infrastructure development needed in multiple countries along the BRI will prove too much for China’s capacity, which with improper implementation could lead BRI to “...end up as little more than a series of expensive boondoggles.”⁴⁴ Fasslabend is perhaps slightly more optimistic, believing that BRI must be taken seriously and is likely to shape Chinese foreign policy for many years to come, but also describes major obstacles in its way, such as the “huge differences between the economic, political, cultural, social and legal

⁴¹ Michael Glosny, “Re-Examining China’s Charm Offensive Towards Asia,” *Asian Politics & Policy* 9, no 1 (2017), 32

⁴² Shambaugh, “China’s Soft-Power Push,” 103

⁴³ Glosny, “Re-Examining China’s Charm Offensive,” 46

⁴⁴ Michael Du, “China’s One Belt, One Road Initiative: Context, Focus, Institutions, and Implications,” *Chinese Journal of Global Governance* 2, (2016), 41

systems..” in the different regions involved in Belt and Road.⁴⁵ Ferdinand describes BRI as a new state where geopolitical intentions play a greater role in China’s foreign policy, looming over its economic ones. He sees the challenge for BRI stemming from its assumption that China’s partner states in the network will be “enthusiastic” and that “...without their active cooperation the project will fail...” with serious repercussions for Chinese politics.⁴⁶ While many reserve judgements on Belt and Road’s prospects, there is an echoed sentiment that China’s full goals for Belt and Road are likely beyond its ability to fulfill. It is unclear if Beijing internally holds the same expectations for Belt and Road as have been touted in its speeches and propaganda, which may play a role in how truly successful Belt and Road is in the eyes of the CCP leadership.

Belt and Road Initiative – Economic Perspectives

While certainly its geopolitical aspects are important, and the long-term goals are about its political interests, Belt and Road’s economic nature certainly cannot be ignored. It is foremost an economic network of participating states, with the primary purpose of facilitating trade, improving market access, building financial ties, and involvement of the Asian Infrastructure Investment Bank (AIIB), and natural resource extraction.⁴⁷ As such, much of its scholarship has been focused on the economic aspects. Belt and Road is seen, least in part, as a direct answer to China’s domestic economic issues despite the fact that

⁴⁵ Fasslabend “The Silk Road,” 296

⁴⁶ Ferdinand, “Westward Ho,” 956

⁴⁷ Cai, “New Marshall Plan”

approximately one third of the world's wealth would be impacted by Belt and Road.⁴⁸

Leonard Cheng summarizes the proposed true economic objectives of Belt and Road to be conquering world markets to relieve pressure from China's excess production capacity, secure natural resources for China, promote the Renminbi's internationalization and adoption as a foreign reserve currency, and to counter the U.S.'s Asian Pivot and Trans-Pacific Partnership.⁴⁹ These coincide with two of Fallon's three identified goals, markets and energy. Cheng's article counters the idea that Belt and Road is truly a Chinese Marshall plan, stating there are many differences between today and the post WWII setting. Cheng explains further that China's "real objectives are much more limited" than geopolitical theorists have argued, with the "official objectives...to be achievable only for a subset..." of Belt and Road countries. He concludes that it is "highly questionable that China has either the ambition or the capability to pursue a grand economic and geopolitical strategy...comparable to the above-mentioned U.S. global grand strategy in the post-WWII era."⁵⁰ Similarly, Peter Cai believes the geopolitical takes on Belt and Road are ignoring the key motivations of China's domestic economic concerns.⁵¹ Huang, as discussed above, also focuses on the domestic economic factors as driving BRI. Huang further explains that three factors "triggered" China's Belt and Road Initiative: the slowing of China's previous economic growth plan, it has outgrown its low profile in international affairs, and finally that the "existing international economic system is no longer compatible with the new

⁴⁸ Rolland, "China's New Silk Road," 1

⁴⁹ Leonard Cheng, "Three Questions on China's Belt and Road Initiative," *China Economic Review* 40, (2016), 311

⁵⁰ Ibid

⁵¹ Peter Cai, "Understanding China's Belt and Road Initiative," *Lowy Institute for International Policy* March 2017, 3

reality of a world economy where emerging market economics already play important roles.”⁵² Cem Nalbantoglu also believes domestic interests are the focus of Belt and Road, stating it is designed to address multiple aspects of China’s domestic problems, concluding that BRI “...looks out for the China’s internal problems, rather than the matters regarding foreign policy...” and is a “...fixer for China’s domestic challenges.”⁵³ China’s leadership is seeing the possible end of their current model of sustaining domestic GDP growth. It needs new markets and a new strategy to maintain its domestic economy, and Belt and Road may provide that solution, and as Nalbantoglu believes, may even be designed specifically for it. One of the more important aspects of BRI is to create a regional economic production chain, one that by design provides the greatest benefit for China at the center.⁵⁴

For states who participate in Belt and Road, China provides access to a large market of consumers who can handle any volume of goods from emerging economies. Through this new economic corridor and the structure of BRI, China seeks to establish itself as part of the global economic leadership, not by replacing the current leadership but integrating into the existing system.⁵⁵ This could provide economic benefits for many nations along the route, and the costs and benefits to those states on an economic level is a source of much debate. While India is a cautious rival of China and has not signed on to the BRI, some scholars feel India could actually benefit economically if the leadership can overcome their suspicions of China, creating a new era of improved economic cooperation and benefit for both

⁵² Yiping Huang, “Understanding China’s Belt & Road Initiative,” 320

⁵³ Cem Nalbantoglu, “One Belt One Road Initiative: New Route on China’s Change of Course to Growth,” *Open Journal of Sciences* 5, (2017), 89

⁵⁴ Cai, “Understanding Belt and Road,” 5

⁵⁵ Du, “Context, Focus, Institutions, and Implications,” 32-35

countries.⁵⁶ While China's strategy does cross with other state's national interests, there is plenty of room for pursuit of mutually beneficial outcomes.⁵⁷ In China's unique 'Sino-capitalism' system, cooperation with other great powers such as the U.S. may not only be beneficial, failure to do so might undercut either state's economy. In the growing global economy, ignoring markets and large opportunities can cause even the greatest economies to start to fall behind. While of course state control still exists in China, the hybrid system and competition for trade has forced China to make its policies fit within some Western-style institutions. China has had to adopt some Western values, especially to work through the World Trade Organization.⁵⁸ Huang also believes that "It is important to point out that China has no intention of building a parallel international economic system..." and would instead prefer to cause, or even lead, reforms of the current system.⁵⁹

China has not been entirely satisfied with these Western institutions, however. China created the Asian Infrastructure Investment Bank (AIIB) to fund infrastructure projects in Asia as an alternative to western controlled development banks such as the World Bank, International Monetary Fund (IMF) and the Asian Development Bank (ADB) in particular. The AIIB provides a vehicle for China's influence and economy, enabling Beijing to greenlight projects that benefit its economic interests. The AIIB has gained legitimacy, including member states from Europe starting with Great Britain followed by France,

⁵⁶ Li Zhu, "The Maritime Silk Road and India: The Challenge of Overcoming Cognitive Divergence," *Asia Policy* 22, (2016), 25

⁵⁷ Yale Ferguson, "China's OBOR Policy, China-U.S. Relations, and the Return of Geopolitics," *44th Taiwan-American Conference on Contemporary China*, December 3rd, 2015, Taiwan, 23

⁵⁸ Christopher McNally, "Sino-Capitalism: China's Reemergence and the International Political Economy," *World Politics* 64, no 4 (2012), 750

⁵⁹ Huang, "Motivation, Framework, and Assessment," 320

Germany, and many others.⁶⁰ In line with Huang's comments, China did not withdraw from the ADB or other institutions, and branded the AIIB as working together with those other organizations instead of being in direct competition. Ultimately, China's expanding economic political interests may pose as much of an opportunity for its neighbors as a threat. China's current five-year plan includes BRI as a major piece, securing energy resources needed for China's domestic economy and infrastructure. Weary of owning foreign government debt, China seeks to make better use of its more than 4 trillion foreign exchange through direct investment in other states.⁶¹ This investment also increases China's influence over those states far more than buying U.S. government bonds does over the United States. David Dollar does feel there is some concern that the BRI poses a challenge to the world economic order, such as growing indebtedness and a lack of "environmental and social safeguards" on the ground. Despite these issues, Dollar feels it is too early to make a definitive judgement about the challenging nature of Belt and Road.⁶² He also feels there is optimism in the form of the AIIB and voluntary improvement of standards.

There is discussion about the economic possibilities for other states in the BRI network. BRI would link many markets, including Western Europe, West Africa, Central, Eastern, and Southern Asia. There is caution about the successful integration of these markets, however, with arbitrary domestic regulations, protectionism, and political interference or corruption.⁶³ An optimistic view would be that the economic conditions of

⁶⁰ Nicolas Firzli, "China's Asian Infrastructure Bank and the New Great Game," *Actualite* 57, (2015), 9

⁶¹ Du, "Focus, Institutions, and Implications," 42

⁶² David Dollar, "China's Investment in Latin America," *Order From Chaos: Foreign Policy in a Troubled World*, Brookings Institute, January 2017, 3

⁶³ David Vines, "Chinese leadership of macroeconomic policymaking in a multipolar world," *China Economic Review* (2016), 9

64% of the world could be improved. However, as previously discussed, there are concerns about how successful Belt and Road can be. Certainly, the success of China's political goals for BRI in Central Asia are tied to its economic success. They may not be directly correlated, with some of the political goals viable even if there is only moderate economic success, but that level of economic success will have an impact, as well as a limitation, on how much can be achieved politically.

While there is optimism for positive results and success of BRI, there is skepticism on China's ability to achieve that success. Again, most feel it is too early to make any kind of prediction. Belt and Road is a high risk, high reward initiative for President Xi. Going beyond its previous more bi-lateral trade and direct investment, to make BRI work China will have to commit more resources and make itself more vulnerable than in past agreements. Leonard Cheng is somewhat optimistic about the potential of BRI, stating that the network can "offer benefits to be derived from...specialization and division of labor" but still comments that it remains to be seen if BRI will be successful, with many determinants of success beyond Beijing's Control. Cheng continues on to state that a drop in prices of certain commodities will make the necessary infrastructure projects more difficult.⁶⁴ Huang, details out the risk factors of Belt and Road, including a lack of an explicit coordination mechanism between BRI states, political conflict stemming from a difference in political values, and its sustainability.⁶⁵ Still, Huang feels the initiatives possible benefits for undeveloped regions means it should be encouraged. Junhua Zhang believes that while the

⁶⁴ Cheng, "Three Questions," 313

⁶⁵ Huang, "Motivation, Framework, and Assessment," 321

long term potential of BRI is unclear, the short term gains are not likely to be worth the “immense investments” required.⁶⁶ Looking at the international perspective, Dollar states it is unclear how much of a challenge to the global economic order BRI represents but that there are concerns about China’s business and economic practices.⁶⁷ Justin Lin provides perhaps the most optimistic viewpoint, stating that BRI if correctly implemented “will contribute to a new order and pattern of international peace and development” leading to a “win-win” for all involved.⁶⁸ But China may not have the resources to commit to, or the capability to lead, a successful establishment of the initiative. Du succinctly summarizes this point by implying that China’s grandiose vision may be too ambitious for its means.⁶⁹

Other Discussion

What is not discussed in the literature is what BRI will mean for individual Central Asian nations, or the method and shape of China’s development in Central Asia. Infrastructure is a part of the BRI plan and is mentioned, but the effects of that development, of other investment, and how China is likely to implement them in individual Central Asian states is lacking. These are important aspects to understanding what a post BRI Central Asia’s relationship with China will look like, which is in turn critical for understanding how China’s attempted new leadership role will change its place in the international system. Whether discussed as an economic initiative, a political power play, or

⁶⁶ Zhang, “What’s Driving China’s One Belt, One Road”

⁶⁷ David Dollar, “Is China’s development finance a challenge to the international order? *Brookings*, November 9th 2017

⁶⁸ Justin Lin, “One Belt and One Road” and Free Trade,” *Frontier of Economics in China* 10, no 4 (2015), 590

⁶⁹ Du, “Focus, Institutions, and Implications,” 31, 43

a mixture of the two, there is a great deal of skepticism that China's ambitious goals with the Belt and Road Initiative can be fully achieved.

China's Investment in the Developing World

China has sought to achieve global prominence since the end of the era of humiliation, to reclaim its place as a great power and equality with its former European oppressors. Starting with the Third Plenary Session of the Eleventh Central Committee in 1978, China has formalized its global policy through a series of initiatives and slogans, from 'inviting the world in' to 'go out' and 'go global' steadily increasing China's international involvement.⁷⁰ Like many powerful states, China's foreign policy is largely driven by its domestic needs. Beijing's approach to Africa has been driven by an increasing need for raw resources to feed its energy and industrial growth.⁷¹ China became the world's largest energy importer in 2009, with oil as the greatest need due to low domestic supply and policies protecting domestic oil as a reserve against market instability. The expansion of China's cities and infrastructure added agricultural products, such as soybeans, to this industrial need for oil and minerals.⁷² As David Shambaugh details, China's industrial boom caused a focusing of its policies on the energy resources need to keep the economy running and the raw materials to keep it producing, which increased its interest in supplier states in regions such as the Middle East, Africa, Latin America, and Central Asia. Recently these

⁷⁰ Shambaugh, *China Goes Global*, 5

⁷¹ Robert Rotberg, *China Into Africa: Trade, Aid, and Influence*. (Cambridge: Brookings Institution 2008), 53,58, 106

⁷² Kevin Gallagher, *The China Triangle*, (New York: Oxford University Press 2016), 42

regions are also becoming important to the Chinese domestic economy as potential markets for exporting and investment, with growth in these areas coinciding with increases in diplomatic interaction, such as official state visits and cooperative agreements.⁷³ China's domestic economic needs shape its interest in the developing world leading it to focus on states where it can obtain specific resources, such as oil, at favorable terms.

An examination of China's initial relationship with poorer states in developing regions demonstrates this pattern. States such as Nigeria, Angola, Sudan, Venezuela, Ecuador, Columbia, and the Congo all possess oil reserves which attracted China. Similarly, China has been attracted to states with large mineral reserves such as Chile, Peru, and South Africa. China began developing greater trade and investment relationships with these states during its 'go global' period in the 1990s and into the early 2000s.

After China's initial interest, the recipient state's domestic conditions affect China's goals in that specific state. China's own domestic economic struggles, combined with its increasing need for oil, is the initial driving force which then manifests based on the recipient state's domestic conditions. Where China feels it can create markets and opportunity for Chinese firms, it will go beyond just its energy interests. When instability or lack of diversity cause a weakness or vulnerability to the economy, China will often remain focused on resource extraction. Examining China's relationship with several developing states demonstrates this pattern of behavior.

⁷³Shambaugh, *China Goes Global*, 55,162,174

Nigeria

In the case of Nigeria, oil attracted China's interest initially, expanding to other industries later. China's trade with Nigeria climbed from \$178 million in 1996 to \$570 million in 1999, and then over a billion in 2001.⁷⁴ In 1995, Nigeria reduced restrictions on foreign ownership of Nigerian companies, with as much as 100% ownership allowed in non-oil industries.⁷⁵ Even with the restrictions on oil company ownership, China's companies have purchased stakes in Nigerian companies in addition to directly importing oil from Nigeria.⁷⁶ While Nigeria has attracted trading partners all over the world, especially in Europe and North America, no region's increase in FDI compares to increase of Chinese FDI into Nigeria.⁷⁷ While not as isolated as other states, Nigeria still provided China an opportunity for oil and trade without prohibitive competition.

Venezuela

Initial interest in Venezuela began in the late 1990s, resulting in China National Petroleum Company (CNPC) securing rights to develop Venezuela's oil assets for export back to China. By 2008 Venezuela was exporting 450,000 barrels a day.⁷⁸ Venezuela was unhappy with its primary trading partner in the United States and Western regimes, making

⁷⁴ Rotberg, *China Into Africa*, 274, 275

⁷⁵ Joseph Nnanna, "Is China's Investment in Africa good for the Nigerian Economy," *Journal of Chinese Economic and Foreign Trade Studies* 8, no 1 (2015), 43

⁷⁶ Rotberg, *China Into Africa*, 276-279

⁷⁷ Gboyega Oyeranti, Musibaue Babatunde, E Ogunkloa, "An Analysis of China-Nigeria Investment Relations," *Journal of Chinese Economic and Foreign Trade Studies*, 185

⁷⁸ Xulio Rios, "China and Venezuela: Ambitions and Complexities of an Improving Relationship," *East Asia* 30, (2013), 54

China and its philosophy non-interference very appealing.⁷⁹ Conversely, the instability of the government under Hugo Chavez made Venezuela unappealing to many wealthy countries, further limiting its options for trading partners.⁸⁰ As part of its agreements and investment terms with its new great power patron, new infrastructure for Venezuela's oil industry will largely be purchased from China or built by Chinese firms, with limited ability for competition for contracts.⁸¹ This follows the pattern of China exploiting an energy resource developing country with limited great power trading partners.

Sudan

China's relationship with Sudan⁸² began in a similar fashion. In 1997 Sudan had severely limited options for foreign investors while its debt had climbed to 250 percent of its GDP, resulting in interest payments of \$4.5 million per day.⁸³ Beijing seized on the opportunity to fill this void of economic partners. Interested in Sudan's oil and happy to provide economic support without the humanitarian requirements that had made it difficult for Khartoum to deal with the IMF or World Bank, China made a complementary match for Sudan. China would provide the investment, expertise, and construction capacity while Sudan's untapped oil reserves held great potential, especially under the favorable terms China would surely obtain. Many infrastructure projects to develop Sudan's capacity to

⁷⁹ Evan Ellis, *China in Latin America*, (London: Lynne Rienner 2009), 112

⁸⁰ Gallagher, *The China Triangle*, 74

⁸¹ Ellis, *China in Latin America*, 110

⁸² Sudan here refers to the state of Sudan prior to 2011, and North Sudan post 2011. Later discussion of China's handling of the Sudanese crisis and relations with South Sudan will use the term 'South Sudan' to refer to the new state formed in 2011.

⁸³ Rotberg, *China into Africa*, 125, 126

export oil back to China were granted to Chinese firms, materials and labor.⁸⁴ China's CNPC purchased 40% of Sudan's largest oil firm, Greater Nile Petroleum.⁸⁵ Another example of the favorable terms for China is the exemption from restrictions and taxation on oil exported to China.⁸⁶ Sudan's weak economic position, lack of trading partners, and possession of large oil reserves combined to create a perfect package for China, resulting in the actions modeled by this work.

Ecuador

Ecuador found itself in a similar situation with a failing economy and defaulting on its international loans in 2008.⁸⁷ Again attracted by oil reserves, China found an opportunity in Ecuador's economic isolation. Beijing stepped in and secured Ecuador's oil exports, offering an initial \$1 billion loan to Ecuadorean oil companies in 2007.⁸⁸ The Chinese government was willing to invest when most of the world was not, a situation the Chinese government used for its own benefit once again. Ecuador's isolated position, weak economy, and oil focused exports provided China with the opportunity to set favorable terms for itself, securing both another oil source and a market for Chinese exporters. Infrastructure projects, following the pattern, soon materialized with an emphasis on Chinese firms and labor. These projects revolved primarily around shipping, with the development of the Manta port and airport as the two main projects, to facilitate the flow

⁸⁴ Rotberg, *China into Africa*, 126

⁸⁵ Taylor, "China's Oil Diplomacy," 14

⁸⁶ Rotberg, *China into Africa*, 125, 126

⁸⁷ Gallagher, *The China Triangle*, 74

⁸⁸ Clifford Krauss, Keith Bradsher, "China's Global Ambitions, Cash and Strings Attached." *The New York Times*, July 26, 2015

of oil and Chinese exports. Beijing also purchased existing oil infrastructure with a Chinese consortium buying Ecuador's holdings in EnCana, giving it control over multiple oilfields and the better of Ecuador's two oil pipelines.⁸⁹ Favorable terms for China required Ecuador to meet export quotas at lower than market prices, creating another cost-effective source of oil for China's growing domestic needs.

Angola

Angola is another oil economy that attracted China's interest, becoming one of the its biggest trading partners in Africa almost solely from oil imports. Angola's oil boom had attracted many investors, but its government policies caused problems. In 2004 Angola was dealing with a war-torn infrastructure and increased scrutiny from the IMF, which demanded more transparency on the oil revenues resulting from its loans, causing Angola to end its relationship with the IMF completely.⁹⁰ Angola then possessed the conditions most desirable by Beijing: a developing economy, a poor relationship with Western institutions, booming oil economy, and as an added bonus, in need of infrastructure development. China has opposed the government that won the Angolan civil war leading to cooled relations prior to 2004, but after breaking ties with the IMF China became a dominant trading partner. China offered Angola a \$2 billion line of credit, which could be paid back with oil. The price of the oil would be fixed at market price, Angola could not set its own, and the line of credit was to be used for infrastructure projects, which then went to

⁸⁹ Ellis, *China in Latin America*, 132

⁹⁰ Rotberg, *China into Africa*, 119

Chinese firms. It is notable that at the same time India had put in an offer to purchase Shell's oil share in Angola which included \$200 million for infrastructure projects. Instead, Angola matched the offer and then sold it in a consortium owned 75% by Sinopec.⁹¹ Even if there was not a direct agreement between China and Angola regarding the line of credit and Shell oil shares, China's backing certainly played a role in Angola's confidence to match the bid. In 2010, Angola was China's second largest oil importer by volume.⁹² China has remained dominant in its relationship with Angola. In 2006 when Angola lobbied for a new refinery, China refused because Angola would not agree to sell a majority of the refined product in China instead of Africa.⁹³ Angola provides another clear example of China controlling and shaping its trade relationships with developing oil-based economies to meet its own interests. By including oil repayment options, ensuring the development contracts go to Chinese firms, and only investing when it was confident the profit would come back home, China demonstrates its standard model of behavior and indicates its goals for this kind of investment. China was not after the interest on the line of credit it granted Angola, but rather the crude oil imports and infrastructure projects, simultaneously feeding its need for more energy resources and providing a market for Chinese companies.

Morocco and Chile

From these numerous examples the previously described pattern becomes clear. Specific material resources, usually oil, capture China's initial interest. Morocco, falling

⁹¹ Rotberg, *China into Africa*, 119

⁹² Shambaugh, *China Goes Global*, 164

⁹³ Rotberg, *China into Africa*, 120,121

below Nigeria and Angola but above Sudan in GDP for the region failed to attract the attention that these other states received from China. One reason for this is that Morocco does not possess significant oil reserves or any other material resource that China needs. Morocco also has close ties with France and Europe, which is another determining factor in China's behavior. Established ties with other rich nations as economic partners strengthens the recipient state's bargaining position, making it less appealing to Chinese leadership. Similarly, Chile possesses mineral resources that China needs and does export them to China. However, Chile has not been a significant recipient of Chinese investment and development.⁹⁴ China did attempt to employ the strategies seen in the examples above, but Chile had the ability to resist some of China's more one-sided practices while positioning itself as a potential "commercial nexus" between China, the United States, and South America.⁹⁵ With these factors in place, China negotiates favorable terms for securing rights to the desired resource, and offers its own firms, materials, labor, and expertise in developing the infrastructure needed to more effectively export the resource back to China. In addition to obtaining the desired resource, China is creating opportunities for its domestic firms through these infrastructure projects, and potentially investment opportunities for them as we saw Chinese firms often purchase stakes in local companies. The health and diversity of the economy will affect how much China will invest in these additional opportunities.

⁹⁴ Dollar, "China's Investment in Latin America," 5,6

⁹⁵ Ellis, *China in Latina America*, 41

Evolution of Chinese Investment

Sudan's economy was struggling as the country dealt with civil strife and corruption, with its economy extremely depending on oil. Under these conditions China focused on just importing oil, with the only other significant trade being arms sales. China began selling weapons, ranging from automatic rifles to full size weapon systems such as fighter jets, to Sudan in the 1980s.⁹⁶ While arms sales to African countries was not unusual, China's interest in the oilfields that were in the conflict zone suggest it's motives were still focused on oil. Ian Taylor states "The motivations for such supplies is simple. Apart from the profits from these arms sales, the policy helps consolidate and protect Chinese shares in the exploitation of Sudan's oil reserves" which is further evidenced by the allowance of Sudanese government forces to use Chinese owned facilities as bases of operations in suppressing the south.⁹⁷ This undermines China's claim to a non-interventionist foreign policy. Because of domestic conditions in the Sudan, Beijing focused on the resource extraction goal, eschewing investment in Sudanese businesses, unrelated infrastructure projects, immigration of Chinese citizens to the Sudan, and other methods employed elsewhere in Africa.

In the case of Nigeria, there is a stark contrast in behavior as well as importance to China. Ndubisi Obiorah, Darren Kew, and Yusef Tanko label Nigeria the "sociopolitical giant" that serves as an important case for China's relationship with the continent. Obiorah et al. go on to state that Nigeria "...should have a leading role in shaping China's involvement..."

⁹⁶ Rotberg, *China into Africa*, 163

⁹⁷ Taylor, "China's Oil Diplomacy," 949,950

and that “Nigeria’s relative wealth and complexity should give it greater leverage than smaller African countries.”⁹⁸ Nigeria’s relative diverse economy and internal stability encourage China to go beyond just oil agreements. China has invested in various other sectors such as agriculture, manufacturing, and communications.⁹⁹ China invests in Nigeria through loans, importing goods, investing in development projects, and through the private sector. Many non-oil industry Chinese companies, both state owned and otherwise, export to Nigeria or have also purchased significant ownership stakes in Nigerian companies. China also has expanded its imports to include agricultural and manufacturing products. Following past domestic strategies, China worked with Nigeria to create special economic zones. In these areas, China could leverage its resources and expertise to secure large development contracts, especially for infrastructure. These infrastructure projects range from transportation like railroads, bridges, and airports to government with administration headquarters, communications projects like launching Nigeria’s first telecommunications satellite in 2007, to recreational projects with the Abuja Sports Complex.¹⁰⁰ Ports are not ignored, as China owns 49% of Tin Can Island Warf, the main port of Lagos.¹⁰¹

In addition to trade agreements and economic zones, the two countries also signed agreements on the sincere friendship and mutual trust in symbolic political gestures. There are growing pedagogical and cultural links between China and Nigeria. China supplied Nigeria with other forms of aid, such as anti-malaria medicine, training of medical

⁹⁸ Rotberg, *China into Africa*, 272

⁹⁹ Oyeranti et al, “China-Nigeria Investment,” 186

¹⁰⁰ Rotberg, *China into Africa*, 275

¹⁰¹ ‘Warf’ spelling retained from author. Nnanna, “Good for the Nigerian Economy,” 41

personnel, and materials to combat avian flu. Generally, Nigerian media has displayed a positive view of China and praised the economic growth they generate and the hands-off political stance they take. However, there has also been some resentment against China for losses in Nigeria's domestic manufacturing and textile sectors, and the focus on Chinese labor over locals. China has responded to Nigerian complaints, such as initiating telecommunications after a lack of technological and human resource development was communicated from Lagos to Beijing.¹⁰² China's more broad development of Nigeria and a willingness to respond to complaints demonstrates how the different domestic conditions in Nigeria have led to different behavior from China. China remained focused on resource extraction and infrastructure projects using Chinese firms, materials, and labor; however, the relative diversity and stability mentioned earlier provided the opportunity to grow new markets for Chinese companies. This helped China address its domestic economic concerns. Nigeria provides an interesting blueprint for Chinese behavior in a developing state with these more beneficial domestic conditions.

China's relationship with Ecuador has remained centered around oil, with infrastructure projects focused on shipping with an airport and sea port as the two main projects. Through loans from various China's companies, some of which were secured with oil, Ecuador's government was able to improve its economy and make payments on its loans from China, leading to its credit rating being restored in 2012.¹⁰³ With these improved

¹⁰² Olugboyege Oyeranti, M Babatunde, E Ogunkola, Abiodun Bankole, "China-Africa Investment Relations: A Case Study of Nigera," Economic Report, African Economic Research Consortium, University of Ibadan, Nairobi February 28 2010, 64

¹⁰³ Gallagher, *The China Triangle*, 84, 85

conditions, China could further its goals for its domestic economy, selling billions of dollars' worth of low-end textiles, footwear, and toys to Ecuador.¹⁰⁴ Ecuador's economic growth may not continue, however, as lower oil prices may be slowing the economy. In 2017, the Ecuadorean government sought to renegotiate with China, specifically wanting to restructure loans, change the amount of oil they are required to sell to China, and the price at which they sell the oil.¹⁰⁵ The current terms limit Ecuador's options, as China has a near monopoly on Ecuador's oil exports, giving it significant leverage on Ecuador's economy. China has controlled the relationship, with most of the development projects have using Chinese companies, materials and workers.¹⁰⁶ Ecuador's stability and improved credit rating are certainly ways it has benefited from Beijing's patronage, but now it is facing the sometimes stifling cost of that relationship.

China's relationship with Venezuela has not proven as successful. China continued to develop Venezuelan oil export capacity through refineries, railroads, oil platforms, and other supporting infrastructure while Chinese oil companies obtained direct licenses to drill in Venezuela.¹⁰⁷ China also extracted mineral resources, benefiting from the weaker position of Venezuela and negotiating a seven-year contract in 2009 at prices far below market value.¹⁰⁸ As Venezuela's economy destabilized, China was forced out of necessity to take steps to protect its interests and artificially support the Venezuelan economy. Prior to 2009, infrastructure and other projects outside of energy resources had been fewer

¹⁰⁴ Ellis, *China in Latin America*, 131

¹⁰⁵ Alexandra Valencia, "Ecuador seeks renegotiation of China oil sales, loans." *Reuters* October 24th, 2017

¹⁰⁶ Krauss and Bradsher, "Cash and Strings Attached"

¹⁰⁷ Rios, "China and Venezuela," 54-58

¹⁰⁸ *Ibid*

compared to China's other trade partners in the region.¹⁰⁹ After 2009, China's development began to expand beyond just oil and mineral mining projects in small ways, which then evolved into larger measures to keep the Venezuelan economy from total collapse. China contributed to agriculture through irrigation projects, transportation through wider ranging infrastructure projects, and communications through a joint satellite launch.¹¹⁰ Yet, Venezuela's economic decline continued, increasing drastically in 2014 after a drop in oil prices. Venezuela renegotiated terms on its loans-for-oil deals, but inflation continued to rise, so China allowed \$4 billion in development loans to instead be used for Venezuela's foreign exchange reserve.¹¹¹ While China has previously been able to minimize risk and avoid serious loss when dealing with unstable developing states, Venezuela may provide a lesson for Beijing. Through its loans, China tied itself to Venezuela's economic crisis. Between 2007 and 2015, Venezuela's loans accounted for 53% of China's lending for the region, making China vulnerable should Venezuela default, and causing China to be more cautious in dealing with similar states in the BRI network.¹¹² China seems willing to go the distance with Venezuela rather than cut its losses. For the future, Beijing seems to be changing the focus of its loans in South America, lending more in industries outside oil, having greater considerations for how countries' economies are run before lending, and pulling back where it can from Venezuela.¹¹³ Currently, Venezuela is still in a downward economic spiral and it remains to be seen if China will recover its investments there.

¹⁰⁹ Ellis, *China in Latin America*, 118

¹¹⁰ Rios, "China and Venezuela," 57

¹¹¹ Gallagher, *The China Triangle* 85, 86

¹¹² Phil Thorton, "China shapes stronger trade ties with Latin America," *Latin Finance*, September 26th, 2017

¹¹³ *Ibid*

Additionally, unlike in Central Asia, Beijing's possibilities for direct intervention into Venezuela are limited both by distance and potential conflicts with the United States.

China's behavior in the developing world follows an identifiable pattern across multiple regions. Beijing's actions depend on how domestic conditions affect its pursuit of its goals. China's actions through Venezuela's economic crisis and the Sudanese civil war also provide interesting examples of how Beijing faces different adverse conditions in recipient states. As China's interests abroad grow, so will the need for it to involve itself in foreign affairs to maintain stability and protect its interests, putting it into positions where has criticized the U.S. for being in the past.

China's Soft Power Challenges

Chinese leadership holds soft power as an important aspect of a Great Power, and actively works to create soft power influence and improve China's image globally.¹¹⁴ The desire for soft power is evident from direct references in several CCP documents and speeches, most notably by President Xi Jinping himself in 2014 when he called for an increase in soft power to present China and its message to the world.¹¹⁵ Elizabeth Economy describes President Xi's ambitions as "a stated and demonstrated desire to shape the international system, to use China's power to influence others...only the United States has the range of economic and military tools matched with global political aspirations that

¹¹⁴ The concept of 'Soft Power' was developed mainly by Joseph Nye in 1990. For this paper 'soft power' is defined loosely as co-optive power among the recipient state's ruling elite, causing that leadership to adopt similar goals and policy with the influencing state regardless of material incentives.

¹¹⁵Shambaugh, "China's Soft Power Push," 99

China now displays.”¹¹⁶ While BRI is primarily economic, it is important to understand how it relates to President Xi’s soft power goals and where it does not.

Soft power causes other states to want the same things that you want without coercion. This work especially focuses on those with the political power to affect state policy. In most of the states developed by China, the general population does not have much political power, if any. To evaluate if China is achieving its soft power goals for the BRI we must know if that target state’s leadership is adopting uniquely Chinese political views, institutions, and standards. Soft power is different from military or economic power in the lack of a ‘loss’ if the second state does not cooperate. Soft power is ‘highly normative’ in nature and relies upon cooperation instead of coercion, with David Shambaugh likening it to “magnet that pulls and draws others...because of its powerful appeal by example.”¹¹⁷ Soft power is useful in exporting your own systems and attaining international recognition and support as a great power. The risk of a military reprisal or losing economic gains in conflicts or trade negotiations distinguishes those situations from the use of soft power. An example of soft power would be the adoption of norms through cultural or ideological diffusions between states. In other words, the ‘stick’ is lacking to use the ‘carrot and stick’ metaphor. Even the carrot must be provided by the state’s choice to adopt the norm, not a direct boon granted by the influencing state. To compare to categories established by Amitai Etzioni, soft power would be considered ‘identitive’ power.¹¹⁸ Soft power requires a willing change

¹¹⁶ Economy, *The Third Revolution*, 187

¹¹⁷ Shambaugh, “China Goes Global,” 209

¹¹⁸ Amitai Etzioni, “Organizational Control Structure,” in *Handbook of Organizations*, ed. James March (New York: Rand McNally, 1965), 651

in the perception of the influenced states priorities and values through information, ideas, and culture, resulting in one state convincing another state their interests are aligned, resulting in the desired action.

How does China's BRI fit into its soft power goals? First it should be understood that the primary economic purpose of the network, facilitating trade and the flow of energy resources, is not a soft power goal, because of the material incentive provided by dealing with China and being a BRI state. Soft power is also very difficult leverage for a single specific goal, instead being effective for greater shifts in norms and fundamental ideology over time. These factors greatly limit how much of BRI is soft power, and how successful BRI will be in contributing to China's desire for more soft power. Chinese soft power discussions within China fall within three camps, culture, politics, and economic development.¹¹⁹ Each of these camps considers China to lack significant soft power. Belt and Road is an economic and political initiative that can become a distribution channel for China's culture, especially its business culture, as well. Michael Du lists the action plan items for BRI as Policy Coordination, Facility Connectivity, Unimpeded Trade, Financial Integration, and People to People Bond. These action plan items provide context for its focus and how it fits into each of these three aspects.¹²⁰ Of course, Belt and Road's infrastructure development fits into economic development, and there is a clear geopolitical aspect as well. But, with each of these tied to material incentives, they are more coercive than purely cooperative. There are a few aspects of Policy Coordination that could contribute to identitive gains. To Chinese

¹¹⁹ Shambaugh, *China Goes Global*, 215

¹²⁰ Du, "Focus, Institutions, and Implications," 34

audiences the naming and promotion of the BRI project, with terms such as “Silk Road Economic Belt” and “Twenty First Century Maritime Silk Road,” evoke a Chinese identity and culture, especially when linked with creating an “Asia-Pacific dream” or the “New China Dream” concepts pushed by President Xi. The increased presence of China in Central Asia will also provide an increase in opportunities to spread Chinese propaganda.¹²¹ Also under Policy Coordination would be the exporting of Chinese industry standards, which is not directly a soft power gain. However, if states within the BRI network begin using Chinese industrial standards, this provides a foothold for other policy emulation and can be the beginning of more influential soft power growth for China, similar to the adoption of English as the universal language of air traffic control. A commonly held view in China is that ‘first tier companies’ make standards instead of products, and Beijing is focused on exporting its own technological standards through BRI, becoming a leader in innovation.¹²²

The greatest opportunity for soft power gains through Belt and Road comes from the People to People Bond, designed to build the critical business relationships. This would be emphasized by the cultural soft power camp. These business relationships may not have the direct purpose of cultural exchange, but a vast network of interpersonal relationships could be a vehicle for such. Personal relations between key figures in China’s SOEs and local businesses, government officials, and community leaders will facilitate the operation of the BRI network at the hubs and local levels. Individual interactions between businesses or local government officials is where the concepts and high-level agreements become operational

¹²¹ Note: Propaganda (*xuanchuan*) in Chinese does not carry a negative connotation, and is used here in that context.

¹²² Cai, “Understanding Belt and Road,” 9

on the ground in BRI states. Because of their importance to BRI and the fact that these will be influential people interacting, this area is where culture, norms, and methods can be adopted and eventually influence policy and behavior in the host state. This could be a result of establishing Belt and Road but is not a direct result. If any significant gains in soft power are to be made through the BRI, it will be borne out these relationships.

Improving its soft power and its image has proven challenging for China. Despite the eagerness of developing states (especially ones with authoritarian governments) to accept Chinese investment and trade, they have been slow to adopt Chinese political ideology and cultural norms. For more liberal states, China's political oppression and humanitarian rights undermine its message, and for more authoritarian states, China's government model is too decentralized and 'power-sharing' to be very appealing. Additionally, the Western liberal norms of the United States and Europe are favored in the international stage, causing many states to want to at least appear to be adopting them in order to be offered more inclusion in international affairs. State media efforts to promote Chinese culture and export it to other states is ineffective in gaining soft power because China lacks a free press to present opposing viewpoints which in turn significantly hurts their credibility. Joseph Nye, discussing how the United States might gain soft power in developing countries, warned that using propaganda would undermine credibility and "squander" soft power, not create it.¹²³ Talking about China specifically, Wanning Sun explains that Beijing's fast track attempts to gain soft power, especially when it uses coercive methods, actually undermines their

¹²³Joseph Nye, "Propoganda Isn't the Way: Soft Power," *International Herald Tribune*, January 10th 2003

efforts, limiting their soft power instead of enhancing it.¹²⁴ In step with these views, David Shambaugh states that, “China fails to understand that despite its world-class culture...and despite its extraordinary economic rise...as long as its political system denies, rather than enables, free human development, its propaganda efforts will face an uphill battle.”¹²⁵ Beijing has invested a large amount of resources into its international soft power efforts with very little in the way of results. In particular, China has failed to make significant popularity gains in the the regions of Africa and Latin America.¹²⁶

China’s BRI may prove to strengthen its influence abroad and provide a mechanism for the spread its culture and ideals. The network of governments and businesses created through the Belt and Road Initiative could become a platform to create soft power influence, but BRI is not likely to generate any direct significant soft power gains. Because this soft power initiative is likely to fail, China will likely have to turn to other forms of financial incentives or coercion to maintain its power and influence across Central Asia.

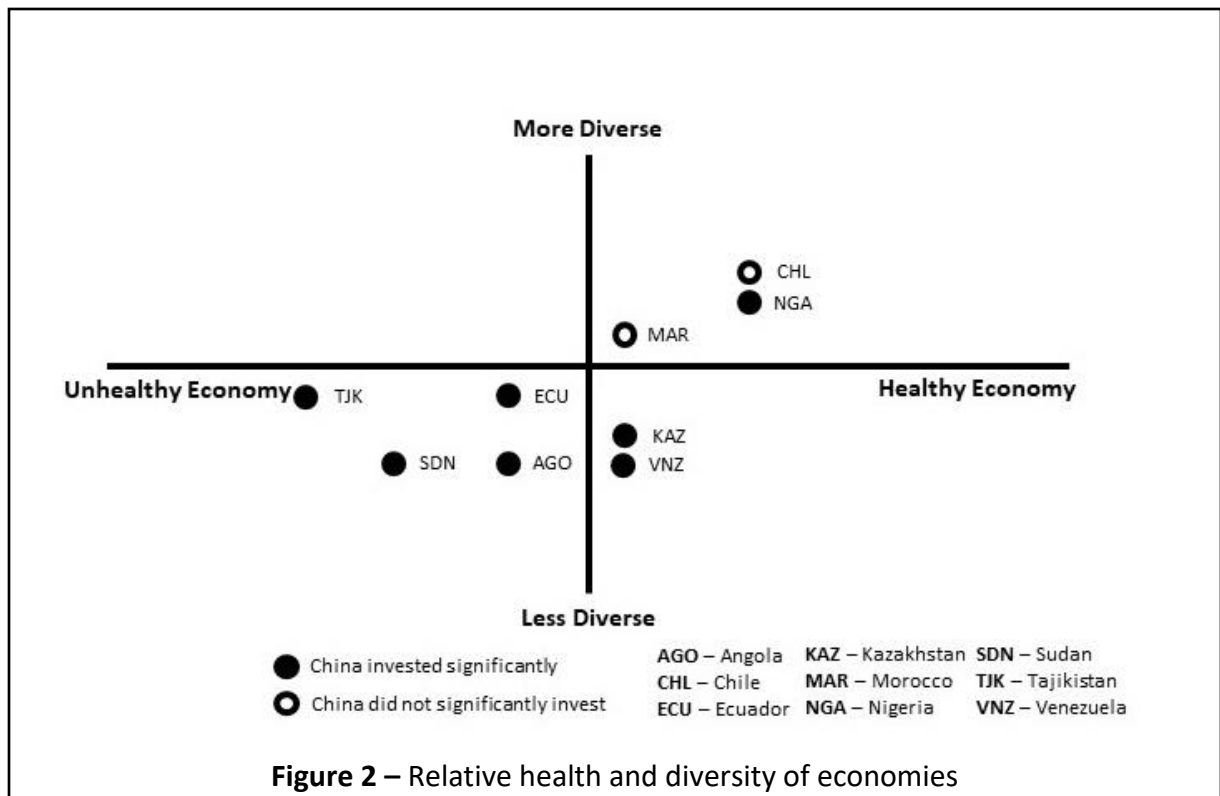
¹²⁴Wanning Sun, “Mission Impossible? Soft Power, Communication Capacity, and the Globalization of Chinese Media,” *International Journal of Communication* 4, (2010), 69

¹²⁵ Shambaugh, “China’s Soft Power Push,” 103

¹²⁶ Ibid

CHAPTER 3. MODEL OF CHINESE BEHAVIOR IN DEVELOPING STATES

The previous chapter reveals China's strategy for developing poorer states. As a majority of countries that will be involved in Belt and Road are developing countries, and certainly that is the case with Central Asia, this strategy is likely to be employed again. This is already evident in the focus of BRI on infrastructure development and energy resources. There may be subtle changes in the approach: President Xi may be less cautious than China has been in past development, the goals are defined within the structure of the Belt and Road Initiative, and China may apply lessons learned from past situations like Venezuela. Overall however, China will continue to employ these methods in establishing BRI in Central Asia.



Policy Model

The existing conditions in the state will determine the strategies China will employ. As previously established, this work focused on four specific conditions as most impactful on Chinese behavior. First, does the state has a specific resource that draws China's attention and drives its relationship with the state? This is almost always a prerequisite for a developing nation to see greater than average investment and development from China. Second is the strength of the state's economy; weaker states are more likely to be dependent on China. Third is the diversity of the state's economy. Countries with less diversified economies have a weaker position vis-à-vis China. The fourth aspect is the availability of other wealthy states for investment and trade. If China has peer competitors vying for the favor of a target country, Beijing will likely have to offer more concessions creating a less unequal arrangement. In the end, target developing nations come to China's attention because they meet a domestic need for China. Meeting a specific need and a lack of strong great power competition are sufficient requirements for Chinese involvement in a developing state. Once invested the resulting behavior depends on the stability and diversity of the economy. How different states, including two examples of when China did not invest, differ from each other in these two factors is displayed in Figure 2. The diversity and health of the recipient state economy then determines the specific ways China invests.

China's foreign policy is increasingly entangled with its domestic interests, not only because of the need to continue economic growth, but also to maintain support for the CCP and the Chinese military.¹²⁷ As such, China's approach to the developing world must be

¹²⁷ Li, *Chinese Politics*, 27

considered in context of these domestic interests. In most cases this interest will be for energy resources, usually oil. In the case of Tajikistan detailed later in this work I will also suggest another 'resource' for China besides oil that would cause the same behavioral pattern. Driven by this specific need, China will pursue an economic relationship with the state to secure its goals. While offering this investment or trade will provide some benefit for the other state, China will behave as any great power and try to maximize its own benefit. In China's case, the next steps depend on the existing conditions within the state. With a healthy economy, especially one that is diverse, then the recipient state has a stronger bargaining position to demand more out of economic deals. China may invest more in developing that economy as a market for Chinese exports instead of just focusing on buying up the desired resource. Beijing will usually focus on manufacturing, communications, and textile industries. This will also create investment opportunities for Chinese companies, who can build facilities locally in the partner state or purchase large portions of local companies. An unhealthy economy combined with being excluded from most of the international economic order causes a state to be appealing to China because of the favorable terms Beijing can set. China's willingness to invest when others are not, the amount of energy resources it is willing to buy, and the lack of certain requirements, such as government or humanitarian reforms, make China initially appealing to the partner state as well, especially in authoritarian regimes which need money to continue their rule. Government type does not affect the other direction, however, as China seems just as willing to invest in more democratic regimes as autocratic ones. With a weaker state, China will focus on its primary need, usually energy resources, with any infrastructure

development facilitating that goal. It will be a smaller percentage of China's overall economic relationship with that state, with the focus on resource extraction. If the resource based economy is still healthy, China will invest in more additional projects than unhealthy resource economies. However, this development will not be spread over as many different industries as in a diverse healthy economy. China's strategy furthers its foreign policy goals, expanding their influence and creating an alternative to western powers while also benefitting China's domestic economy. Whether or not this is the primary goal in every case is unclear, but a complete explanation of China's behavior in the developing world must include the story of China upholding its domestic growth.

Measuring China's Political Gains Through UN Voting

To empirically explore the relationship between Chinese economic influence and any political or soft power gains, I will examine the UN voting behavior of China and states in the developing world who either trade or have received significant investment from China. This will provide evidence either for or against the Chinese strategy of gaining political influence and soft power through economic incentives. Many political science scholars are using UN voting behavior as one method to measure political affinity which is difficult to quantify.¹²⁸ While UN voting does not provide a complete picture, it is a useful tool to help evaluate dyadic relationships. This data is not conclusive enough on its own to prove a causal relationship, but it will establish if there is evidence of a connection between

¹²⁸ Michael Bailey, Anton Strezhnev, Erick Voeten, "Estimating Dynamic State Preferences from United Nations Voting Data," *Journal of Conflict Resolution*, 61, no 2 (2015)

economic relationships and political affinity. Specifically, by testing UN votes against China's FDI with developing states we will see if that economic relationship carries over into the political sphere, which is one specific goal of the BRI. I am using a standard linear regression model (OLS) to test the relationship between state's dyadic UN voting with China and Foreign Direct Investment from China. This data is pulled from OECD FDI and ODI figures and the 2009 Voeten, Strezhnev, and Bailey United Nations General Assembly Voting Data.¹²⁹

Table 1. Regression of UN Voting Similarity and FDI investment by China

	UN Vote Similarity	P Value	Difference in Ideal Scores	P Value
Log of FDI	0.00368	0.10173	-0.0411**	0.00261
Log of Development	-0.00273**	0.00342	0.0445***	4.17 e ¹⁴
Africa	0.0196***	0.00012	-0.125***	5.00 e ⁰⁶
South America	-0.00212	0.733	0.0279	0.465
R ²	.0939		.0246	

The results of the test do suggest that, in general, states with a lower development level vote with China more often. However, the significant negative relationship of FDI suggests that recipient states vote differently than China, which is also evident in the negative score for Africa. The political goals for China's economic initiatives, like the BRI, will be less likely to succeed. These results do not support the idea that China can make long term political and soft power gains through economic investment and trade. This supports the current views and research on China's soft power limitations. China's politics and economics make it a lucrative and appealing alternative to investment from western great

¹²⁹ Bailey et al, "Dynamic State Preferences"

powers, but the strength and longevity of that relationship in the political sphere is questionable. These developing states may be just as likely to side against China's foreign policy initiatives, especially if they are given similar economic incentives by other great powers.

Discussion

Despite its claims of non-interference, China has taken some actions to intervene to protect its interests in a state. While it China may differ in many ways from most great power countries investing the developing world, every investor desires a stable environment for their investment. To this end China will support local governments, interfering by some definitions, to maintain stability regardless of the nature of that stability. This has been done through indirect means, selling arms and providing support to the local government to create stability, or fostering talks and agreements between parties. As China's international profile grows, this could be one area they will have to change. For example, China faced a considerable amount of criticism over its arms sales to Sudan during the civil conflict there. China may be forced not only to intervene more directly and more often, but it may have to carefully consider its methods in the future. These considerations help refine the potential outcomes and variations that may occur in China's future actions within the pattern of behavior established in this analysis. All together Overall, this creates a framework of Chinese behavior in developing states that can be applied to how China will pursue its goals in the future. Here, I will apply this framework to Central Asia and two important states there for the Belt and Road Initiative, Kazakhstan and Tajikistan.

CHAPTER 4. BELT AND ROAD INITIATIVE IN CENTRAL ASIA

This work has examined how China's behavior overseas is determined by domestic conditions in recipient countries. In the case of Central Asia, China's desire for the Belt and Road to be successful is just as strong a driving force. Belt and Road will help secure and feed energy resources back to China, as well as meet other critical needs, such as new markets for domestic economic growth. Central Asian states with energy resources, primarily Kazakhstan, will seek to capitalize on that role through the BRI for greater gain. Other roles will be equally important, such as hosting a 'hub city' which will be a node in the network. Trade through the SREB, communications facilitating the SREB, and important administration of Belt and Road will take place in these hub cities, making them critical to the greater structure of the BRI network. Central Asia's importance to China and the international system will greatly increase with the implementation of the Belt and Road Initiative.

While China has had a presence in Central Asia for most of history, it has not always been an active or dominant player. The United Kingdom, the United States, and Russia have all been great powers that have vied for influence in Central Asia. The contest between Russia and Britain in the nineteenth century was later dubbed the 'Great Game' in which Britain sought to defend its interests in India against Russian Empire's growing influence in the region. The two empires employed various strategies to gain control over parts of Central Asia, either directly or by coercing local leaders. This battle of influence helped create the "modern study of geopolitics" with Central Asia in particular becoming "...an

arena of high-stakes geopolitical sparring” as stated by Alexander Cooley.¹³⁰ While China attempted to protect its interests during these periods, it was not challenging these other great powers for a leading position. Conditions in Central Asia are not entirely a matter of foreign policy for Beijing, as the region has very close ties with China’s western Xinjiang region.¹³¹ China’s approach to Central Asia cannot be divorced from Xinjiang province. Stability in Xinjiang is a consideration for any policy towards Central Asia, as the region has been problematic for Beijing with issues of economic and societal inequality between different ethnic groups and Han Chinese.¹³² China’s economic policies in Central Asia, including the Belt Road, serve a purpose in Xinjiang. Beijing believes economic policies can help reduce ethnic unrest and stabilize the province while contributing to regional security.¹³³ While content to more passively protect its interests in Central Asian in the past, recently China has begun asserting itself more aggressively, especially under President Xi Jinping.

Certainly, Beijing is pursuing a more dominant role in Central Asia. Since the fall of the Soviet Union, China has been becoming more active in the region, seeing it as critical for both security and energy resources.¹³⁴ China established the Shanghai Cooperation Organization which most Central Asian states became members of, as well as investing over \$48 billion in infrastructure and energy resource development.¹³⁵ China surpassed

¹³⁰Alexander Cooley, *Great Games, Local Rules*, (New York: Oxford University Press 2012), 15-16

¹³¹ Xinjiang is a large autonomous region in northwest China that borders central Asia and has several ethnic minority groups, including the Muslim Uyghurs.

¹³²Valerie Niquet, “China and Central Asia,” *China Perspectives*, (2006), 3

¹³³ Rachel Brown, “Where will the new silk road lead?” *Columbia University Journal of Politics & Society*, (2015), 86

¹³⁴ Fallon, “Grand Strategy,” 144

¹³⁵ Fasslabend, “The Silk Road,” 299

Russia as Central Asia's largest trading partner in the 2000s.¹³⁶ These efforts, prior to President Xi's tenure, were described by Colley as China redrawing the fences in Russia's backyard.¹³⁷ Now BRI could be the next step in cooperation with Central Asia expanding on these past efforts. Beijing hopes that Belt and Road will address the economic equality as Xinjiang will see the lion's share of an increase in trade with Central Asia. Xinjiang may also benefit from new markets made available through Belt and Road, allowing it to increase its exports.¹³⁸ Economic gains, through new markets and energy resources, are both goal for Beijing and an opportunity it offers to the Central Asian states. Through BRI underdeveloped regions, such as Central Asia, could gain success in the world economy, increase their living standards, and become important parts of the global supply chain.¹³⁹ Belt and Road, despite the possibility of popular opposition and dissent, has been welcomed by Central Asian leaders.¹⁴⁰ However, the general populace in China has often met Chinese investing firms with "popular suspicion and xenophobia."¹⁴¹ Belt and Road also contributes to security concerns in Central Asia, helping China assume a more active role in light of the receding presence of the United States, and also with Russia being focused on Ukraine.¹⁴² If China has previously been moving the fence, then President Xi is planning on tearing down it down completely and building new landscaping, all while claiming the yard is a shared co-op. It remains to be seen how much true cooperation will happen between the 'friendly'

¹³⁶ Brown, "New Silk Road Lead," 75

¹³⁷ Cooley, *Great Games, Local Rules*, 94

¹³⁸ Brown, "New Silk Road Lead," 75

¹³⁹ Huang, "Motivation, Framework, and Assessment," 320

¹⁴⁰ Brown, "New Silk Road Lead," 82

¹⁴¹ "Central Asia's Silk Road Rivalries," *International Crisis Group*, July 27th 2017, 2

¹⁴² Fallon, "Grand Strategy," 144

neighbors of Russia and China. How Belt and Road may manifest in Central Asia can be explored through the examples of Kazakhstan and Tajikistan below.

Kazakhstan

Kazakhstan is a dominant state in the region of Central Asia, combining large geographic size, the most resources, and the most powerful economy. Kazakhstan also shares significant borders both Russia and China. Kazakhstan's GDP of \$133 billion (USD) eclipses the combined GDP of the other four Central Asian states, Tajikistan, Turkmenistan, Uzbekistan & Kyrgyzstan. Kazakhstan's natural resources includes valuable mineral deposits, arable land for agriculture, and large oil and natural gas reserves which had already previously caught the interest of China.¹⁴³ Kazakhstan is a petro-dictatorship, relying on oil revenues to keep in power President Nursultan Nazarbayev, its sole leader since independence. President Nazarbayev is routinely 're-elected' in landslide elections with extremely high voter turnout, most recently winning with 97.7% of the vote, indicating the election is highly suspect.¹⁴⁴ Kazakhstan's economy includes Soviet-style state owned enterprises, similar to China's structure, up until 2015 when some privatization and reform was started. Kazakhstan had continued the Soviet structure of government business ownership with a minimal private sector.¹⁴⁵ The government has remained relatively stable, with power consolidated under President Nazarbayev. Kazakhstan's economy only recently

¹⁴³ Richard Pomfret, "Kazakhstan's Economy since Independence: Does the Oil Boom Offer a Second Chance for Sustainable Development," *Europe-Asia Studies* 57, no 6 (2005), 868

¹⁴⁴ Raushan Nurshayeva, Dmitry Solovyov, "Kazakh leader apologizes for 97.7 percent re-election victory," *Reuters*, April 26th 2015

¹⁴⁵ Bradly Jardine, "Kazakhstan: Economic Crisis, State Companies, And The Nation's Image," *Radio Free Europe*, July 13th, 2015

started experiencing significant growth in 2000.¹⁴⁶ Kazakhstan has already been working with China and other states, building oil pipelines and developing its energy resources for export. Kazakhstan has oil and natural gas that have already drawn in the interest of China, and the role of its infrastructure in BRI reinforce that interest. Kazakhstan has a strong and stable economy driven by its energy resources, largely oil and natural gas but also includes uranium. Its recent trend of privatization and policies meant to innovate a more diverse economy may help it avoid the weaknesses of other oil-based economies, such as Ecuador, Venezuela, and Sudan. This greater stability may make conditions in Kazakhstan closer to those of Nigeria, giving Kazakhstan a stronger bargaining position despite the energy resource focus of its economy. Kazakhstan does have some options among wealthy states as trade partners and receives investment from western states such as the United States and the Netherlands and institutions such as the European Investment Bank. However, China is already Kazakhstan's dominant trading partner and President Nazarbayev's government has a strong relationship with China. Since 1997 Kazakhstan played a critical role in supplying oil for China's increasing domestic consumption, which grew into a political strategic partnership in 2005.¹⁴⁷ In 2015, China signed a series of thirty three deals valued at \$23.6 billion with Kazakhstan, furthering cooperation and ties that will contribute to Belt and Road.¹⁴⁸ This commitment to cooperative development and trade with Kazakhstan are already making the Sino-Kazakh relationship a priority.

¹⁴⁶ Pomfret, "Kazakhstan's Economy," 859,860

¹⁴⁷ Cesar Martinez Alvarez, "China-Kazakhstan Energy Relations between 1997 and 2012," *Journal of International Affairs* 69, no 1 (2015), 63

¹⁴⁸Shannon Tiezzi, "China, Kazakhstan Sign \$23 Billion in Deals," *The Diplomat*, March 28th, 2015

China's goals with Kazakhstan for BRI will remain centered around oil production and the facilitation of oil from other states funneled to China through Kazakhstan's pipelines, although other areas of cooperation and networking may become more important than before. Oil and energy resources are still what China needs most from Kazakhstan. A supplemental goal could be gaining greater influence and political support in relation to Russia from Kazakhstan. This fits into China's greater desire for energy security and dominance in the region. Given these goals, China has invested and built infrastructure, such as pipelines, and will continue to do so. BRI may help facilitate this strategy but it does not change it. Given the existing conditions in Kazakhstan, the government in Astana will have a relatively stronger bargaining position than other states in the region. This will result in more favorable terms for these new development projects and trade agreements as China creates what it needs for the Belt and Road Initiative. As Kazakhstan's economy improves in stability and diversity, China will likely take notice and invest in developing the Kazakhstan local markets for Chinese goods. Kazakhstan's President Nazarbayev will welcome this investment, as it continues to provide a strong market for exports as well as increasing Kazakhstan's capacity to send these resources to other states. Following past patterns, President Nazarbayev will likely use increasing revenues to bolster his government and the ruling elite of Kazakhstan. Negative impacts on some domestic sectors or regions from Chinese development projects are unlikely to impact his decision making. These factors make China's current successful economic and political relationship with Kazakhstan likely to continue. Because of presence of other trading partners, and the relative strength of the Kazakh economy, there is potential for Kazakhstan to successfully push for better

terms with China, especially to keep it from seeking patronage with other great powers, specifically Russia.

Tajikistan

Tajikistan is the smallest of the Central Asian states in total area, though not in population. It has one of the lowest GDPs at just under 7 billion (USD). Tajikistan's economy is heavily dependent on remittances from workers in Russia.¹⁴⁹ Other than these remittances, Tajikistan's economy is based on agricultural exports. Tajikistan is an authoritarian government led by President Emomali Rahmon. President Rahmon has been a powerful political figure since Tajikistan's independence in 1991, ascending to the presidency in 1994. Tajikistan experienced a period of civil war following independence ending in 1997 during which time President Rahmon took power. Tajikistan has also experienced some unrest and civil conflict through the past decade.

Tajikistan is still struggling to establish itself after the end of the Soviet era and the internal conflict of its birth. An authoritarian government that arose out of a civil war, Tajikistan has been led for most of its history by a single leader. However, the strength of the government in light of that civil war and recent problems with unrest demonstrate that the central government's control is questionable. Internal conflicts are of not only ideology, but also pre-existing sectarian divisions.¹⁵⁰ These continue to exist and can be sources of

¹⁴⁹ Irna Hofman, "Soft Budgets and Elastic Debt: Farm Liabilities in the Agrarian Political Economy of Post-Soviet Tajikistan," *Journal of Peasant Studies* (2017), 13

¹⁵⁰ Johan Engvall, "The State Under Siege: The Drug Trade and Organised Crime in Tajikistan," *Europe-Asia Studies* 58, no 6 (2006), 829

tension. Another weakness of the central government includes its inability to control major drug organizations within its borders. While many states – including great powers – struggle with this problem, Tajikistan’s government is incapable of any significant control or deterrent. The smuggling of heroin and opium has not significantly decreased, despite an increase in laws and statements by the government about stopping drugs according to UN data.¹⁵¹

Tajikistan has not had any energy resources to attract China’s attention, however with the Belt and Road Initiative the value of Dushanbe as an important ‘hub city’ in the network may mimic the value of an energy resource. A hub city is a specific singular factor that is not a commodity that China or Tajikistan can resell elsewhere which could cause a situation similar to Dutch disease¹⁵² in Tajikistan. It is integral to the functioning of the BRI, in a certain sense fueling the proposed flow of goods and services. It is only of value to China, making Tajikistan depending on China for any benefits gained from the status of a hub city. This could potentially lead to an arrangement where Tajikistan’s importance to China as its primary trade partner in this scenario is entirely dependent on this one factor. It would also mean that the economic benefits through development, trade, and services are dependent on that status of a hub city.

While a hub city is entirely different than a reserve of oil or natural gas, the impact on Tajikistan’s economy and the way China deals with Tajikistan will function similarly.

¹⁵¹ Jeffrey Hays, Facts and Details, April 2016 - http://factsanddetails.com/central-asia/Tajikistan/sub8_6d/entry-4893.html#chapter-14, accessed February 20th 2018

¹⁵² Dutch disease is the negative impact on an economy of anything that gives rise to a sharp inflow of foreign currency, such as the discovery of large oil reserves. Here I am suggesting that the sudden role of a Hub City for Dushanbe could play the same role that sudden discovery of oil could in creating similar conditions to Dutch disease.

Tajikistan's economy is not terribly strong or stable with the largest portion coming from remittances, which also give it a similar Dutch disease effect. This leaves Tajikistan in a very weak bargaining position, and unlikely to see much development from China outside of Dushanbe or BRI related projects. China is unlikely to develop a larger market for Chinese goods in Tajikistan, although there may be an exception in the case of Dushanbe itself. Without much of value to export, Tajikistan is not currently an appealing trade partner for other wealthy nations. Combined with the unique value of Dushanbe, this would further weaken its bargaining position with China.

In Tajikistan, China has new goals. While it had little to offer China before, Dushanbe's proposed hub city status could change that. China needs a secure city with the infrastructure capacity to serve as a host city for businesses and officials as well as a thoroughway for commerce and trade. Based on China's past patterns, they will build the infrastructure needed for these functions and supply the means to create a secure city. China has sold weapon systems in the past and allowed its companies' facilities to be used by the local government for security operations and will likely do so again in Dushanbe. Also, in the name of securing their hub city China is likely to support President Rahmon's regime and provide him assistance to keep the capital city stable at least. President Rahmon will welcome the influx of investment and development in his country given its weak economy. He will also welcome, perhaps even more so, the assistance with security and a strengthening of his government. Dushanbe's value to China is unique to the BRI plan, so its value as a hub city is only to China. Tajikistan cannot look to other great powers to invest in Dushanbe. The weak bargaining position described earlier combined with the weaker

government and economy will likely result in a China having a dominant influence in Tajikistan. This means China's goals inside the country are likely to succeed and that it will be less concerned or responsive to complaints or feedback from the Tajik people or government.

A China-Dominant Central Asia

China's interest in Central Asia has previously focused on stable relations, with the secondary goal of extracting energy resources. China's interaction with Central Asian states has largely been to secure oil or natural gas while keeping itself from being entangled in domestic issues or rivalries between states. However, with the Belt and Road Initiative, China has a new interest in Central Asia that would now make some states more important and appealing when before they were of little use because of their lack of energy resources, such as Tajikistan. It may also make avoiding deeper involvement, and potentially direct interference, in regional affairs impossible. Previously, China has been far more involved with Kazakhstan than the other states, building pipelines and securing deals for oil. However, with China's desire for a 'hub city' in Tajikistan's capital of Dushanbe, its need for roads and railways through multiple Central Asian countries, the focus on Kazakhstan is changing. China's goals for BRI will require a closer relationship with a majority of Central Asian States, especially Tajikistan.

China's economic might will be wielded differently in Kazakhstan and Tajikistan, as both have different pre-existing economic conditions and China has different goals for each state. As we have seen in developing the model, domestic conditions determine the specific

ways that China's will invest and develop states. Kazakhstan's growing resource economy give it a stronger bargaining position with China, while Tajikistan's weak economy and weak central government make it very vulnerable to China. However, the nature of what China needs from each state is also different, with primarily energy resources and accompanying infrastructure for Kazakhstan. For Tajikistan, the hub city will need much more varied infrastructure components to facilitate its purpose. The nature of the infrastructure being built will be different, but otherwise the strategy will be similar. In both cases, infrastructure development is the primary method to achieve China's goals. In the case of Kazakhstan, with a stronger economy, that infrastructure may be more beneficial to Kazakhstan and allow it to flow energy resources back to westward regions. Tajikistan's weaker bargaining position makes it likely that the hub city infrastructure will be built in a manner to make it of primary use to China and not Tajikistan, outside of its usefulness to China's BRI project.

For potential political influence, there will also be a large difference based the strength of each states bargaining position, although China will likely fall short of its political goals in both states. Increased economic interaction and trade ties will naturally develop a closer political relationship, but that does not necessarily mean greater influence.

Kazakhstan, with its stronger position, is less likely to be pressured to follow Chinese political leadership. Instead, and this is a possibility through BRI, lasting political support for China will come, if China co-opts Kazakhstan through aligned interests. Making Kazakhstan and President Nazarbayev politically relevant allies of China through partnerships and returned political support may create deeper political ties between the two countries.

Kazakhstan is likely to only support China when it serves its national interest, which may not mean a significant increase in Chinese influence.

In the case of Tajikistan, its relatively weaker bargaining position could make it far more dependent on China, especially if Dushanbe sees significant development and growth as a hub city. President Rahmon's weaker central government could make him dependent on Chinese support to remain in power, creating powerful leverage for China that would certainly outlast initial economic development. These factors make China more likely to develop long lasting political influence with Tajikistan rather than Kazakhstan. Because of the common element of authoritarian regimes, China has the opportunity to create political influence that is not only tied to economic development through supporting each regime's continued rule. This is also a tactic that China has used before. However, this political influence is not guaranteed to last beyond the life of these regimes. They could continue for decades, especially with outside support. However, if conflict and regime change occur sooner, that could quickly limit the life of political gains by China. Limitations on soft power, both in China's capacity for soft power and in how receptive to it these states will be, mean that an internalization of China's norms and a desire for cooperation with China is unlikely. Tajikistan may be especially likely to change support if it will strengthen President Rahmon's regime.

China is positioned to offer a great deal to both of these states and may secure a partnership with each that will be longer lasting. The 'network' aspect of BRI must also be considered. The infrastructure being improved upon and built in Kazakhstan, while focused on China of course, still connects to the West as well. Tajikistan's hub city especially would

create interconnectedness with other states. Improved communications capacity, secure areas, business parks, shipping and business travel, all created for use by BRI participant nations, not only China. The BRI network is driven by China and mainly for the benefit of China. That unequal benefit combined with the individual bilateral agreements being worked out for BRI member states with a lack of transparency of the process still supports a dyadic approach to analyzing BRI. To understand BRI, we must look at it as a set of relationships between China and other states, not a large group of states with each other. The aspects of each individual state will still be the most important for determining China's goals, strategies, and successes. However, the connection between these other states to each other through the BRI network must also be considered when judging the benefit to them and their government stability. While perhaps decreasing dependency specifically on China, it increases the appeal of the network and how Kazakhstan and Tajikistan can benefit from it. This may cause states, once invested and committed to the BRI and China, less likely to look to others, such as Russia. This could deepen the partnership between China and these states.

Ultimately, there is potential for economic relationships and political support from China to create a platform for deeper political bonds and influence to form, but that platform just creates opportunity not certainty. The authoritarian and economic natures of these states make them vulnerable to Chinese influence through the needs of these regimes to create economic growth and increase state capacity to retain power. This same nature also limits the states' receptiveness to soft power, restricting both the scope and duration of the influence. Perhaps the network aspect of BRI will mitigate this effect because the

interactions and relationships are institutionalized through a multi-national network instead of bilateral relations. Without more information about the still forming terms and mechanisms, the level of mitigation cannot be properly evaluated. BRI in Kazakhstan and Tajikistan may achieve China's immediate economic goals, but there is no certainty it will achieve any of its long term political goals and will not create any soft power influence.

CHAPTER 5. CONCLUSION

With Beijing's willingness to be more assertive than in the past, and with the U.S. retreating from its Asia Pivot, there is a chance for China's economic efforts to affect greater political change on the region than ever before, and possibly the international system. China has been successful being the 'non-Western' option for investment and development for many poorer regions. Now it seeks to do so again, but through a more structured and far-reaching economic model – a multinational coalition for trade and energy resources all under China's lead. That leadership is a key goal of BRI and China's new foreign policy approach. If successful, China will establish itself as the leading power in Central Asia. China provides funding, infrastructure development, and military aid, often without the conditions and strings that the Western powers add. It has more to offer the Central Asian states than Russia with its robust economy and access to the large Chinese consumer market for Central Asian goods. However, China's economic power can wield enormous pressure to maximize China's gains at the expense of greater benefits to the recipient states. Venezuela provides an example of how these deals can still become risky for China, but with Central Asia the greater risk will always be borne by the recipient state. Beijing's standard requirements of Chinese labor and Chinese supplies to be used in its development projects may make for more reluctant partners and give Russia and the United States the potential to court the Central Asian states with new offers in order to protect their own interests in the region.

We must avoid the assumption that a potential clash of national interests in Central Asia will lead to conflict between China and Russia. Through this analysis, a more detailed

picture appears of how China will develop connections with Central Asian nations and what kind of leadership of those states China might achieve. With different interests in the mix, some resolution will have to be reached, and certainly China is going to look for a more beneficial solution for themselves, but how successful they are will depend on the level of influence they achieve with the Central Asian states. China, Russia, and the United States all have incentives to avoid a military conflict. China and Russia have already begun having diplomatic meetings that could lead to a peaceful power sharing agreement in Central Asia.¹⁵³ That is not to say this push by China will be without friction with the U.S. or Russia especially. There will be tensions and certainly economic competition, if not some economic conflict. The possibility of a mutually beneficial result of China's push for the great powers involved is a highly optimistic one, but there are many layers of nuance between there and military conflict. This work has provided a more detailed description of how BRI will unfold in Central Asia and what changes that will create within the region. This will hopefully provide useful insight for future discussion on how Russia, the United States, and the international system will respond to China's expansion.

Russian Response

While China is not strictly a new player in Central Asia, the Belt and Road Initiative, combined with President Xi's more active foreign policy approach, indicates China is moving from a hands-off investor to political competitor. President Putin has overseen a return to more adversarial Russia not afraid to act aggressively in foreign policy. Russia has not held

¹⁵³ Shambaugh, *China Goes Global*, 79,80

true dominance in Central Asia for some time, but Central Asia is still important to the Kremlin. Russia leads its own economic cooperative group, the Eurasian Economic Union, and would view the BRI as a direct competitor. Indeed, part of the purpose of the EEU is to counter the westward growth of China's influence.¹⁵⁴ Russia will certainly not be pleased with this expansion of China's economic and political influence in Central Asia, but just how will it respond?

Sino-Russia relations have improved, starting with a series of agreements that defined how the two wary neighbors would co-exist together, culminating the almost alliance-like Treaty of Neighborliness and Friendly Cooperation in 2001.¹⁵⁵ Trade and cooperative development projects all increased and both sides have benefitted in specific cases from a friendlier stance towards each other. The states also have a common ground in often opposing the U.S. hegemonic system. For China, there is mostly optimism, stressing the importance of cooperating with Russia, although there is a sentiment that Russia is a partner born out of necessity rather than a trusted ally. Russian views are even more conflicted. Government officials praise good relations with China officially, but there is ever-growing resentment and anxiety over China's rise and Chinese immigration.¹⁵⁶ China is currently the "most significant geopolitical challenge" to Russian dominance of Central Asia and is giving little consideration or concession to Moscow regarding security or economic policy in the region.¹⁵⁷ Ultimately, China and Russia work together when their interests

¹⁵⁴ Miller, *China's Asia Cream*, 86

¹⁵⁵ Shambaugh, *China Goes Global*, 80-83

¹⁵⁶ Shambaugh, *China Goes Global*, 84

¹⁵⁷ Cooley, *Great Games Local Rules*, 77-79

align, but have no qualms being in opposition, acting neither as true partners or enemies. In this context, we can expect both states to avoid military conflict if possible, making that scenario highly unlikely without multiple escalating events changing their current relationship.

Short of armed conflict then, the two most likely areas for conflict are economic and political. Russia has already demonstrated its skill at political propaganda. With the Russian language already ubiquitous in business in most Central Asian states, along with many Russian language media sources, Russia would have little trouble distributing anti-Chinese propaganda and creating political opposition to China's initiatives. Central Asia was first under the dominance of the Russian Empire, and then became a collection of Soviet states under Russia's influences as part of the USSR. Russia was ruling power in Central Asia starting with the period of the first Great Game in the early 19th century until the collapse of the Soviet Union in the early 1990s. This considerable period of Russian rule as left a distinct lingering presence of Russian influence, culture, and language that would facilitate any actions Russia might take to counter China's influence. These states also have trade ties with Russia and several of them, especially Tajikistan, have large inflows of remittances from their citizens working in Russia. These could all be used as leverage by Russia to encourage governments not to cooperate with Chinese initiatives.

However, their shared Soviet history also works against Russia with many in Central Asia looking optimistically to China as an alternative to Russia, not the United States, especially if Beijing can alleviate the dependency on Russian sources of income such as the remittances. China has the economic upper hand, and it only needs to convince the

governments of these states, not necessarily a majority of their citizens. By offering economic growth that offsets anything lost with Russia, China has the capacity to mitigate the Russian advantages. Central Asian states are already agreeing to be a part of BRI, and once established Chinese influence will only become stronger as long as the BRI brings benefits. If Russia feels threatened enough, it may employ some set of undermining tactics against China's influence in business and government as mentioned above, but they are more likely to benefit from another tactic, negotiation. Russia could concede, in this one dimension, that China will lead the way in Central Asia, in exchange for a few economic benefits of its own. Perhaps through the BRI Russia will get a portion of the energy resources from Kazakhstan, or equal trading terms from Central Asia states to what is negotiated with China. China may provide more direct compensation, or other forms of support. The Belt and Road Initiative will succeed and fail mostly on its own merits; the ability of China to actually lead this kind of economic cooperative, to balance between becoming mired in regional problems while maintain the security and stability of the trade routes and hub cities, and the mounting costs of walking that thin line. Russian efforts to undermine will not have a significant impact, the Chinese economic juggernaut fully committed by President Xi's ambitions will not be deterred.

But that does not mean BRI is necessarily destined to succeed. The lofty goals for BRI seem set too high for China to truly grasp, making limited success with some failure the more likely outcome. Perhaps Russian stands to gain the most by negotiating its own payoff from the project and then sitting back and watching China face the challenges that Russia, Great Britain, and the United States have struggled with in the past. China will have the

leverage to strongly encourage most Central Asian countries to agree to any terms it promises Russia, with the main exception of Kazakhstan. There is no reason that both strategies open to Russia cannot be employed if the propaganda campaigns are done with subtlety. It is also important to remember the Central Asia states are no simple pawns in a game, they have actively played great powers against each other before. These states are not truly subject to the dominance of “neo-colonialism” as they have China, Russia, and even the United States as options.¹⁵⁸ While there is a current bias towards China, it is likely some countries will attempt to encourage countering offers to see what Russia might come up with. A state like Tajikistan may be very limited in this area, for the reasons previously described, while Kazakhstan is in the strongest position to encourage competition between Russia and China for its cooperation and energy resources. While Russia may even offer statements of cooperation and glad tidings for BRI, it will do little in the way of facilitating its success while hoping for, or even helping cause, failures for China along the way. Russia may seek to benefit itself from China’s economic successes while capitalizing on political losses without committing itself, especially militarily, to open opposition.

Conclusion

China’s Belt and Road Initiative signals three significant changes for Central Asia. First, that President Xi is leading China into a greater leadership role, both regionally and internationally. China, while still carefully avoiding direct interference, will be applying greater influence and pressure to the states in Central Asia. It may be providing economic

¹⁵⁸ Brown, “New Silk Road Lead,” 85

incentives to encourage states to follow its lead, and in the short term this is likely to be successful. Long term influence and leadership in Central Asia for China still faces many challenges depending on the success of China's policies there and the reaction of Russia. Central Asian states will have to take Beijing's wishes into greater consideration than before and face potential economic reprisals for opposition.

Second, Central Asia may become the setting for a tug of war between great powers. China and Russia, while giving overtures of cooperation, are still most likely to come into political and economic conflict over China's new role in the region, which Russia has historically seen as its own backyard. Presently, this great power competition is not likely to escalate into military action. The economic and political competition will elevate the importance of Central Asia while still providing opportunity for conflict that could destabilize the region, even if it is not military conflict. This may provide opportunity for Central Asian states to play the great powers against each other, but they will be doing so at great economic risk for themselves. With the improved infrastructure and markets that Belt and Road may create in Central Asia, other powers may seek to get involved as well, adding an uncertain element to the region's future. Additional tensions may come from nonstate actors in the region. Some in the general population are concerned about China's practices and how they will affect the local economies. Additionally, Central Asia is predominately Muslim as are the Uyghurs of Xinjiang. Beijing's treatment of the Uyghurs could become more important as its profile in Central Asia grows. If the perception of their policies towards the Uyghurs worsens, it could create dissent, violent protest, possibly even make Chinese firms and companies targets for attacks. Nearby Afghanistan has mired great

powers in the past, including Russia and the United States. Regardless of Russian or Western interests in the region, through Belt and Road, China is positioning itself as the investor to beat, which will change the politics of the region and garner more attention internationally.

Third, there will be a great uncertainty about the future of China's interest in Central Asia. With the obstacles present to China's political and soft power goals through the BRI, there may be a half-life to the full backing of the BRI project. China needs something to continue its domestic economic growth. If Belt and Road fails to generate this growth, in addition to greater political power, China may carefully reduce the size and scope of the project, which will have an especially large impact on Tajikistan if it pulls funding and stops future development projects in Dushanbe. Additionally, if BRI provides temporary growth domestically, but a new solution arises, China may move on from the BRI network, again creating a limited timeframe for positive benefits for Central Asia from the BRI. Kazakhstan will be in a strong position to continue growth and maintain stability, while other states such as Tajikistan will at best see economic decline while at worst face collapse after one of the legs propping up an authoritarian regime is removed. China may want to avoid instability in the region to the degree it would not allow the full collapse of the Tajikistan government, but without it providing value to China anymore, Beijing will not prop up the economy.

How Belt and Road plays out in Central Asia will have important repercussions for states in the region, for Sino-Russian relations, and ultimately for the international community. President Xi is leading China to a greater role on the international stage, and

how its behaves in Central Asia will provide important cues to what kind of great power China will become. Beijing's deals with Central Asian states will set precedents for future bilateral deals in other regions of the Belt and Road. With President Xi's willingness to take greater risks China will become more involved, and entangled, abroad. While China's hands-off approach to other state governments and domestic policies will continue, it will exert pressure on economic negotiations and international politics. With Belt and Road's domestic aspects, Beijing will be forced to involve itself directly in other states in order to protect its domestic interests should anything in the recipient state threaten them. With a considerable number of the Belt and Road states in a state of precarious stability, it is very likely that China will have to face this problem at some point. A government collapse, violent protests that threaten Chinese assets and citizens, and civil war are all examples of problems that China could have previously avoided but may now have to face. As it solidifies its ascension, China will have to face the challenges that have plagued great powers in the past, which may come through Belt and Road. How Chinese foreign policy will unfold through BRI will indicate how it will act in other regions around the world with its new ambitions, especially in how it responds to failure of some of those ambitions.

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