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Analysis of the Belt and Road Initiative from the Perspective of the Chinese Fifth-Generation Leadership

從中國第五代領導人的政策觀點分析"一帶一路"計畫

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Abstract

The Belt and Road Initiative is one corner of the Chinese fifth-generation leadership's policymaking under the Xi Jinping administration, and should be understood as part of a cohesive whole. This study assesses the BRI, its actual goals, and its risks when analyzed alongside China's geostrategic and socioeconomic positions, similar policies from previous generations of Chinese leadership such as the Western Development Strategy, and existing concurrent policies from the fifth-generation Chinese leadership such as the Chinese Dream and the Four Comprehensives. While not mutually exclusive with other explanations proposed for the BRI, this study suggests that due to its synergy with existing policies and its exceptional urgency, the fifth-generation leadership primarily uses the BRI as one tool amongst many to accommodate its economic reform, to export the production overcapacity of state-owned enterprises, and to mitigate any risks of an asset bubble collapse.

一帶一路倡議是中國第五代領導人的政策之一，應該被視為整體戰略的一部分。為了評估一帶一路倡議的實際目的與風險，研究中國地緣政治與社會經濟局勢、前幾代中國領導人的政策（如西部大開發）、現任第五代領導人的政策（如中國夢與四個全面）。雖然並非與其它相關的分析相互排斥，結論指出一帶一路與第五代領導人其它政策具有協同效應、同時面對相對的急迫性，是中國第五代領導人經濟改革、輸出國營企業生產能力過剩、減輕資產泡沫破裂風險的工具之一。

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List of Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Development Bank
ASEAN	Association of Southeast Asian Nations
BCIM	Bangladesh-China-India-Myanmar
BRI	Belt and Road
BRICS	Brazil, Russia, India, China, South Africa
CCA	Connect Central Asia
CPC	Communist Party of China
CPEC	China-Pakistan Economic Corridor
EEU	Eurasian Economic Union
FTAAP	Free Trade Area of the Asia Pacific
IMF	International Monetary Fund
INSTC	International North-South Transport Corridor
MSR	Maritime Silk Road
OBOR	One Belt, One Road
PLA	People's Liberation Army
PLAN	People's Liberation Army Navy
PRC	People's Republic of China
SDR	Special Drawing Rights
SOE	State-Owned Enterprise
SREB	Silk Road Economic Belt
TPP	Trans-Pacific Partnership
WTO	World Trade Organization

Chapter 1 – Introduction

On September 7, 2013, while meeting with President of Kyrgyzstan Almazbek Atambaev in Bishkek, Chinese President Xi Jinping unveiled the "Silk Road Economic Belt", described as a proposal to establish a platform for closer regional cooperation between China and countries in Central Asia (Tang D. , 2013). No more than a month later on October 3, 2013, Xi presented a speech before the Indonesian Parliament outlining his vision for the future of the Association of Southeast Asian Nations (ASEAN), encapsulated in a "Maritime Silk Road", connected by cross-border infrastructure (Wu & Zhang, 2013). These two concepts were soon referred to as the "Silk Road Economic Belt and the 21st Century Maritime Silk Road", otherwise known as the "One Belt, One Road (OBOR) Initiative", and eventually named the "Belt and Road Initiative" (BRI) in 2017 official English-language materials, considered to be a major cornerstone of Xi's policies. By November 12, 2013, its importance was cemented in the agenda of the Communist Party of China (CPC) when mention of the BRI was included in Section VII, Article 26 of "The Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform", adopted by the 3rd Plenary Session of the 18th Central Committee of the CPC (Communist Party of China, 2013).

The BRI has since become China's top foreign policy, characterized as an evolving project with a heavy emphasis on infrastructure and connectivity. Even prior to the unveiling of the BRI, China, fueled by its booming economy, was making significant investments in Africa and Central Asia, consolidating its access to markets and resources

in neighboring regions through the establishment of economic corridors, railway connections, and gas and oil pipelines (Rudolf, Infographic/China Mapping Silk Road Initiative, 2015). Publications from China stressed “win-win” solutions, marketing the BRI as a multilateral platform upon which all development projects might be jointly achieved through cooperation and investment (Xie, Wang, He, & Yuan, 世界如何共赢? 中國正在破題 (Shijieruhegongying Zhongguozhenzaipoti, How Can the World Be Win-Win? China is Answering the Question), 2014). The PRC has similarly attempted to allay suspicions and concerns from other states about the possibility that the BRI is a geopolitical strategy disguised as an international economic project, especially after the U.S. rebalance to Asia under the Obama administration, Sino-Indian rivalries complicated by Chinese engagements with Pakistan, and the ongoing territorial disputes with East Asian and Southeast Asian states in the East and South China Seas (Sohu Business, 2014).

However, although more than three and a half years have passed since the BRI was unveiled, and despite repeated pushes by Xi to promote the initiative in many foreign policy ventures, the nature and scope of the BRI remains ambiguous and unclear. Official materials initially released by the PRC did not include concise information on the precise measures being carried out nor the countries participating in the BRI, leading to intense speculation by academics. On February 14, 2014, Chinese Foreign Ministry Spokesperson Hua Chunying explained to reporters that the BRI “is just an idea for cooperation” and “an open-ended platform”, putting into question the concreteness of China’s blueprint for the initiative in the eyes of some observers (Business Standard,

2014). The National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce eventually published “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road” in March 2015 to clarify Chinese intent, mechanisms, and goals, but the wording of the document is considered by some to be vague (National Development and Reform Commission, 2015). There have been no official changes to preconceptions since, with even the Belt and Road Forum held in Beijing in May 2017 offering little more in the way of clarification or new information compared to the March 2015 document (Tiezzi, What Did China Accomplish at the Belt and Road Forum?, 2017). Its issue of messaging has also been further compromised by suspicions by other states with interests in the region; despite Chinese attempts to bill the BRI as primarily motivated by economic and trade concerns, with an emphasis on win-win outcomes, states with stakes in the Asia-Pacific region not only worry that China’s rise through the BRI may come at the detriment of their own national interests, but that the BRI has components beyond pure economy and trade (Feng & Cheng, 國際社會對"一帶一路"倡議的評價 (Guojishehui Dui Yidaiyiluchangyi De Pingjia, The International Community's Evaluation of the "One Belt, One Road" Initiative), 2014).

The BRI deserves a certain degree and category of attention in no small part because it is unprecedented in many ways. It is, by far, the most ambitious of China’s foreign policy projects since the founding of the People’s Republic of China, in terms of the financial capital involvement, the geographical reach across half the world, and the scope of the projects involved with the initiative. It is occurring at a time where China

has become the second-largest economy in the world, but where it is experiencing an economic slowdown in a manner reminiscent of the events leading up to the collapse of the Japanese asset bubble. Just as importantly, the BRI has been established by a man characterized as “the most powerful Chinese leader since Deng Xiaoping”, a general secretary of the CPC who has consolidated a tremendous amount of power within the hierarchy of the Chinese leadership (The Economist, 2013). The increasing unilateralism in which the fifth-generation leadership becomes involved in key party and state positions, and enacts its decision-making process during such times suggests a comprehensive vision and, perhaps more importantly, a comprehensive set of policies towards the challenges that China faces today. Thus, the BRI cannot be regarded in a vacuum, but instead demands an examination into not only how initiative fits into the fifth-generation’s existing policies such as the Chinese Dream, but also how it contrasts against policy trends enacted by previous Chinese generations of leadership from Deng and onwards.

Fundamentally, this thesis seeks to ask: Given the vague and ambiguous nature of the BRI, what are the primary goals it is meant to achieve when seen from the perspective of China’s fifth-generation leadership? What answers can be gleaned at the intersection of the BRI and the existing policies of the fifth-generation leadership? And what are the issues that the BRI is meant to address, as well as the obstacles and risks that may hinder its success?

Chapter 1.1 – Research Purpose

General consensus amongst academic, business, and governmental circles is that the 21st century will be an “Asian century”, and the phenomenal rise of China puts the country at the center of the “Asian century” (Asian Development Bank, 2011). As such, international engagements with China will require an understanding of what appears to be the most ambitious and significant Chinese foreign policy campaign to date, which will continue to influence how bilateral and multilateral ties with the PRC is defined, even as China explicitly aims to become, by its standards, a developed country and a “moderately prosperous society”.

The BRI has been heavily promoted by the Xi administration, and seems to synergize with previous policies such as the “Chinese Dream”, the “new model of great power relations”, and the Asian Infrastructure Investment Bank (AIIB). It comes at a complicated time when the PRC is attempting to establish itself as a modern powerhouse in the international community, but faces signs of an economic slowdown, a decrease in their currency reserves, vulnerabilities in its economic structures, and a dilemma of overproduction in certain industrial fields (Rudolf, China’s ‘Silk Road’ Initiative Is at Risk of Failure, 2015). From the foreign relations front, China not only contends with various Asia-Pacific states over maritime territorial claims in the East and South China Seas, but also with the perception that China’s rise is an ongoing threat to their national interests and security (Feng & Cheng, 國際社會對"一帶一路"倡議的評價 (Guojishehui Dui Yidaiyiluchangyi De Pingjia, The International Community's Evaluation of the "One Belt, One Road" Initiative), 2014). Further afield, China must also contend with the

American presence and commitments in the Asia-Pacific, which was initially emblematic of the Obama administration's "rebalance to the Asia-Pacific", the shift in United States foreign policy previously nicknamed the "pivot to Asia". Although where or not the Trump administration is still pursuing this strategy is in question, that neighboring Asian states wary of China's rise, some of which are traditional U.S. allies, are hoping for an increased American presence is unlikely to have changed (Lang, 2015).

Although marketed as a platform in which to pursue "win-win" solutions, the BRI is, by virtue of it being governmental policy, fundamentally a self-serving initiative that either seeks to promote Chinese interests or to address dilemmas facing the country. Although the specifics of the BRI continues to be ambiguous and vague, understanding the dilemmas that China faces can lend a vital perspective to how the PRC itself may view the BRI and its actual goals. Significant amounts of academic research have gone into examining the components of the BRI, with the motives and geopolitical interests of the PRC extrapolated from actual individual phenomena, such as through the lenses of data of economics, security, and trade, as well as combinations thereof. These are highly essential methods of analysis and will be used in this research. However, comparatively less research has been done on the BRI from the perspective of the policies the Xi administration. Furthermore, while risk analyses have been done by academics and other research groups from the perspective of foreign states considering investments into the BRI, comparatively less research has been done in the internal risk assessments from the perspective of the PRC.

A possible explanation for this imbalance might be explained by the relative opaqueness of policymaking in the PRC, and what may be perceived as a tendency for the domestic academia in China to reflect the optimism of their national initiative; while acknowledging that challenges exist, Chinese academic literature almost always maintains praise of China's ruling leaders and almost never casts doubt upon their decision-making. Even less research has been done in connecting the BRI with existing policy under Xi's leadership, especially with the "Chinese Dream" policy, touted as the hallmark of the Xi administration yet regarded as mostly a set of domestic policies but with international implications. It is within this gap that this thesis positions itself.

The ambitious scope of the BRI demands attention due in significant part to its implications, real or imagined, that have or will affect the policies of regions affected by its long reach. Southeast Asian economies are increasingly tied to Chinese trade. Central Asian, South Asian, and East African states are taking increasing amounts of Chinese loans and infrastructure projects to develop their own domestic growth agendas. India and Russia are wary of increasing Chinese influence on their continent, and Europe and the United States are cautious about how this Chinese megaproject will affect the global economy and international trade. The BRI, whether intentionally or not, concerns much of the world, and the age-old dilemma of realism casts uncertainty and doubt upon Chinese intentions. It would be an understatement to say that an understanding of the BRI's goals and motivations is vital.

There is a degree of difficulty in extrapolating actual government policy from statements, policies, and their manifestations due to the aforementioned opaqueness of the policymaking process in the PRC. It is further made difficult by official government policies and rhetoric sometimes being at odds with facts on the ground, as well as the ongoing situation regarding the BRI, which has been defined as an evolving platform. However, China has inherent geopolitical and strategic interests that are likely to inform decision-making in Beijing, which can ultimately be compared against existing analyses of the BRI. Furthermore, although the means and mechanisms of Chinese policy goals remains ever opaque, the fifth-generation leadership has increasingly announced specific metrics by which to judge the success of these aforementioned goals. Such components can be viewed through and compared against an assessment of risks facing the PRC, which lends further insights into what the BRI aims to achieve.

Ultimately, this thesis argues that while the Maritime Silk Road is aimed at addressing Chinese security issues, it is ultimately the Silk Road Economic Belt that is the centerpiece of the BRI for the fifth-generation leadership, and that it is a strategy that uses international measures to resolve domestic issues, particularly that of socioeconomic reform. This thesis also seeks to examine the inherent risks associated with the BRI, especially from the potential perspective of the fifth-generation leadership, which include not only international concerns such as the political unreliability of some of its projected partners in the BRI blueprint and its inability to convince neighboring states that its intentions are peaceful, but also more important domestic issues that stem from the increasing necessity of reform, the economic slowdown, and the social troubles that come

with these. This thesis does not, however, seek to assess the likelihood of success of the BRI from any dimension.

Chapter 1.2 – Research Methods

This thesis will use qualitative research methodologies to examine the BRI, reviewing literature in the form of academic articles, news articles, and websites in academic, business, governmental, and journalistic circles. Specifically, for the purposes of the research question, this thesis will primarily be using textual analysis and discussions of risk assessment. This will involve assessing the position of the PRC from perspectives not limited to geopolitical, economical, and social paradigms, examined through the compilation of recent data, official government documentation, and existing analysis conducted by other academic writers. This must also be compared with their counterparts in regards to the BRI to examine the intersection between these elements. Although much of the issues surrounding the BRI pertain to the study of the international political economy, it is worth reiterating that this is primarily a work of policy research. Furthermore, although research will be heavily dependent on Western and Sino-Asian sources, particularly English- and Chinese-language sources, it will also include but not be limited to English- and Chinese-language sources from the regions affected by the BRI, including Africa, Central Asia, Central Europe, Eastern Europe, Russia, South Asia, and Southeast Asia.

The BRI is a project that has roots in Chinese policy measures prior to it, but was only formally introduced and established in late 2013. Other policies of the Xi administration have had a similar lifespan, owing to Xi's rise to power in late 2012, thus depriving this thesis of the benefit of extended hindsight. As the initiative is presently still undergoing development and evolution, a significant amount of literature and research sources ultimately come from official documents and statements from the PRC. Complementing this will be research into PRC policies, especially from the Xi administration but also from historical trends, from relevant academic reviews and informational outlets such as periodicals and news sources. In particular, the thesis will be looking at official policy on issues relevant to the BRI and the Xi administration, such as the "Chinese Dream" in particular, as well as the relevant analyses and explanations for these policies. By looking at the BRI from a broader policymaking context, this study can better ascertain the nature of the BRI as the leadership possibly sees the initiative.

While this thesis will primarily be viewing the BRI from the basis of existing PRC policy, it will also draw from existing arguments and data sources on the BRI as a guide to the issues that China faces and hopes to remedy, including geopolitical positions, political reform, economic trends, and social concerns. Third-party sources will be of utility in providing an adequate understanding, primarily focused on academic journals and news sources, and official PRC data may also be useful in ascertaining implications in PRC policy.

Chapter 1.3 – Research Limitations

This thesis faces a number of significant research limitations. The People's Republic of China (PRC), the paramount driver of the BRI, is not a particularly transparent government, with a transparency score of 13 out of 100, characterized as "scant to none", based on a Transparency International open budget index (Transparency International, 2016). The PRC's opaque policymaking process creates a limit in which extrapolation and speculation may be formed from official and public documents and statements. Exacerbating this limitation is the focus on PRC policy through the Xi administration, the incumbent president of the PRC and the general-secretary of the Communist Party of China, and the master architect behind the BRI. Not only is the Xi administration an ongoing and relatively young topic of research, with Xi having assumed the office of general secretary in 2012 and president in 2013, Xi himself has proven to be a departure from traditional PRC politics, upending the typical "rule by consensus" style of previous Chinese administrations, invoking comparisons to the days of Mao Zedong. There is thus a relatively limited amount of "hindsight" upon which research might be based upon, and significant amounts of speculation. This also applies to the BRI, an ongoing endeavor subject to changes and development, which may complicate the research process. While not necessary a limitation in the traditional sense, it adds a potential hurdle to accuracy, especially when considered in light of the above two limitations. There is thus a greater reliance on up-to-date information from sources such as news and periodicals over traditional academic research outlets such as academic journals.

As the author is only proficient in the English and Chinese languages, there is a linguistic limitation to the research process. This results in a reliance on either English or Chinese translations of relevant non-English or non-Chinese literature, or secondary reporting of non-English or non-Chinese literature, although most of the expected literature is expected to be in English or Chinese.

Chapter 1.4 – Research Outline

The thesis is organized into six chapters that examine the BRI. Chapter 1 serves as the introduction, which also includes research purpose, methods, limitations, and outline, as seen above. Chapter 2 serves as the literature review examining the blueprint and composition of the BRI, as well as the "Chinese Dream" policy that captures much of the PRC's fifth-generation. Chapter 3 examines the geopolitical considerations of China, which provides the context against which Chinese history and policies must be judged against. Chapter 4 delves into the national position of China, from its economic and policy transformations to its current trajectory and agenda of reform. Chapter 5 performs a risk assessment of the BRI within the context of current Chinese policies and positions extrapolated from Chapters 3 and 4. All of this serves to provide an analysis of the motivating factors and possible goals surrounding the BRI in relation to the existing policies of the PRC's fifth-generation leadership. Chapter 6 serves as the conclusion to the thesis in summarizing the findings and the nature of the initiative, examining the implications and other notes of concern in this major foreign policy project.

Chapter 2 – Literature Review

This chapter will function as the literature review, primarily covering the vision of the BRI as it is commonly understood. This chapter is thus divided into two sections. The first section will provide an overview of the BRI, clarifying the layout and projected functions of both the Silk Road Economic Belt (SREB) and the Maritime Silk Road (MSR). The second section will cover existing literature on Xi Jinping's "Chinese Dream" and its related policies. These sections will be vital to examining the links that the BRI shares with and the position it occupies within the Chinese Dream further along the thesis, and thus lend some perspective into how the BRI is perceived within the decision-making process of the Xi administration.

Chapter 2.1 – The Belt and Road Initiative

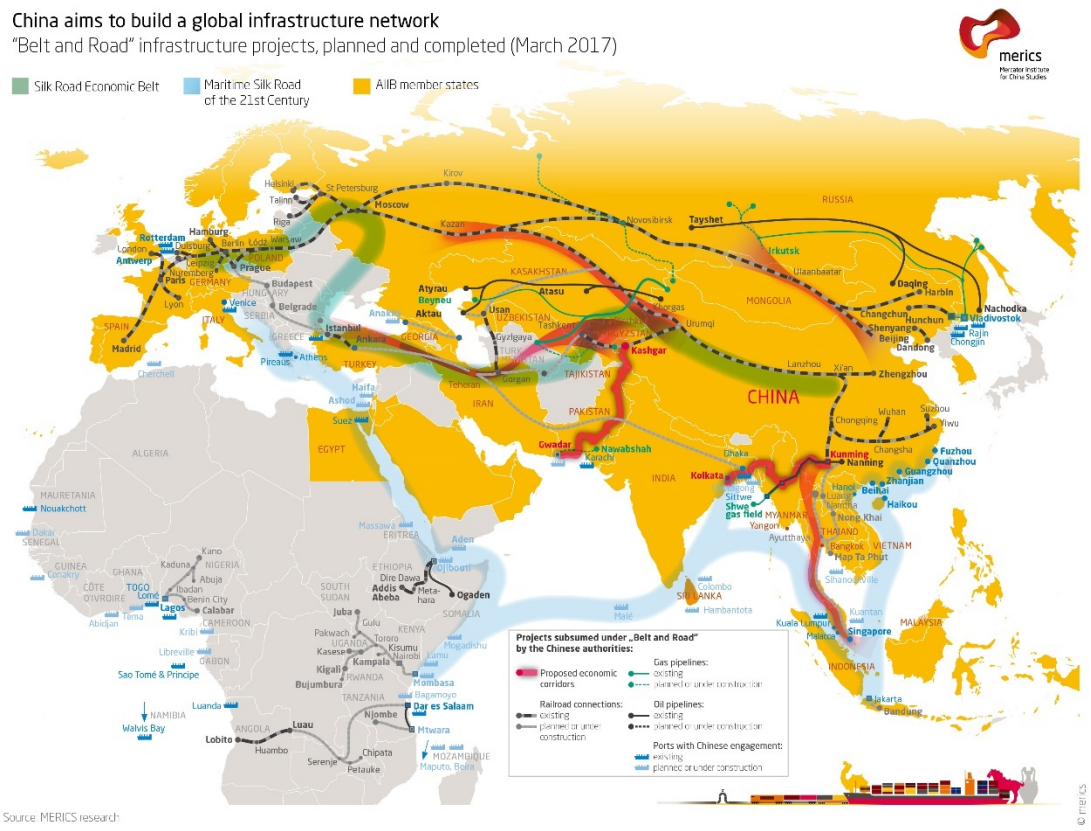
The "Silk Road Economic Belt and the 21st Century Maritime Silk Road", initially known as the "One Belt, One Road" (OBOR) Initiative but later renamed the "Belt and Road Initiative" (BRI) in official English-language materials, is a Chinese megaproject that promotes "the connectivity of Asian, European and African continents and their adjacent seas", thus widely understood as creating an international infrastructure network leading in and out of China. It was first unveiled on September 13, 2013, in a speech by Chinese President Xi Jinping delivered at Nazarbayev University in Astana, the capital of Kazakhstan, whereupon Xi disclosed his plans to establish a Silk Road Economic Belt that would retrace the steps of the ancient Silk Road from China through Central Asia and into Europe (Tang D. , 2013). This announcement was followed

afterwards by another speech to the Indonesian Parliament in which he proposed the Maritime Silk Road, which would link Chinese and Southeast Asian economies to those of South Asia, East Africa, and Europe through a maritime route that runs through the Indian Ocean, the Red Sea, and the Mediterranean Sea (Wu & Zhang, 2013). The two are thus collectively referred to as the "Belt" and "Road", and the entire initiative seems to have positioned itself as the centerpiece of Xi's foreign policy agenda. According to the "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road" document, jointly published by the National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce in March 2015, the framework of the BRI is based on six economic corridors. The New Eurasian Land Bridge, the China-Mongolia-Russia Economic Corridor, and the China-Central Asia-West Asia Economic Corridor are associated with the Silk Road Economic Belt, whereas the Bangladesh-China-India-Myanmar Economic Corridor and the China-Indochina Peninsula Economic Corridor are associated with the Maritime Silk Road; the China-Pakistan Economic Corridor is associated with both (National Development and Reform Commission, 2015).

Officially, the BRI is an altruistic initiative seeking win-win solutions for an increasingly interconnected Eurasian continent, a natural response to an increasingly multipolar and globalized international system, meant to enhance cooperation and relationships with China's neighbors and beyond (National Development and Reform Commission, 2015). However, literature and research on the BRI suggest several ways in which the initiative ultimately addresses several issues the PRC faces and serves the

Chinese national interest. The question is not which of these dimensions are more valid than the others, as they are all likely valid; rather, the question is which of these goals are more immediately relevant to the policies of the fifth-generation leadership. As the BRI is suggested to be a multi-faceted strategy, these goals are not necessarily mutually exclusive, and can, in fact, achieve multiple goals in tandem. Simon Shen compared the BRI to the Marshall Plan to outline the possible motivations of the fifth-generation leadership in pushing for this initiative: Boosting exports, exporting currency, countering a rival in the form of the United States, fostering strategic divisions, and siphoning away diplomatic support (Shen, 2016). Thus, broadly speaking, these proposed goals can be categorized into four categories that actually experience significant overlap in the proposed goals of the BRI: Socioeconomic, security, diplomatic, and geopolitical. To ascertain the true motivations of the fifth-generation leadership, the hypothetical primary goal would need to fulfill the following three criteria:

1. Achieve or avoid a result conducive or disastrous, respectively, to Chinese socioeconomic, security, diplomatic, and/or geopolitical interests;
2. Relate to symptoms or signs that such is an issue that can only be addressed and/or become a threat to Chinese interests within the immediate future, such as within the tenure of the Xi administration;
3. Be goals that the fifth-generation leadership can directly address or resolve with tangible results, likely within the tenure of the Xi administration.



(Rudolf, Infographic/China Mapping Silk Road Initiative, 2015)

In terms of the socioeconomic dimension, it is commonly agreed that the BRI is influenced by trade concerns relating to overproduction in areas such as steel, and that the creation of infrastructure networks to facilitate interregional trade is motivated by the need to find new markets by which to export Chinese overproduction (Kennedy & Parker, Building China's "One Belt, One Road", 2015). This is particularly pertinent in no small part because China's economic development has been predicated on a significant amount of credit and investment into the manufacturing industry and real estate, a situation similar to the prelude of the collapse of the Japanese asset bubble, thus motivating China to avoid this particular fate (Yurichuk, 2011). The initiative is thus potentially a tool in the transformation of the Chinese economy from investment-driven to consumption-

driven and from export-driven to service-driven, thus creating a more sustainable growth pattern that addresses the complications that have accumulated from decades of China's meteoric economic growth (Huang Y. , 2015).

In relation to these issues, it is perhaps unsurprising to note that aside from their endpoints, the Silk Road Economic Belt and the Maritime Silk Road intersect once at the China-Pakistan Economic Corridor. Research argues that this is not a coincidence, as a major component of the BRI is to turn China's western and central provinces, relatively poor compared to the economically robust coastal regions to the east, into major trade regions, thus compensating for the imbalance in development and wealth distribution amongst China's territories (Kennedy & Parker, Building China's "One Belt, One Road", 2015). This is particularly relevant in terms of maintaining social stability in these restive provinces resentful of Beijing's rule.

In terms of security and in relation to the economic disparity experienced in western China, there is the issue of national security and human security, as the PRC continues to wrestle with unrest amongst the Tibetan population but in particular Uyghur population in Xinjiang Province, and Beijing is believed to be attempting to allay Uyghur grievances with robust economic growth and higher standards of living through the economic revitalization of the region, as opposed to addressing cultural and religious issues that tie into Islamic extremism (Bhattacharji, 2012). Denying Xinjiang to Islamic extremism is of particular importance to China if it is to expand its influence through the BRI, not only for the sake of national security, but also because the majority of states in

the regions part of the BRI, including Central Asia, East Africa, and the Middle East, have Islamic majorities, some of which have voiced dissatisfaction with how the PRC has handled the Xinjiang issue (Chen, 2015).

However, the most significant component of Chinese security issues relating to the BRI is that of energy security, which concerns matters of import, securing resources necessary for Chinese economic growth, particularly in energy. The Indian Ocean comprises of eighty percent of the world's seaborne oil trade (U.S. Energy Information Administration, 2014). Russia is attempting to build new pipelines to China to sell gas and oil through its Power of Siberia network as the Russian economy continues to struggle (Cohen, 2015). And Central Asia is a potential exporter of gas, gold, minerals, oil, rare earths, and uranium to China (Pannier, 2015). The BRI is also projected to address the two largest bottlenecks in the oil trade, the Strait of Hormuz and the Malacca Strait, which comprise of forty percent and thirty percent of the world's seaborne oil trade respectively (U.S. Energy Information Administration, 2014). Pipelines and infrastructure networks running into the Persian Gulf from China via Pakistan and/or Central Asia under the Silk Road Economic Belt would address the Strait of Hormuz, whereas the China-Pakistan Economic Corridor (CPEC) that connects the Pakistani port city of Gwadar with the Chinese city of Kashgar in Xinjiang Province would provide an overland alternative to the Malacca Strait. These alternatives would provide China extra options in the event of international crises that see these chokepoints under constraint for whatever reason (Ramachandran, 2015).

In terms of diplomacy, another common argument is that a major component of the BRI is a soft power campaign that can be considered an extension of the "China's peaceful development" policy implemented by the Hu Jintao administration and the fourth generation PRC leadership in 2003. Aside from trying to portray China's development as non-threatening, the BRI is also framed as a platform in which China trades low-conditional investments for diplomatic goodwill, as seen by the eagerness of the PRC and the Chinese media to frame such cooperative ventures under the BRI as "win-win" or "mutually beneficial" (Xie, Wang, He, & Yuan, 世界如何共贏?中國正在破題 (Shijieruhegongying Zhongguozhenzaipoti, How Can the World Be Win-Win? China is Answering the Question), 2014). By taking a "business is business" approach to international investments, China has created a different image for itself relative to the U.S. and Russia, where the former often grants investments based on human rights performance whereas the latter does so with geostrategic concerns (Clarke, 2015). These low-condition high-interest Chinese loans are thus considered valuable for funding national infrastructure megaprojects, particularly in Central Asian, South Asian, and East African states, where corruption makes it difficult for the government to remain accountable in accepting these loans, and thus comes fraught with its risks (The Economist Intelligence Unit, 2015). Of all the states in Central Asia, South Asia, and East Africa, Bhutan is considered by Transparency International as the least corrupt with an index value of 65 (out of 100, where a higher score represents lower perceptions of corruption), but the second least corrupt state of India falls sharply to 38, and the remaining states in these three regions struggle to rise past 30 (Transparency International, 2016). This permits the fostering of closer ties with states in the region, and is also argued

to be an attempt by Beijing to redirect attention from ongoing political and diplomatic disputes that China has with neighboring states, such as with India, Japan, and Vietnam, particularly in regards to maritime claims in the East and South China Seas; closer economic ties and inter-reliance on Chinese trade is thus a possible solution that Beijing seeks to blunt these political disputes (Yale, 2015).

In terms of geopolitics, the hard power dimension must also be surveyed. With the Maritime Silk Road seen in the light of the maritime disputes in the East and South China Seas, as well as the Sino-Indian rivalry, there are geostrategic components to consider. Fears persist that the Chinese artificial islands in the East and South China Seas, and Chinese investments in ports in the Indian Ocean may be militarized. Key to this perspective, in relation to Chinese energy security concerns, is the "String of Pearls" theory, which suggests that Chinese engagements with foreign ports in the Indian Ocean, while seemingly commercial in nature, could eventually be used for military purposes by the People's Liberation Army Navy (PLAN) for the purposes of power projection into the Indian Ocean, with the String of Pearls being used to "strangle" regional rival India with a containment strategy (Marantidou, 2014). China has rejected this theory, insisting that Chinese engagement in the Indian Ocean is not directed against any state, and the Maritime Silk Road may partially be an attempt to replace the narrative of the String of Pearls (Zhou, 2014). However, PLAN vessels docked in the ostensibly commercial Colombo International Container Terminal in Sri Lanka in September and October of 2014, and the PLAN announced plans in November 2015 to establish a naval base in

Djibouti, thus fueling concerns of a military dimension to the Maritime Silk Road, which has in turn exacerbated Indian concern and cynicism towards the BRI (Aneja, 2014).

Finally, China is attempting to establish institutions such as the AIIB, the Free Trade Area of the Asia-Pacific (FTAAP), and the Regional Comprehensive Economic Partnership (RCEP), which are not only tied into the BRI, but also considered to be counterweights against equivalents such as the Asian Development Bank (ADB) and the Trans-Pacific Partnership (TPP), which are dominated by the U.S. or its allies (Cossa & Glosserman, 2014). This argument is consistent with some of the rhetoric that the Xi administration has used, such as the insistence that Asian matters should be left for Asians to resolve, thus implying that the U.S. should not interfere with what China regards as its sphere of influence (Blanchard, With one eye on Washington, China plots its own Asia 'pivot', 2014). This is especially pertinent since Chinese domestic literature regard American influence in the Asia-Pacific with scorn, characterizing American involvement in the region as the assumption that they are the “natural leader” of Asia, and similarly lambasts non-Chinese-led institutions such as the ADB as lacking in comprehensive utility (Wang M. , 2015). Such further complicates the circumstances in the Asia-Pacific region in no small part because some Asia-Pacific states look for increased U.S. involvement to counteract against China, provide regional security, resolve disputes over maritime claims and resources, and guarantee their own national interests (Lyon, 2015). Within domestic literature, this is particularly necessary in significant part because of the previous “rebalance to Asia” policy under the Obama administration; although it is questionable as to whether the Trump administration will

continue to pursue this policy, they are ultimately considered as symptoms of a rival American presence in the Asia-Pacific, forcing China to seek safer geopolitical options in every direction but eastwards (Li & Li, 2015). Furthermore, it speaks to China's desire to reshape the international system from one dominated primarily by the U.S. to a multipolar system in which China has a more significant say, although domestic literature empathetically rejects the idea of a Chinese-led international system (Wang M. , 2015).

There is thus the argument that the BRI is a component of a wider strategy by China to replace the U.S. as the dominant power in the Asia-Pacific or at least to reduce U.S. influence in the Asia-Pacific through the use of multipolar institutions not dominated by the U.S. (Churchman, 2015). It can thus be said that China is creating a separate economic order through trade infrastructure that it can assert influence through, much in the manner that the U.S. and its allies exert influence and control international trade through the World Trade Organization (WTO) and the Bretton Woods system; similarly, it represents a contingency plan to progressively minimize Chinese dependence on an international trade system historically led by the U.S. Even if foreign states taking part in the BRI do not share China's vision for a different future political landscape, it at least recognizes that China is providing a great deal of funding and investments to accommodate their own domestic infrastructural and economic agendas (Parameswaran, 2017). In this vein, China seems to be attempting to closer ties with the Moscow-led Eurasian Economic Union (EEU), even as Russia's floundering ruble, threatened by Western sanctions in response to Russian involvement in the Ukranian Civil War, makes gas and oil sales to China a priority, which in turn decreases its ability to stop China from

expanding its influence into Central Asia, long considered by Russia as within its sphere of influence (Gabuev, 2015).

Potential Belt and Road Initiative Goals	
Geopolitical Circumvent regional disputes Response to U.S. policy towards Asia Realignment of influence	**Diplomatic** Generate goodwill through investments Creation of China-centric networks China's peaceful rise
Security Energy security Need for blue-water navy Regional stability	**Socioeconomic** Alleviation of production overcapacity Economic reform and transformation Wealth distribution to inland regions

It bears repeating that the above suggestions for Chinese motivations behind the BRI are not mutually exclusive, and much in the literature about the BRI suggests that these goals are being pursued in tandem with each other. The question the thesis seeks to ask instead is which of the proposed motivation is most important and pertinent to the Chinese fifth-generation leadership under the Xi administration. As an administration of significant political power not seen since the Deng Xiaoping era, the Xi administration potentially retains a unified comprehensive vision and policy set to address Chinese concerns, as opposed to a variety of smaller policies born from consensus-based decision-making. This is especially relevant since the BRI is acknowledged to possess components that address Chinese domestic concerns, such as domestic industrial overproduction and wealth inequality. And to ascertain these concerns, it also becomes vital to examine Xi Jinping's domestic, wide-encompassing policy: The Chinese Dream.

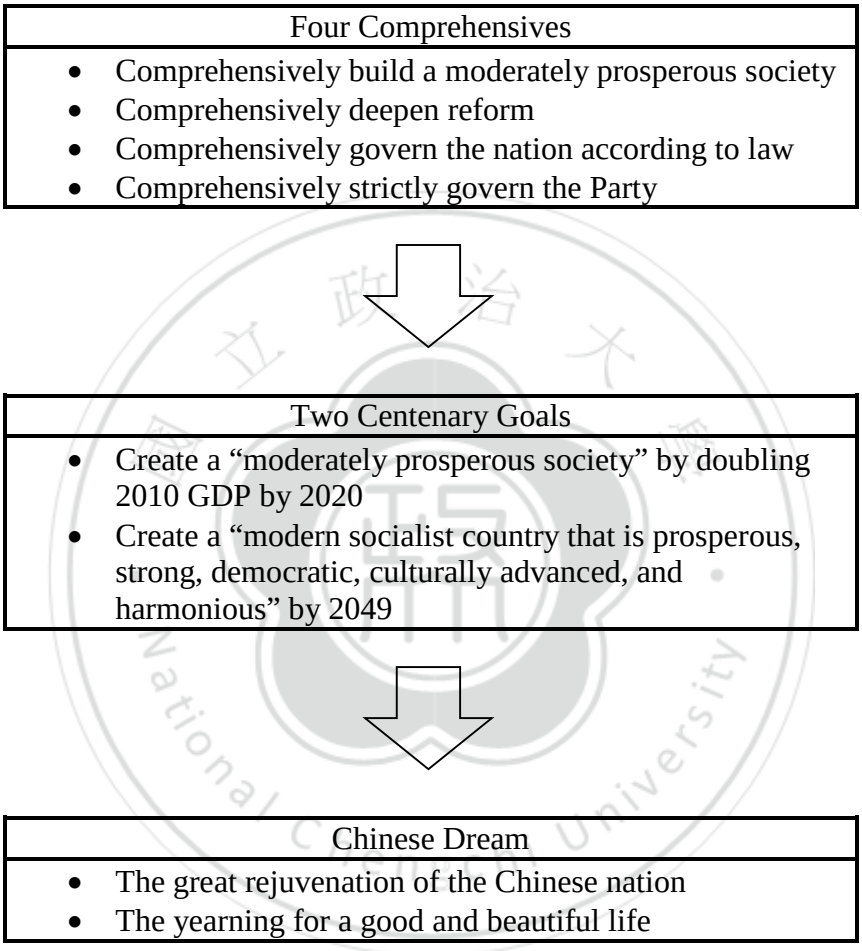
Chapter 2.2 – The Chinese Dream

Although the origins of the term predate its actual usage by the fifth-generation of PRC leadership under the Xi administration, the “Chinese Dream” in the scope of the Chinese political vocabulary is ultimately closely associated to Xi Jinping, who used the slogan in late 2013, shortly before attaining the office of General Secretary of the Communist Party of China. Until the BRI became the centerpiece for foreign policy under the Xi administration, the Chinese Dream functioned as the blueprint for the fifth-generation of PRC leadership in the same way the “Three Represents” encompassed policymaking in the Jiang Zemin administration and the “Scientific Outlook on Development” encompassed policymaking in the Hu Jintao administration. However, in terms of the policymaking context, the “Chinese Dream” is unique in that it was proposed early in the Xi administration’s ascension to the reins of power; this is in comparison to the “Three Represents”, which was proposed by Jiang Zemin as his own leadership was coming to an end and was largely meant as a contribution to Chinese socialist theory, and to the “Scientific Outlook on Development”, which Hu Jintao failed to follow up with any distinctive policy decision relating to his vision, and was largely regarded as a “joke” (Wang Z. , 2013).

There are two ideals associated with the Chinese Dream. First and foremost is recurring theme of “the great rejuvenation of the Chinese nation”, which is typically understood to be the restoration of China’s status as a great power prior to the “century of humiliation” that saw it brought low by Western states and Japan. The second and relatively less well-known ideal is “the yearning for a good and beautiful life”, generally

understood to be the increase of the standard of living for Chinese citizens. Although arguably structured mostly for domestic consumption, slogans are a key aspect of Chinese policymaking, or at least key to the affirmation of such policies in the public consciousness, in that it provides a justification and narrative by which the CPC may demand compliance and action from its citizenry. Like many Chinese policy slogans, the "Chinese Dream" was initially kept vague; while "rejuvenation" was a consistent theme in all interpretations of the Chinese Dream, neither Xi Jinping, his administration, or the CPC leadership had clarified the conditions required for the fulfillment of this national rejuvenation, and so an understanding of the Chinese Dream was reliant on third-party interpretations (The Economist, 2013). Increasingly, however, domestic political literature promoted by the CPC began to draw attention to the "Four Comprehensives" outlined by the Xi administration. Incrementally developed from 2012 to 2015, the Four Comprehensives include "comprehensively build a moderately prosperous society" during the 18th Party Congress in 2012, "comprehensively deepen reform" during the 3rd Central Committee Plenary Session in 2013, "comprehensively strictly govern the Party" during an October 2014 meeting for the Mass Line Campaign, and "comprehensively govern the nation according to law" during the 4th Central Committee Plenary Session in October 2014 (Ma, 2014). The CPC has assigned particular significance to the Four Comprehensives, framing them as "strategic guidelines" for achieving the Chinese Dream. In other words, the Four Comprehensives are the blueprint by which to achieve the Two Centenary Goals, which include the creation of a "moderately prosperous society" by 2020 by doubling the 2010 per capita income, and the creation of "a modern socialist country that is prosperous, strong, democratic, culturally advanced, and

harmonious" by 2049. Subsequently, the Two Centenary Goals are the benchmarks by which the Chinese Dream will be completely realized (Qu, 2015). These are essentially socioeconomic explanations that tie into the well-being of Chinese society.



English-language academic literature examines the Chinese Dream under several other dimensions. Looking at Xi Jinping himself, the current president of China has been characterized as both a Chinese nationalist and a staunch believer in the CPC (Kaufman, 2015). Although some of the claims made by the CPC's media apparatuses are of dubious veracity, they nonetheless serve as a useful indicator of Chinese designs and goals for

their policies, and coverage of the Chinese Dream in relation to Xi Jinping as a nationalist and a believer in the CPC would suggest a desire to rekindle Sino-Asian pride, and thus a recovery from the national trauma inflicted by the century of humiliation, as well as the legitimization of the CPC as the only organization that can facilitate this restoration of Chinese pride. This has become increasingly pertinent as China asserts itself in the international sphere, striving to maintain the image of political empowerment as the country faces a slowdown to its previous phenomenal economic growth; the goal is to produce a "Strong", "Civilized", "Harmonious", and "Beautiful" China (Kuhn, 2013). Thus, under these perspectives, the Chinese Dream is not just a promise for socioeconomic health, but also a promise of an increase in geopolitical status to once again place China in a position of advantage in Asia as it once was during its imperial era.

The second ideal of the Chinese Dream, the increased standard of living for Chinese citizens, is at least partially in line with the political and structural background behind the Chinese Dream, as a significant component of the Chinese Dream is nested within one of the CPC's major claims to legitimacy and its social contract with the Chinese citizenry, that the CPC remains the sole arbiter of politics in China so long as they provide economic benefits to the Chinese people (Kuhn, 2013). Structurally and politically, this is linked to the years 2020 and 2021, which will mark the first of China's "Two Centenary Goals"; to commemorate the hundredth anniversary of the CPC in 2021, the 18th Party Congress in 2012, the same congress that saw Xi rise to the position of China's head of state, gave a surprisingly specific set of goals to achieve by 2020 (Tiezzi, Why 2020 Is a Make-or-Break Year for China, 2015). This includes the promise of a

"moderately prosperous society", specified as a doubling of per capita income from 2010, a daunting goal considering the increasingly unequal distribution of wealth in China and the societal unrest that comes with it (Xinhua, 2012). These goals are also of significant relevance to the Xi administration, as his likely second terms as general secretary and president are projected to end in 2022 and 2023, respectively, and thus the fulfillment of the first centenary goal is functionally dependent on the actions of his administration. The Chinese Dream can thus be interpreted as the operationalization of the goal the Xi administration was tasked in from the very beginning. In the shorter term, Xi has also had to contend with the 12th Five Year Plan established by the Hu administration as a blueprint for China's economic future, and Xi will also have to adhere to the 13th Five Year Plan (The Economist, 2013). This is also in line with Xi's "Made in China 2025" project, which is intended to transform China from the "world's factory" into a "world manufacturing power", shifting the emphasis from the manufacturing and exporting of low-end commodities to that of high-end commodities and technologies. This is a move perceived to have been made in response to decreased manufacturing demand, increased international competition, and slowing economic growth (Tiezzi, The Belt and Road: China's Economic Lifeline?, 2015).

The encouragement of Chinese individuals to strive for personal attainment under the framework of a strong state, combined with the structural frameworks guiding Chinese development over the next decade, is particularly relevant to the transformation of China from an investment-based economy to a consumption-based one, a goal shared with one of the proposed motivations of the BRI. The aforementioned social contract that

allows the CPC to be the sole arbiter of China's political destiny has been based on stellar economic growth, but as that growth has slowed, it is becoming increasingly difficult for the CPC to claim legitimacy based on economics alone. Such can be seen in the light of increased dissatisfaction towards social issues in China that include but are not limited to corruption amongst social and political elites, the dominance of state-owned enterprises (SOE) in the Chinese economy, the widening rich-poor gap as a result of previous development policies, low GDP per capita, and environmental concerns in rapid urban development (Kuhn, 2013). Party ideology and socialism have proven to be poor substitutes for economic growth; an online poll conducted by the *People's Daily*, the mouthpiece for the CPC, revealed that eighty percent of three thousand respondents indicated that they did not support one-party rule or socialism, a result that was so embarrassing to the CPC that the poll was quickly taken down (The Economist, 2013). As such, while it is unlikely that the Xi administration will relinquish its claim to the political legitimacy of the CPC, the social angle is also being aggressively pursued as a replacement for economics in the Chinese social contract.

Given China's century of humiliation, it was first believed that the Chinese Dream prioritized "the great rejuvenation of the Chinese nation" over "the yearning for a good and beautiful life", elevating the empowerment of the state over the empowerment of the people; after all, one of the major lessons derived from the national trauma is argument that the state, above all else, is the primary guarantor of the standard of living for the average Chinese individual. In other words, any increase in the standard of living of the average Chinese individual is conditional on the power of China as a state (Shi, 中

國夢區別於美國夢的七大特徵 (Zhongguomeng Qubieyu Meiguomeng Qidatezheng, The Seven Major Differences Between the Chinese Dream and the American Dream), 2013). However, domestic literature has increasingly drawn links between “the great rejuvenation of the Chinese nation” and “the yearning for a good and beautiful life”, at least in terms of using the Four Comprehensives as a metric, of which guidelines can be seen from the “The Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform” adopted by the 3rd Plenary Session of the 18th Central Committee, which share goals in terms of being able to construct a “moderately prosperous society” (Qu, 2015).

Increasingly, the Chinese Dream is taking on a dimension not associated only with the rejuvenation of the Chinese nation by becoming not only a “strong”, “civilized”, “harmonious”, and “beautiful” Asian state, but also with the perception that the Chinese people themselves as individuals may now reap the rewards of China’s economic growth through an increasingly equal society with a higher per capita income and an increased sense of pride in their own country, which in turn translates to international respect, a reversal from the “century of humiliation”. This carries implications in terms of security in the form of social stability, particularly in China’s western provinces, and diplomacy, in terms of being able to attain the respect China believes it deserves from the international community; however, the Chinese Dream is most obviously tied into socioeconomic and geopolitical dimensions, especially in terms of China’s ability to create a more stable economy, to form a more equal society, and to consolidate its place within the international political economic system with regards to manufacturing and

trade. As the following chapters will explain, these elements create a significant overlap within which the goals of the fifth-generation leadership can be analyzed.

Chapter 3 – Geopolitical Considerations of Chinese Policy

This chapter examines the geopolitical considerations of Chinese policy, especially in how it pertains to the BRI. This chapter is thus divided into two sections. The first section will discuss the common understandings of land power versus sea power, and how Chinese policymaking is largely focused on the former rather than the latter. The second section will delve into China's ambitions with regards to engaging in Eurasia, and the strategies contained therein, especially with regards to railways and trade. These sections are vital for establishing the context in which Chinese leadership, regardless of generation, have made and will continue to make decisions with regards to policy, and domestic and international development, especially with regards to the BRI's scope in Eurasia.

Chapter 3.1 – China as a Land Power

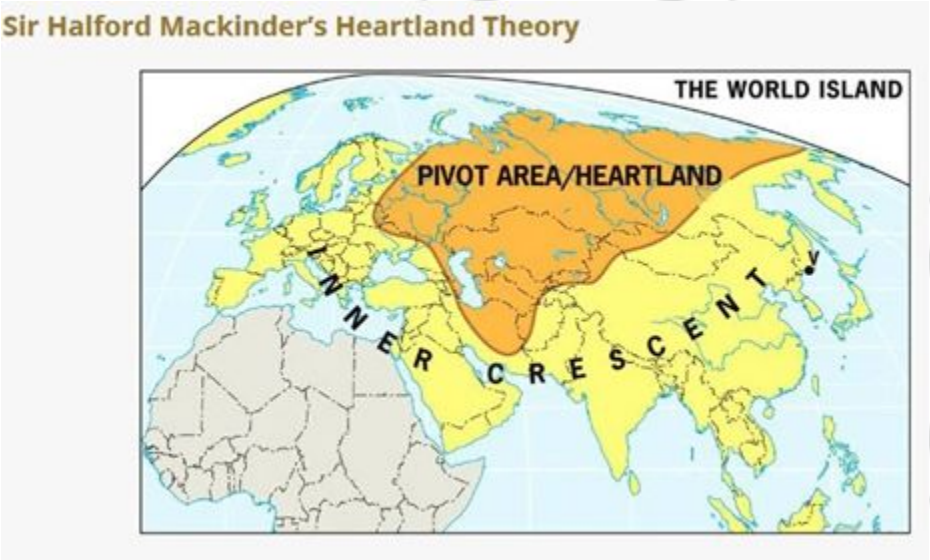
Beijing has repeatedly insisted that the BRI, initially referred to as just "One Belt, One Road" in Chinese, is an "initiative" and not a "strategy", and has in fact also explicitly discouraged the use of the words "project, program, or agenda". Regardless of the preferred terminology, the BRI hopes to attain a vast reach over the Eurasian continent and the Indian Ocean, thus carrying significant geopolitical implications that should be seen through geopolitical lenses. The issues facing China itself which would allegedly be addressed by the BRI also play into an analysis of Chinese geopolitics, such as with regards to its energy security through the sea lines of communication or the economic inequality between its coastal and inland regions. By admission of its own

domestic academia in spite of the insistence by the PRC that the initiative is not a geopolitical strategy, the BRI possesses and requires geopolitical and strategic considerations, such as with regards to land power and sea power (Li & Li, 2015). When analyzing the BRI and taking note of the two primary components, the land-based Silk Road Economic Belt and the sea-based Maritime Silk Road, it is not difficult to cast the initiative against the debate of land power versus sea power, especially given the context of the objectives of both China and the BRI.

The most prominent proponent of sea power was U.S. Rear Admiral Alfred Thayer Mahan (1840-1914), who argued in several books, most prominently *The Influence of Sea Power on History* which coined the term "sea power" in the study of modern international relations, that control of the seas translates to power. Describing the sea as "a great highway; or better, perhaps, of a wide common", then-Captain Mahan pointed out that the costs and speed of transportation has always been more efficient in maritime trade when compared to overland trade, and that the basis of international trade was thus tied closely to merchant fleets transporting goods across both the Atlantic and Pacific Oceans with a navy of sufficient power to grant safe passage (Mahan, 1890).

By contrast, the most prominent proponent of land power was British scholar Halford John Mackinder (1861-1947), who established the Heartland Theory, most prominently in the article "The Geographical Pivot of History", which became the basis of the understanding of land power in international relations. The eponymous Heartland includes a significant part of Russia, but also prominently includes Central Asia; its

central position to the “World Island” of Europe, Asia, and Africa would afford access to and control over resources of all three continents. Mackinder had, in fact, argued at the end of “The Geographical Pivot of History” that any possible Chinese expansion “might constitute the yellow peril to the world’s freedom just because they would add an oceanic frontage to the resources of the great continent, an advantage as yet denied to the Russian tenant of the pivot region” (Mackinder, 1904).



(Pieraccini, 2016)

Before considering whether China qualifies as a land power or sea power, it is important to understand the fundamentals of its modern geopolitics. Historically, imperial dynastic China was concentrated along the coast east of the fifteen-inch isohyet line, where abundant rainfall and favorable agricultural conditions allowed the Han ethnic group to grow in the eastern third of China. By contrast, the lands northwest of this Han heartland, occupying modern-day western China, are populated by groups considered Chinese ethnic minorities today. These regions were of great strategic and military

interest to imperial China, in part because nomadic civilizations such as the Mongols would periodically go to war against imperial China. However, it is also because the mountainous regions further inland functioned as a buffer zone against threats further inland, which China had traditionally and institutionally considered to be of greater concern (Stratfor, 2012).

The Qing dynasty eventually came to control the hinterlands, but the geographical circumstances of western China ensured that they were much poorer than the coastal east, leading to inequality and social unrest, especially in the aftermath of the invasions of China in the 19th and 20th centuries. The aggravation of this issue provided the context in which Mao Zedong and the Communist Party of China were able to garner support in China's inland regions through the 1930's, which would in turn ensure their victory in the Chinese Civil War. Conscious of the circumstances that gave to its rise, the CPC has thus typically been conscious of the importance of creating socioeconomic equality between coastal China and inland China, and continues to be a geopolitical imperative for the PRC (Stratfor, 2012).

Even after the Opium Wars that devastated Chinese power in the 19th century, the first time China had been truly threatened by naval invasion relative to Japan's unsuccessful invasion of the Korean peninsula, the Qing dynasty favored wresting Ili in Xinjiang from Russian influence over countering an encroaching Japanese presence in the Korean peninsula, prioritizing inland China over coastal China (Fairbank, 1969). And even after a devastating Japanese invasion from the sea during the Sino-Japanese Wars

and while fighting the Kuomintang during the Chinese Civil War, the Communist Party of China focused on securing control of Manchuria and Inner Mongolia, and eventually, after the civil war, Xinjiang and Tibet (Stratfor, 2012). Chinese dynasties regarded the inland regions through a military-strategic lens, while the PRC is beholden to political and economic imperatives in the region; regardless, modern China over the last two centuries has consistently considered its inland regions to be of vital geopolitical importance, especially in terms of ejecting non-Chinese or non-CPC influence, often more so than powerful maritime threats, at least until recently.

As such, historically, China has primarily been considered as a land power. As the head of the imperial Chinese tributary system, China focused on its continental neighbors for trade, most prominently Korea and Vietnam, and the ancient original overland Silk Road remains China's most well-known trade effort (Kang, 2010). In fact, land power is considered the basis by which Chinese dynasties maintained its imperial tributary system, which maintained a relatively stable order amongst China and its surrounding "barbarians", and was vital for the development of the late Chinese imperial state as a trade power, in contrast to the U.S. being an economic power (Li & Li, 2015). While China has never directly controlled the eponymous heartland of Central Asia, its dynasties have historically attempted to exert either influence or direct control over modern-day Tibet and Xinjiang at the periphery of Central Asia, sometimes at the cost of sea power. By contrast, with the exception of Zheng He's trade voyages under the Ming dynasty in the 15th century, there have been few prominent instances of Chinese naval adventures, especially not for the projection of power. The prominent naval forces

developed during the Song dynasty to resist the Mongol invasion were appropriated by the Mongol-led Yuan dynasty, but would eventually be scrapped under the Ming dynasty to focus on defending against continued inland threats once again (Fairbank, 1969). In more contemporary times, Chinese designs for becoming a maritime power are also hampered, despite having a coastline that stretches for almost fifteen thousand kilometers, by geography; the Chinese coastline is surrounded by Japan, South Korea, Taiwan, and various Southeast Asian states, many of which form the "first island chain" and, despite robust economic and trade relations, harbor a sense of varying degrees of wariness towards Chinese political ambitions in the region, which could hamper Chinese regional goals (Kaplan, 2010). It is telling that even the most prominent domestic proponents of Chinese sea power recognize that Chinese sea power is and will be fundamentally limited by China's inherent geographical realities (Zhang W. , 2003).

Mackinder's Heartland Theory found purchase through much of the 20th century, in both World Wars and then during the Cold War, where a counter or at least containment of Russian power was persistently sought by the West. However, there is today an inclination within the international relations discipline to favor Mahan's theory of sea power over Mackinder's theory of land power, in no doubt helped by the victory of American sea power over Russian land power at the end of the Cold War and the capability of the United States to control international trade through the Navy's dominance across the world's oceans, and the navy's ability to deter attacks from overseas (Friedman, The Next 100 Years, 2009). Having learned from these lessons, there are also signs that China is seeking an increase in their own sea power. There has

been an increasing trend of consciousness within the PRC in general and the People's Liberation Army Navy in particular which speaks of a need to safeguard China's maritime interests in order to guarantee its prosperity (Zhang W. , 2012). Continuing feuds with neighboring states over control of the South China Sea remain one of the most significant items in international relations with regards to China. The commissioning of China's first aircraft carrier *Liaoning* in 2012 spoke clearly of China's intentions of joining the club of countries with aircraft carriers. Xi Jinping himself stated to the Politburo in July 2013 that China needed to "continually do more to promote China's efforts to become a maritime power" (Martinson, 2015).

However, the argument of land power versus sea power is not necessarily a universalist debate. Mackinder's Heartland Theory in its original form was written from the perspective of British policy towards Eurasia, a premise difficult to apply to the United States an ocean away, which used the Heartland Theory mostly as a basis of a strategy to contain Russia as opposed to attaining power. Similarly, a landlocked country such as Switzerland would have little stake in the theories of sea power. Xi's insistence to the Politburo that China needs to "become a maritime power" further supports the view that the Chinese leadership does not actually consider the country at present to be a maritime power; it would thus not be difficult to argue that China is and has historically been a land power, nor would it be difficult to argue that China would continue to play to their strengths at present, especially given the term limits of the Xi administration.

This is not to diminish the importance of China's maritime ambitions, nor to diminish the position that the Maritime Silk Road plays in the BRI. There is every indication that the Chinese fifth-generation leadership is determined to transform China into a maritime power for its security interests. There has been a change of thinking as early as 2012 that suggested that China has devoted too much emphasis on "maintaining stability" with its neighbors, and that it instead needs to maintain its maritime rights instead (Wang & Luo, 國際體系轉型與中國周邊外交之變:從維穩到維權 (Guojitixi Zhuanxing Yu Zhongguo Zhoubianwaijiao Zhibian: Cong Weiwen Dao Weiquan, The Transformation of the International System and Changes to China's Peripheral Diplomacy: From Maintaining Stability to Maintaining Rights), 2013). However, from the perspective of the fifth-generation leadership, the goals of the Silk Road Economic Belt are more imminently and immediately achievable compared to the Maritime Silk Road, which should be considered a long-term, cross-generational investment. Unless the Xi administration breaks traditions, the fifth-generation leadership of the PRC will be stepping down in 2023 after serving two five-year terms, with Xi ending his second term as general secretary in November 2022 and as president in March 2023.

While no specific metric has been officially and publicly proposed by the PRC as to the milestones or extent to which the PRC intends to develop its sea power, the domestic academic literature in China, particularly that of the Chinese "sea power school", provides several hints. To facilitate China's "peaceful rise" or "peaceful rejuvenation", the development of Chinese sea power should primarily be focused on safeguarding the sovereignty of the PRC. However, such literature, such as from

prominent Chinese sea power proponent Zhang Wenmu, concedes that while Chinese sea power should always be “limited” to self-defense, it has the “unlimited” scope of China’s overseas interests, especially when safeguarding China’s increasingly important energy security, and that such sea power is fundamentally military in nature. This includes not only the goals of “national unification” to break the first island chain that “contains” China from the Pacific Ocean, but also to guarantee Chinese energy imports that come in mostly from the Indian Ocean (Zhang W. , 2003). Furthermore, it is suggested that for China to develop sea power, it must have both military sea power, denoting a state’s wartime naval capabilities, and comprehensive sea power, which encompasses political and economic factors; a state cannot have one without the other (Zhang W. , 2012). Putting aside the geopolitical dimensions of sea power that the Xi administration desperately wishes to avoid when speaking of the BRI, if the Maritime Silk Road represents China’s hope to develop comprehensive sea power, then contemporary Chinese literature on the subject insists that there must also exist a security and military element, specifically in the form of the People’s Liberation Army Navy, and especially against possible unfriendly U.S. action.

The People’s Liberation Army Navy faces limitations in its goals of creating a naval buffer zone beyond China’s shores and guaranteeing energy security in the Indian Ocean through which it receives most of its energy imports. With the former, China faces polities wary of its increasing influence, including Japan, Taiwan, and the Philippines, among others, most of which are aligned with the United States. With the latter, Chinese power projection into the Indian Ocean, which must contend with a regional rival in the

form of India, is considered to be very limited, necessitating plans to eventually deploy two carrier battle groups into the region (Mahadevan, 2014). With that in mind, the *Liaoning*, China's first aircraft carrier purchased from the Soviet Union, has largely functioned as a training vessel despite claims in late 2016 that it is combat-ready (Center for Strategic & International Studies, 2015). Meanwhile, China's next aircraft carrier, the CV-17, is not expected to be commissioned into service until 2020 (Farley, 2016). However, despite rivaling the United States Navy in the number of vessels, there are significant doubts with regards to the People's Liberation Army Navy's capacity to rival the United States Navy on an institutional level (Friedman, The State of the World: Assessing China's Strategy, 2012). More pertinently for the Maritime Silk Road, India, not the United States, seems more poised to pose a threat to China's rising sea power; New Delhi's opposition and wariness towards the BRI may make India more of a candidate than the U.S. when it comes to maritime rivals for China (Kantha, 2017). This is especially relevant as India has been engaged in significant efforts to remodel its navy specifically to counter Chinese naval vessels, evident with its February 2017 TROPEX military exercise that seems geared towards combating Chinese submarines in the Indian Ocean Region (Gady, 2017).

Just as interesting is the navy's lack of large-scale investments into logistics replenishment vessels, suggesting that China is relying on maritime diplomacy to secure friendly ports in the Indian Ocean region that may accept PLAN vessels, just as PLAN vessels docked in the ostensibly commercial Colombo International Container Terminal in Sri Lanka in September and October of 2014 (Mahadevan, 2014). Similarly, three

years later in 2017, Sri Lanka turned down a PLAN submarine requesting to dock at Colombo, allegedly due to Indian pressure (Aneez & Sirilal, 2017), thus further suggesting that developments on land rather than by sea are what drives Chinese interests in the Indian Ocean region Similarly, while construction of the Chinese naval base in Djibouti, which China insists on labeling as a "support facility", is not yet complete, it has already engaged in "replenishment" operations for at least one PLAN vessel, the missile frigate *Hengyang*, in early 2017, thus relying on land-based naval facilities in friendly states to extend the reach of the PLAN while "true" blue-water navy capabilities are being developed (Huang P. , Chinese naval escort ship arrives at Djibouti for replenishment, 2017). Ultimately, however, the PLAN is unable to provide sea control over the sea lines of communication in the near future, which puts into question Chinese maritime ambitions in relations to energy security within the scope of the fifth-generation leadership, and thus lending more credence to the theory of Chinese land power, especially where the BRI is concerned (Wu S.-s. , 2017).

Putting aside the PLAN's capacity building, there are also counterarguments to the projection of sea power to protect both China's sea lines of communications and its ability to guarantee energy security through the Indian Ocean and the Malacca Strait. Namely, while the arguments for sea power highlight the dangers of foreign hostile action, particularly that from the United States, that might choke China's maritime energy supply, the international community has largely been supportive of China's economic and industrial growth, and "there have been no reported incidents of embargos being imposed by an exporting country or a third party", certainly not for "politically motivated reasons"

since China became a net importer of oil in 1993 (Zha, 2005). In other words, much of the arguments proposed by China's sea power school ultimately amount to a worst-case scenario that historically has not actually been proven true in nearly a quarter of a century since China became a net importer of oil, concurrent with China's security concerns with the U.S. and India. It can thus be argued that China's energy security issues, at least at present, do not revolve around whether or not oil bound for China can be intercepted by naval powers, but whether or not China can import enough efficiently to meet its domestic energy requirements. This is not to say that the concerns of the Chinese "sea power school" are misguided or misplaced, only that it is less urgent relative to other crises and dilemmas that the fifth-generation leadership may face.

By contrast, while there is the tacit acknowledgement of security issues with regards to Tibet and Xinjiang, China's domestic academic literature on land power largely shies away from security issues and focuses instead on economics, development, and diplomacy (Zhang W. , 2012). Such literature often explicitly shies away from what is termed as a "hegemonic military-strategic perspective", and instead insists on "returning" to China's historic strength of developing land power through economic connections for peaceful growth that would, in turn, build on China's "sea, air, space, and information power" (Ye, 2007). These are, by all indications, far more congruent with the themes that the Xi administration wishes to focus on with regards to the BRI, at least more so than topics of security and defense surrounding the requirements of sea power, especially with the constant refrain of how the BRI is not a geopolitical strategy. At the

very least, a land power strategy seems congruent with the impression of “China’s peaceful rise”.

Furthermore, China’s international infrastructure development projects are already well underway, and are more feasibly achievable before 2023. The literature review in Chapter 2 had previously highlighted the importance of the China-Pakistan Economic Corridor: It is the midway convergence point between both the MSR and SREB, is quite possibly the cornerstone of China’s solution towards circumventing the Malacca Dilemma, and leads directly into Kashgar. Using the CPEC as an example, sections for the reconstruction of the Karakoram Highway, such as the China-Pakistan Friendship tunnels, have already been completed (Haider, 2015). The Gwadar-Kashgar Pipeline alone is expected to reach completion by 2021 (Yousafzai, 2016). Gwadar Port itself is expected to be operational by 2017, and expectations are to transform it into a regional trade center (Agence France-Presse, 2016). The Peshawar-Karachi Motorway is expected to be completed by 2019 (The Times of Islamabad, 2017). This is not a comprehensive list, and does not include non-connectivity-related infrastructure projects being managed or funded by China but are currently being built in Pakistan under the CPEC banner (CPEC Secretariat, 2017).

If the Maritime Silk Road project is inexorably tied to the Xi administration’s hopes to see China become a “maritime power” in the future, then significant milestones of such a development are unlikely to occur within the scope of the Xi administration; the fifth-generation leadership can, at best, set groundwork for future generations to come.

Chinese administrations tend to adopt high-profile policies to characterize their political ideology, such as the Deng Xiaoping Theory, the Three Represents, and the Scientific Outlook on Development. And while projects of previous administrations have survived a changing of the guard, this is by no means guaranteed, nor that these projects will survive in its original form. The Hu administration considered abolishing the Western Development Strategy, and in the end incorporated it as a subset of the Harmonious Society concept (Stratfor, 2003). Similarly, while the Xi administration inherited the Western Development Strategy, it has significantly transformed Jiang Zemin's concept through the BRI, explored in further depth in Chapter 4. In fact, while the Ministry of Commerce sought to downplay worries that the BRI would not survive the Xi administration, the only reassurance Vice Minister of Commerce Qian Keming could provide was "in countries' hopes for development", and in fact did not touch on the sixth-generation successors to the current fifth-generation leadership (Martina & Birsel, 2017). And as one Chinese official put it, "No one cares what happens in the next administration." (Shih, 2004) The energy security dilemma associated with China's sea power ambitions and, by extension, the MSR are unquestionably of tremendous importance to the Chinese national interest, but it is not a dilemma that shows symptoms of any imminent problems so much as theoretical ones, nor is it something that can be reasonably addressed by the fifth-generation leadership.

The Xi administration cannot expect future administrations to maintain the BRI beyond acting as groundwork for their own policies. By contrast, the fate of the Silk Road Economic Belt, which plays to China's native land power advantages, is within the

control of the Xi administration, and thus deserving of more immediate attention, especially with regards to China's current crises, which is also explored if further depth in Chapter 4.

Chapter 3.2 – China's Eurasian Calculus

Mackinder's Heartland Theory was predicated on the rise of railways during the early 20th century, and he that the technology would transform landmasses from obstacles to assets. To a point, China has taken this theory to heart, but rather than suggest that China has "chosen" to adopt the Heartland theory to cement its status as a land power, it is perhaps more adequate to say that in recognition of the geographical traits of its modern-day borders, China has no choice but to adopt aspects of the Heartland theory. Much of dynastic imperial China may have been content with handling the inland regions with the strategy of "letting barbarians deal with barbarians", as epitomized in the *Book of the Later Han*, but the People's Republic of China now directly controls these hinterlands and must aim for legitimacy there.

The PRC's primary instrument for this is to create a competitive economy and higher standards of living for China's inland regions, especially as it needs to overcome ethnic tensions and cultural disputes, which are far too inland to solve through naval means, or at least through naval means alone. The China-Pakistan Economic Corridor alleviates some of this burden by establishing a Chinese economic and naval presence in Gwadar, but is still dependent upon transportation infrastructure and oil pipelines to

move resources to Kashgar in Xinjiang Province more than two thousand kilometers away. If anything, projects like the China-Pakistan Economic Corridor seem designed to circumvent China's shortcomings in terms of sea power where it might not be able to challenge potential obstacles in the Strait of Malacca. China must look towards a land-based strategy, and that means gazing towards the Heartland. More than just Pakistan and South Asia alone, China must also link with Central Asia and Russia, and also further west to the Middle East.

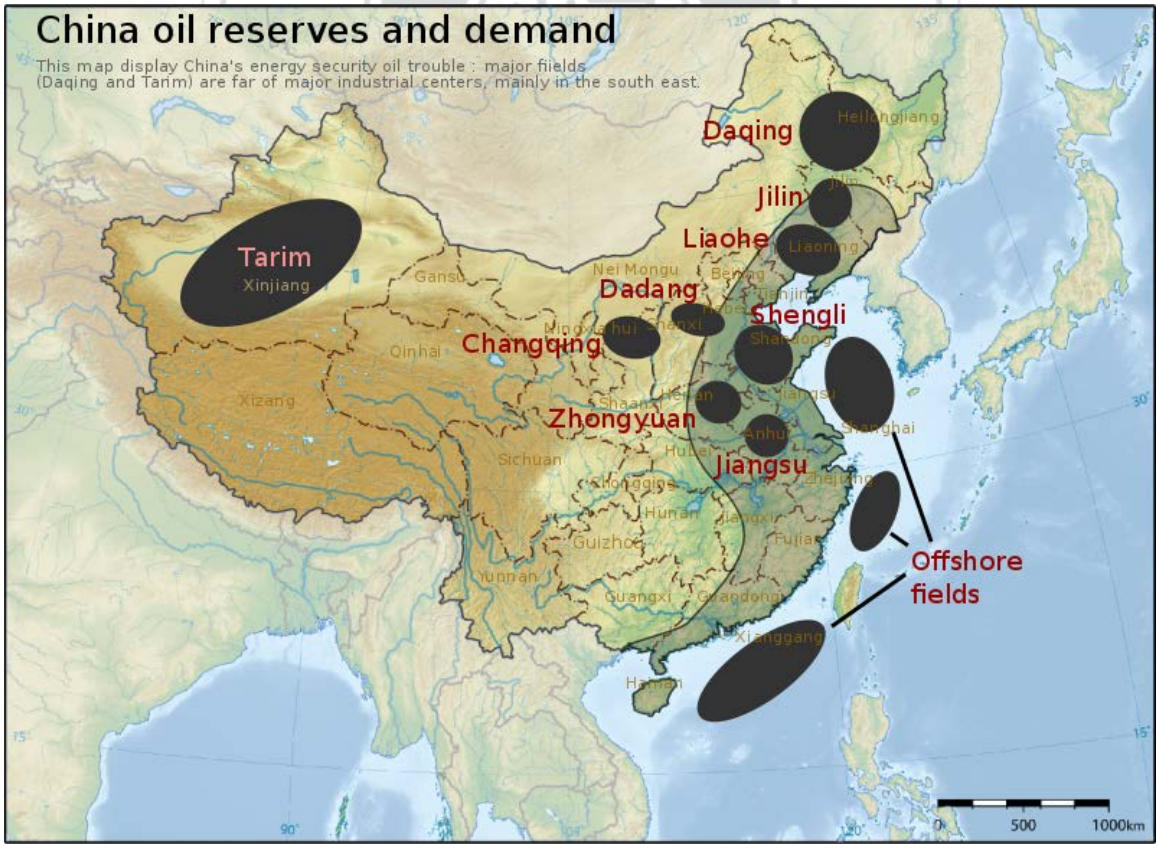
Using Pakistan once more as an example, China's infrastructure projects under the BRI does indeed include Chinese investments into foreign projects such as power plants, water utilities infrastructure, educational institutes, and industrial complexes (CPEC Secretariat, 2017). However, as was pointed out in the "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road" document released in March 2015, the BRI is primarily a connectivity project, a fact punctuated by the use of "connectivity" twice in the opening paragraph alone but "development" only once (National Development and Reform Commission, 2015). The BRI is far more than just a project wherein China invests in the infrastructure development of its developing neighbors and expects returns on investments through loans via Chinese banks; rather, it is strongly reliant on the movement of goods across the Asian continent.

It is thus of no surprise that much of the attention paid to the infrastructure projects of the BRI, especially those of the Silk Road Economic Belt, has been towards

not only railways, as Mackinder initially envisioned at the dawn of the 20th century, but also oil and gas pipelines. It is also of no coincidence that when Xinhua presented a conceptual map of the BRI, the SREB began in China from Xi'an, the capital of Shaanxi Province (Tiezzi, China's 'New Silk Road' Vision Revealed, 2014). Not only is Xi'an considered part of western China, but it was also one of the provinces targeted for investment in the Western Development Strategy, through which then-President Jiang Zemin hoped to alleviate social and economic inequality in the Chinese inland (Lai, 2002). As Shaanxi counts as one of the easternmost central Chinese provinces, an economic belt of railways and pipelines stretching westwards would inevitably run through inland China. The PRC's claim to legitimacy in western China in general has been predicated on the purported improvement to quality of life and standards of living via economic revitalization, especially through connectivity projects. In fact, more so than any other mode of transportation, China has aggressively marketed its development of railways as a sign of its growing infrastructure development, especially in terms of connecting western China with coastal China (Lai, 2002). And beyond the time and reckoning of Mackinder, China has also been focusing on the development of oil and gas pipelines to secure its growing energy needs.

Putting aside sovereignty and territorial claims, China's need for control over Xinjiang becomes obvious to explain when one looks at a map of China's energy security. The second largest land-based oil reserve in China is in the Tarim basin in Xinjiang. However, China's energy needs have not only surpassed its domestic supply since 1993, its domestic production of energy resources is gradually decreasing (Zha, 2005). The

transformation of China from a self-sustaining energy producer to a net importer simultaneously occurred with an aggressive Chinese diplomacy campaign to establish comprehensive relations with the international community and individual states (Li & Li, 2015). Domestic oil production fell ten percent to 3.87 million barrels a day in 2016, and oil imports have accounted for more than sixty percent of domestic consumption since 2013, and is only expected to rise (Daiss, 2016). Of the sixty percent of oil imports, sixty percent comes from the Middle East (Zhang W. , 2012). The East and South China Seas are potential sources of petroleum, but China's maritime disputes with its neighbors make this a risky proposition, especially when China's sea power and naval security has not yet been fully developed.



(Priddle, 2000)

By contrast, Chinese relations with Central Asia have largely been amicable, helped in part by a recent diplomatic policy of settling territorial disputes with Central Asian Republics and Russia (Kaplan, 2010). While Central Asia is traditionally an area of Russian influence and thus of significant concern from Moscow, the Kremlin has warily but tactically accepted China's increasing influence in Central Asia for now in an increasingly unequal relationship between the two states, especially as Russia pushes for its own Eurasian Economic Union in Central Asia (Singh, 2015). Using Kazakhstan as an example, China invested US$23.6 billion into thirty-three infrastructure deals in Kazakhstan in 2015, among them related to oil and steel production (Xinhua, 2015). China has also been developing the border town of Khorgos in northwestern Xinjiang, which is meant to be a trade hub between China and Kazakhstan, although the Chinese calculus is perhaps set for Kazakhs to buy Chinese goods rather than the reciprocal promotion of Kazakh industry (Shepard, 2016). This theme will be further explored in Chapter 5.

It is also not just Central Asia oil that China is after; China has also been looking into purchasing Iranian oil, and a land-based route from China to the Middle East would also have Central Asia act as the springboard (Tata, 2017). To accomplish this and to secure China's energy needs without such imports being predicated on resolutions for maritime tensions in the two China Seas and the Indian Ocean, China has chosen to overcome the age-old obstacles of landmasses by building oil pipelines through Central Asia and to the Middle East. It has further moved to secure the cooperation of these

Central Asian and Middle Eastern states through a combination of territorial dispute resolution and investments into infrastructure development projects.

But oil and pipelines are not the only goal China is aiming for. Railways are being built to transport goods between China and Central Asia. China's domestic economy has been sustained through investment, but its foreign economic policy has primarily been that of a manufacturing- and export-based economy. As China moves towards a consumption- and services-based tertiary economy, it must also ease the production of primary and secondary industries while finding an outlet for an overcapacity of industrial materials such as steel, a problem that has been exacerbated by mismanagement on the part of state-owned enterprises and decreased Western demand for Chinese exports. The U.S. has imposed more anti-dumping duties on Chinese steel products as recently as January 2017 (Wu W. , 2017). Europe followed suit shortly afterwards in May 2017, adding to nearly twenty similar existing measures (Petroff, 2017). Just as China looks to westwards, Central Asia, cut off from maritime trade and skeptical of Russia's Eurasian Economic Union, is the new market for Chinese manufacturing exports.

There are, of course, other reasons for the extending the BRI and Chinese investments into Central Asia and the Middle East. A stable and relatively prosperous Central Asia and the Middle East means increased reliability in regions where China attains much of its energy resources. This is especially relevant when considering the sectarian conflicts in the Middle East, for which China may not be able to find a "business is business" approach when developing the BRI. But despite regional unrest,

including terrorism and the rise of the Islamic State, this has not necessarily cut into China's energy security situation, only hampered its attempts to diversify it. These objectives seem to be secondary to China's domestic and more pressing issue of economic reform and exports.

Using the aforementioned Khorgos as an example, it is entirely possible that railways will be used to facilitate Chinese exports to Central Asia far more than Central Asian exports to China, for which Kazakhstan, accounting for seventy percent of trade between China and Central Asia, is a good weather vane. While there is a diversification of Chinese exports to Central Asia, with eighty-five percent of Chinese exports to Central Asia being finished goods, eighty-five percent of Central Asian exports to China are comprised of raw materials, petrol, and metals in a trade relationship described as "massively unequal" (Peyrouse, 2007). This unequal trade relationship is meant to be mitigated in part by China's investments in Central Asian development programs, such as through the 2050 Strategy, the 100 Concrete Steps, and the Bright Road, an attempt to move the narrative away from Chinese exploitation of Central Asian resources (Frolovskiy, 2016). Ultimately, however, it is difficult to believe that China will have symmetrical trade relations with Central Asia, with Central Asia functioning as a source of raw materials and a dumping ground for Chinese goods for years to come.

Chapter 4 – National Position and Challenges

This chapter examines China's present position after decades of development, the issues China faces in both domestic and foreign affairs in relation to said development, and how it relates to generations of Chinese policies, especially the BRI. This chapter is thus divided into two sections. The first section will discuss China's transformation not only in economic terms, but also in terms of policymaking. The second section will discuss the issues of reform in China, especially in relation to the Chinese Dream, and how this is tied in with the BRI. These sections present a profile of the fifth-generation Xi administration, as well as the context under which it continues to form policy such as the BRI, especially as the successor to previous generations of Chinese leadership.

Chapter 4.1 – China's Transformation

As Deng Xiaoping ascended to the position of paramount leader of China in 1977, China possessed a GDP of almost US$175 billion, translating to a GDP per capita of US$185. By 2010, after more than three decades of economic reform, it possessed a GDP of US$6.1 trillion and a GDP per capita of US$4,561, surpassing Japan to be the second-largest economy in the world after the United States. China still holds this title almost four years later, with a GDP of over US$11 trillion and a GDP per capita of US$8,059 in 2015. In between 1992 and 2010, China had ten years where it experienced double-digit growth to its GDP, fueling a massive Asian economic miracle. However, China's double-digit annual GDP growth has largely come to an end, having consistently descended down into single-digit growth since 2011 (The World Bank, 2017). China's GDP growth

for 2015 was reported to have decreased to 6.7 to 6.9%, which may in fact be a manipulated and optimistic figure (Worstall, 2016). Even for those who believe that the 6.7% to 6.9% figure is accurate, credit has instead been given to government stimulus policies (Huang C. , 2016).

The fifth-generation leadership is unique in that it is presiding over more than just a pronounced economic slowdown in a country that had been reliant on economic growth and increased standards of living for legitimacy, all while handling existing social issues inherited from the fourth-generation Hu administration before it and the third-generation Jiang administration before that. It is, in fact, overseeing a necessary transformation of the Chinese economy, where trends have fundamentally changed. China's alignment in terms of international trade and investments is no longer just a matter of geopolitics; rather, it now has everything to do with the domestic economy. China's meteoric economic growth through the late 20th century and the early 21st century, from Deng of the second-generation to Hu of the fourth generation, had been established on two major fulcrums. Domestically, China opened itself to foreign investments and debt that fueled its capital growth; internationally, China exported cheap labor and processed materials such as steel. By becoming the "factory of the world", China was able to accumulate capital and manage it effectively through an export- and investment-based economy, which in turn fueled other domestic sectors (Wei, Xie, & Zhang, 2017).

However, these economic policies were always meant to be temporary, and are clearly now no longer tenable, resulting in the Xi administration being caught in a

precarious balancing act. The collapse of commodity prices, such as metals and oil, has damaged the profitability of Chinese exports (Worstall, 2016). Overinvestment has inflated prices, especially in the real estate sector. Much of these investments have been built upon bad credit that now threatens the Chinese banking system, many of which were managed ineptly and with a degree of corruption by state-owned enterprises and other non-performing businesses. Western reliance on Chinese exports waned during the Asian financial crisis of the 90's (Lai, 2002). This decrease in exports was exacerbated a decade later during the global recession of 2008. Even though there are doubts as to whether or not there has actually been a decreased demand in Chinese exports, an oversupply of these goods have also lowered their selling values and damaged profitability (Worstall, 2016). And as the Chinese economy grows, increasing both the standards and costs of living, China continues to produce a trained, educated work force that no longer qualify as cheap labor as per the "Made in China 2025" strategy and are thus no longer as attractive for foreign investments, which instead turn to underdeveloped Southeast Asian states like Vietnam for their manufacturing needs (The Economist, 2015).

China ultimately has two primary economic goals today. The first primary economic goal is to avoid an outcome reminiscent of the collapse of the Japanese asset bubble of the 90's, which was also fueled by inflated stocks, rapid manufacturing growth, overinvestment in real estate, increased non-performing banking loans, a depreciated currency, and low domestic consumption. Second, dictated by its geopolitical realities, it needs to transfer its wealth westwards to the isolated inland regions, which has important social components explored in the next section. For the first, China's traditional tool for

maintaining economic growth was to control the value of the Chinese yuan, especially in relation to the U.S. dollar, to facilitate foreign investment and boost exports; this was possible because for much of China's economic growth, the yuan was not traded as an internationally-traded currency (Yurichuk, 2011). However, the yuan formally became a currency in the International Monetary Fund (IMF) special drawing rights (SDR) basket in October of 2016 (Taplin & Blanchard, 2016). The yuan is the only SDR currency that isn't freely convertible, with official trading down in China and Hong Kong, indicating that Beijing still intends to control the value of the yuan to maintain economic growth over the next five to ten years (Yiu, 2016). This adds to the urgency to which China must push forth other reforms and other solutions, as it will soon no longer be a reliable economic tool.

The Chinese leadership must focus on market reforms, especially in terms of being able to boost the output of China's service sector vis-à-vis its manufacturing sector. Of growing importance to the Xi administration's response to its economic predicament is the need for "supply-side structural reform". Not to be confused with U.S. President Ronald Reagan's supply side economics, which utilized tax cuts and deregulation to encourage further business investments and production, Xi's supply-side economics is precisely the opposite as he seeks to curtail excess production, particularly in sectors that host non-performing "zombie" businesses, which may eventually be subsidized (Roberts, 2016). These market reforms are being pursued over previous strategies of boosting real estate, stock markets, bank lending, and debt levels to support economic growth early in the Xi administration, notably by Premier Li Keqiang (Wang X. , Xi Jinping's supply-

side plan now the genuine article of economic reform for China, 2016). The extent to which these reforms are possible, however, is still questionable. As recently as February 2017, the expansion of credit continues to expand faster than nominal GDP growth, even in the face of explicit calls by the government for deleveraging, with even People's Bank of China Governor Zhou Xiaochuan confessing that "non-financial corporate leverage is too high" (Fensom, 2017). Furthermore, the BRI's trade priorities aren't threatened only by Western anti-dumping duties; in May 2017, Germany announced at the Belt and Road Forum in Beijing that it would not participate in the BRI if China does not provide guarantees on free trade and fair competition, conditions that have traditionally been elusive in the Chinese market (Glenn, Mason, Peter, & Munroe, 2017). This may mean that Beijing must choose between relinquishing control over their trade economy and losing the cooperation of the largest economy in the EU; neither bodes well for any Chinese attempts to utilize trade as a tool for economic reform.

Aside from purely economic reform, there is also the matter of industrial reform, as outlined in the "Made in China 2025" strategy. Emblematic of its push away from manufacturing metals and other industrial materials, for which China has a surplus in capacity as a result of mismanagement over SOEs, the Xi administration is looking towards redeveloping domestic innovation-driven manufacturing to focus more the high-tech and services manufacturing sectors. This is, in ways, similar to the "Medium- and Long-Term Plan on the Development of Science & Technology" strategy adopted by the fourth-generation Hu administration in 2006, but whereas that plan focused primarily on technological innovation, the "Made in China 2025" plan focuses on the entire

manufacturing chain (Kennedy, Made in China 2025, 2015). It can be seen as the master plan to reform China's manufacturing sector as China gradually moves away from industrial manufacturing and oversupply, and loses its "factory of the world" status, supplementing the Xi administration's "supply-side reforms".

In relation to China's economic reforms, the "Made in 2025" strategy explicitly favors and supports domestic industries, with a surprisingly specific goal of raising the domestic market share of Chinese suppliers in "basic core components and important basic materials" to 40% by 2020 and 70% by 2025. Just as Western markets are decreasing their dependence on Chinese industrial exports, China is decreasing its reliance on foreign high-tech exports by attempting to develop its domestic innovative manufacturing power, which must then not only be domestically consumed, but also internationalize Chinese manufacturing for exports as well in a manner more explicitly connected to the BRI. If Kazakhstan is emblematic of the sort of trade relations that China seeks under the BRI, especially with Central Asia and South Asia, then the "Made in 2025" strategy is consistent with Chinese-Kazakh trade patterns in which China exports a far more diverse range of exports, particularly in finished goods. Furthermore, two of the ten sectors that the Xi administration wishes focus on include railways and power, within which a great amount of Chinese-led infrastructure projects under the BRI banner belongs (State Council of the People's Republic of China, 2015). This comparison certainly seems more striking when compared to the lists of projects within CPEC (CPEC Secretariat, 2017).

China's second primary economic goal warrants an examination of the BRI, which lies at the intersection of China's current economic status and corresponding policies, which in turn give further insight towards the fifth-generation leadership's policymaking calculus, especially since existing literature on the BRI, as covered in Chapter 2, confirms the connection of the Chinese economy to Eurasian markets via infrastructure projects. A dissection of the Xi administration's motivations for the BRI, especially when set against the present Chinese economic transformation, can be examined when juxtaposed against previous generations of leadership and the preceding Western Development Strategy, also colloquially known as the Go West Policy, previously mentioned in Chapter 3.

Launched in 2000 during the third-generation Jiang Zemin administration and carried on into the fourth-generation Hu Jintao administration, the Western Development Strategy was the follow-up to the second-generation leadership's Coastal Economic Development Strategy, wherein Deng Xiaoping explicitly targeted coastal China for economic development and market reform, promising to reward inland China for their patience (Lai, 2002). In recognition of the growing inequalities and discontent caused by Deng's market reforms, the Western Development Strategy encouraged investment and infrastructure development in twelve province-level administrative divisions in western China (the municipality of Chongqing; the provinces of Gansu, Guizhou, Qinghai, Shaanxi, Sichuan, and Yunnan; and the autonomous regions of Guangxi, Inner Mongolia, Ningxia, Tibet, and Xinjiang) through the use of relaxed loan conditions and other incentives (Shih, 2004).

Jiang and the Western Development Strategy were not alone in recognizing the increasing inequality and social instability that grew alongside the Chinese economy. They were followed by the Hu Jintao administration and the fourth generation of Chinese leadership, which advanced a series of socioeconomic goals and philosophies to address these growing issues, including the Scientific Outlook on Development and the Harmonious Society. In contrast to the largely economic-driven Western Development Strategy, the Harmonious Society policy explicitly recognized the societal elements necessary to achieve reform and equality in inland China, but the lack of unifying themes, much less concrete policies, on the part of the fourth-generation leadership transformed the Harmonious Society into a "joke" (Wang Z. , 2013). Furthermore, particularly after the global financial crisis of 2007, the Hu administration shelved plans for reform and equality, and instead focused on strong economic growth and development in hopes of making China wealthy enough to endure the potential setbacks of future reforms (Brown, 2012). The Hu administration presided over a period of significant growth in China, which included an extensive modernization effort, but did not adequately address China's growing problems.

Superficially, the Western Development Strategy and the BRI share many identical traits. Both policies involve infrastructure development in China's underdeveloped inland regions. Both policies share the goal of correcting the imbalances in development and wealth distribution between China's richer coastal regions and poorer inland regions. Implicitly, they are also a continuation of the Chinese strategy of improving standards of living in inland China to placate the grievances of the restive

Tibetan and Uyghur populations in Tibet and Xinjiang, who are wary of their status in a Han-dominated state and the growing economic and developmental gulf between themselves and the coast.

However, the specific nuances of these two policies are different. While the Western Development Strategy did include certain connectivity projects, such as the completion of the Qinghai-Tibet railway and the Xianyang Airport, it was primarily an investment-driven program directed towards urbanization and industrialization, executed at a time when China was still reliant on investments to drive its economy, and was primarily aimed at connecting the Chinese interior with the richer coastal provinces rather than with neighboring states (Lai, 2002). The proposed emphasis of the strategy was seemingly placed on investment in specialized tertiary sectors such as science and technology, a contrast to the primary and secondary industrial hubs located in coastal China (Moody, Hu, & Ma, 2011). But even then, the Western Development Strategy ultimately focused in practice on rent distribution over growth promotion, an unsustainable development pattern that only paid lip service to domestic and foreign investment, built on non-performing loans and brought about by internal power struggles that enriched local governments and party bureaucrats (Shih, 2004). In other words, while there are differences, western China under the Western Development Strategy was in some ways functionally a microcosm of the pre-fifth-generation Chinese economy, complete with non-performing loans, an overinflated real estate sector, and weak domestic consumption. This is in contrast to the BRI's emphasis on connectivity and its goals of transforming western China, Xinjiang in particular, into an international trade

hub with Central Asia and South Asia, through which economic activity would be reliant on foreign trade rather than only domestic consumption and domestic wealth transfer.

Rather than understand the BRI, or the Silk Road Economic Belt specifically, as an extension or a "next step" of the Western Development Strategy, it is perhaps better to understand the BRI as a correction to the Western Development Strategy. The Western Development Strategy was established at a time when China was still experiencing miraculous economic growth in an investment-driven command economy wherein China's state-owned enterprises could subsidize non-performing loans, but maintaining an economy driven by investment had always been a short-term measure that was not meant to be sustainable, and the economy has since slowed. China no longer has the spare funding to carelessly invest, and it is no longer practical to assume that eastern coastal China can carry western inland China's development as previous generations of Chinese leadership envisioned it. China's attempt to transform from an investment-driven economy to a consumption-driven economy is, in fact, best exemplified in China's inland regions, which have been described as being subject to "indiscriminate" and "excessive" investment as a result of the Western Development Strategy, especially when compared to the more sustainable consumption patterns of the Chinese coastal areas (Lee, Syed, & Liu, 2013).

It is also worth noting that in spite of the urbanization and industrialization of the Chinese interior, it has not successfully achieved the goal of correcting the imbalances in development and wealth distribution. The Western Development Strategy showed early

promise due in part to the worldwide commodity boom that increased demand for raw materials produced in the Chinese interior, but indications have since shown that the wealth gap between the inland and coastal areas is widening (The Economist, 2016). In fact, while paying lip services to the Western Development Strategy, China may have noticed its shortcomings as early as the fourth-generation Hu administration, which may have considered abolishing the strategy entirely (Stratfor, 2003). While the impetus was different, the fourth-generation leadership prioritizing pure economic growth and abandoning western reforms perhaps spoke about their faith in the performance of the Western Development Strategy (Brown, 2012). Inland China has reached a ceiling where continued investment in a possibly faulty policy produces diminished returns that fail to address growing inequalities between the inland regions and the coastal regions, which in turn limits regional purchasing power to meaningfully transform this region into a consumption-driven economy through domestic means alone. Neither the third- nor fourth-generation leadership was able to fix this beyond giving western China an infrastructural facelift (Shih, 2004). So consumption is instead being exported along with China's oversupply to Central and South Asia, where such projects are being managed by Chinese enterprises and manufactured with Chinese materials (Tan, 2017).

Investment in western China is no longer a solution for its inland woes, and the wealth inequality that western China suffers from relative to eastern China puts the region's consumption power into doubt. The BRI thus changes these previous strategies of domestic investment, domestic connectivity, and sectorial development to foreign investment, international connectivity, and trade development, congruent with the

objectives of the BRI. The initiative is likely relying on foreign means to achieve domestic goals where domestic measures have failed. And, as suggested in Chapter 3, Central Asia is the key.

Chapter 4.2 – The Path to Reform

China's goals for reform have much to do with the manner in which the CPC can muster support from the public and the public's perception of the government. On the outset, the PRC had relied on socialist ideology to command the loyalty of its people, but mismanagement during the Mao era, specifically the Great Leap Forward and the Cultural Revolution, coupled with the fall of the Soviet Union, disenchanted the Chinese people (Friedman, The Next 100 Years, 2009). This was the context under which Deng launched his market reforms, using the slogan of "socialism with Chinese characteristics", which allowed the CPC to maintain a semblance of ideological consistently, but ultimately moving the CPC's claim to legitimacy from ideology to economic growth. When Deng launched his market reforms at the end of the 1970's, he did so with the explicit understanding that China would be developing its eastern coastal regions first through the Coastal Economic Development Strategy, and that the wealth accumulated there would eventually be used to develop the western inland regions. The established goal was to create a stable Chinese state by elevating its population to a "moderately prosperous society", which involved minimizing the economic inequality between coastal and inland China (Lai, 2002). The social unrest caused by economic inequality between

western and eastern China was already evident as early as the third-generation Jiang administration, which then launched the aforementioned Western Development Strategy.

As China grew to become the second largest economy in the world, however, two broad issues became clear. First, efforts to tackle wealth disparity between the coast and the interior were limited in effectiveness, faced diminishing returns on investment, and then faltered altogether as the wealth gap widened (The Economist, 2016). Second, China's increased wealth and the increased standards of living for its people have transformed a significant fraction of its previously impoverished population into urbanites with more sophisticated needs, expectations, and demands of their government. Localized "mass incidents" recorded by the PRC have increased from 8,700 in 1993 to 90,000 in 2010, and the domestic security budget remains higher than the domestic budget at US$111.6 billion (Blanchard & Ruwitch, China hikes defense budget, to spend more on internal security, 2013). Maintaining stability is expensive, and retaining legitimacy amongst the Chinese population saves on both economic and political cost.

Traditionally, the Chinese leadership has maintained the loyalty of its constituency through economic growth. However, as outlined earlier in the chapter, there is now a slowdown in said growth, which diminishes its reliability. More pertinently, however, the increasingly sophisticated demands of the Chinese populace dictate that national economic growth can no longer be the sole measure of the population's satisfaction with the performance of Chinese leadership; the CPC must find other, more comprehensive avenues of development to maintain their legitimacy. While the fifth-

generation leadership is still banking on economic growth, out of economic necessity if not out of ideological luxury, there is also an increasingly need for an ideological unification and social mobilization of the Chinese people, particularly through the Chinese Dream ideal, summed up as both “the great rejuvenation of the Chinese nation” and “the yearning for a good and beautiful life”.

The fifth-generation leadership is not particularly unique in aiming to solve these social issues, nor is it particularly unique in attempting to set ideological goals, certainly not with attaining a “moderately prosperous society”, which was a theme present in every administration from the second-generation and onwards. Deng spoke of the “invigoration of China”, Jiang promoted the “great rejuvenation of the Chinese nation” and pushed forth the Great Western Development Strategy, and Hu trumpeted the “harmonious society” (Wang Z. , 2013). However, the fifth-generation is unique in diverging from the long-held axiom established by Deng in prioritizing economic growth over party ideological imperatives; while Xi has not outright contradicted Deng’s axiom in that “economic construction is the core of party work”, he has noted that “[while] economic construction is the party’s central work, ideological work is extremely important work for the party” (Lam, 2016). This can be seen in the ideology of the Chinese Dream, which includes the “great rejuvenation of the Chinese nation”, which implies the return of China to its imperial position of a great regional power, abundant not only in economic strength but also national respect, wherein China is considered a worthy developed polity instead of a controversial “factory of the world”. The question, however, ultimately becomes a matter of what metrics are used to assess this campaign’s success.

The situation of Chinese society and its challenges can been seen through the fifth-generation leadership's response in the form of the Four Comprehensives, considered as "strategic guidelines" for achieving the Chinese Dream. The Four Comprehensives are the blueprint by which to achieve the Two Centenary Goals, and the Two Centenary Goals are the benchmarks by which the Chinese Dream will be completely realized. For the purposes of this thesis, "comprehensively strictly govern the Party" and "comprehensively govern the nation according to law" can be set aside, as they are not directly related to the BRI, nor could this thesis uncover tangible links between these elements, and are thus outside the scope of this research. Of the Four Comprehensive, this thesis instead focuses on "comprehensively build a moderately prosperous society" and "comprehensively deepen reform". Furthermore, of the Two Centenary Goals, the goal of becoming "a modern socialist country that is prosperous, strong, democratic, culturally advanced, and harmonious" by 2049 can be set aside, as it is far beyond the projected end of the fifth-generation leadership in 2023; instead, this thesis focuses instead on creating a "moderately prosperous society".

While separated into two of the Four Comprehensives, the concepts of "comprehensively build a moderately prosperous society" and "comprehensively deepen reform" are actually inexorably connected and deeply interrelated. Specifically, the CPC has pushed the narrative that the goal of comprehensively deepening reform is ultimately to meet the Two Centenary Goals, one of which is creating a "moderately prosperous society" (Qu, 2015). In other words, a "moderately prosperous society" is simultaneously being treated as one of the Four Comprehensives in and of itself, one of the Centenary

Goals for achieving another one of the Four Comprehensives, and one half of the goals of the Chinese Dream. This Centenary Goal is the one that Xi administration focuses on the most, and the one that is relevant for the fifth-generation leadership until 2023. This emphasis is unique in that a specific benchmark has actually been provided, which promises to double China's 2010 per capita income by 2020.

Using the Atlas method favored by the World Bank, China's per capita income in 2010 was US$4,340, meaning the fifth-generation leadership must produce a per capita income of US$8,680 by 2020 (The World Bank, 2017). Given government estimates of China's population reaching 1.42 billion by 2020, it would mean China's GNI will need to achieve US$12.33 trillion at the same time (Xinhua, 2017). While the calculation methods of GDP and GNI are different, they are conceptually similar, they follow similar trends, and Chinese annual GNI figures are only slightly lower than annual GDP figures. With China's GNI and GNI annual growth rate being US$10.84 trillion and 6.335% in 2015, this goal will almost certainly be successful so long as the Xi administration can maintain an average GDP and GNI growth rate of around 2% until 2020 (The World Bank, 2017). This is, however, contingent upon a "soft landing" for the Chinese economy; even if per capita income is double from 2010 by 2020, it is unlikely that this will be accepted as being indicative of China becoming a "moderately prosperous society" if it is concurrent with a significantly diminished GDP and GNI growth. Ultimately, the promise of "a moderately prosperous society" is being banked on successful economic reforms outlined in the previous section, and dependent on "comprehensive reforms" concurrent with the BRI.

A closer examination of the other item of the Four Comprehensives, "comprehensively deepen reform", requires a look at "The Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform", adopted by the 3rd Plenary Session of the 18th Central Committee of the Communist Party of China, the primary blueprint for this "comprehensive". In spite of Xi's break from previous generations of Chinese leadership by increasingly putting an emphasis on ideology, it should be noted that of the sixteen sections of the document adopted by the 3rd Plenary Session, six of the articles explicitly have to do with economic, market, and development reform, the most of any other subject. This includes Section VII, Article 26, which contains mention of the BRI. By contrast, political and legal reform occupies only three sections, cultural reform only one section, social reform only two sections, ecological reform only one section, and national defense only one section (Communist Party of China, 2013).

In spite of Xi's emphasis on ideology, the Chinese Dream is comprised in large part, perhaps more so than any other part, of economic factors, consistent with the Communist Party platform since the Deng era. More so than any other topic amongst the Chinese Dream, the Two Centenary Goals, and the Four Comprehensive, the creation of a "moderately prosperous society" is at the center of the fifth-generation leadership's domestic policy. However, this also sheds a light on the emphasis on reform and its target audience, an urbanizing Chinese population that has come to expect more of its government. The Chinese Dream indicates that government policy is based no longer on pure economic growth that previous generations of Chinese leadership focused on, but on

the transformation of the Chinese economic system and a more equal distribution of economic attainment. This is coherent with at the other two "comprehensives" not directly addressed in this thesis, "comprehensively strictly govern the Party" and "comprehensively govern the nation according to law", a drive for a Chinese definition of social justice, exemplified through Xi's anti-corruption campaign.

The fifth-generation's domestic policies as exemplified by the Chinese Dream thus have a clear overlap with the BRI as analyzed in the previous section. While the former pertains to domestic social issues and the latter to international trade issues, both revolve around the ability to attain a strong, sustainable Chinese economy, which can then be translated to wealth equity, especially when considering the division of wealth along Chinese geographic lines. Not only is the BRI meant to address the need for economic and industrial reform, it is meant to ensure that there is a national unity and national equality in being able to distribute resources from coastal China to inland China, just as reforms under the Chinese Dream also aims to allocate resources from urban China to rural China. Both strategies superficially seem different, but they are fundamentally part of the same blueprint. Chinese academic literature may claim that the BRI is reflective and in the spirit of Chinese economic and market reform (Li & Li, 2015). It is, however, perhaps more accurate to posit that the BRI is one of the major tools through which this reform is possible.

This is not to say that alternative interpretations of the "great rejuvenation of the Chinese nation" are not valid. More than just domestic capacity building back home

when it comes to achieving the economic health of a developed country, China also seeks to become a regional polity deserving of “global respect”, especially in terms of political empowerment (Kuhn, 2013). A measure of this can be seen through China’s prospective ability to build institutions and coalitions independent of Western, particularly American, orbits. In this, the Asian Infrastructure Investment Bank, formally proposed by Xi in conjunction with the BRI in 2013, has been a major first success for Beijing; more than regional coalitions such as the Shanghai Cooperation Organization or market categorizations such as BRICS, the founding of the AIIB became a true international effort with the participation of not only non-regional but also Western polities, some of them U.S. allies in spite of alleged American attempts to discourage its allies from joining the AIIB.

This series of diplomatic gestures of largely diplomatic means has allowed Beijing to create a counterweight against the IMF, World Bank, and Asian Development Bank, which China regards as dominated by the U.S. or its traditionally allies in Western Europe and Japan. More importantly, however, it not only allowed China to form an international mechanism by which to function as a precursor to and groundwork for the BRI, but also to showcase that the country had become an international political heavyweight, a recipient of “global respect”, capable of creating alternative world orders without the blessings of the U.S. Similarly, the vast scope promised for the BRI stretches not only through regional neighbors such as Central Asia, South Asia, and Southeast Asia, but also through the Middle East and Europe, circumventing any potential geopolitical rivalry with the United States in creating international multilateral coalitions. In terms of

being able to build a “Strong”, “Civilized”, “Harmonious”, and “Beautiful” China for the Chinese Dream, the joint efforts of the AIIB and the BRI, at the very least, seem to be making its first successful steps in realizing a “strong” China (Kuhn, 2013).

Commenting on the conclusion of the Belt and Road Forum held in Beijing in May 2017, Xinhua described China as transforming from “a player in global affairs to a leader of the global agenda” (Wang X. , New Silk Road: Why China Should Be Wary of Overconfidence, 2017). At the very least, China is hoping to create a sufficient counterbalance in the existing international order to ensure that it has more of a say in existing systems traditionally dominated by what China sees as its rivals, especially when it comes to Asian affairs.

Chapter 5 – Risk Analysis

This chapter examines the risks of the BRI, particularly as they pertain to China's geopolitical and national positions, and the fifth-generation's policymaking calculus, as previously examined in the previous two chapters and their respective conclusions. This chapter is thus divided into two sections. The first section will discuss the risks associated with China's intentions in Asia, particularly through the Silk Road Economic Belt, and especially in Central Asia and South Asia. The second section will discuss the risks associated with opposition to Chinese designs with the BRI, especially from within the region. These sections identify the primary obstacles that the fifth-generation Chinese leadership must overcome to ensure that the BRI achieves the objectives postulated by this thesis. It must be noted that this chapter is not meant to be a complete, comprehensive risk analysis from all angles, but a risk analysis based on the contexts of the components of Chinese policies and strategies discussed in previous chapters. Furthermore, it is meant to assess the obstacles that the BRI may face, and not meant to assess any form of likelihood that these obstacles may or may not be overcome.

Chapter 5.1 – Risks in Policy

As Chapter 3 of this thesis argued, from the perspective of the fifth-generation leadership, the Silk Road Economic Belt is likely to be the centerpiece of the BRI, as it addresses the primary issues and dilemmas that the fifth-generation leadership must face and address the end of their term in 2023. The Silk Road Economic Belt is meant to connect western China to its foreign neighbors, thus allowing it to develop as a trade hub

for nearby developing economies. This includes two major areas of interest, Central Asia and South Asia. The strategy is not only the importing of energy resources to guarantee China's energy needs. More importantly, the ability to efficiently transfer excess materials and production to neighboring developing economies, either through direct sales, or through infrastructure projects managed by Chinese companies and thus implicitly with Chinese resources to be paid back through loans. Just as importantly, it is to ensure that the economic and trade activity generated by both the interconnectivity project and the interconnectivity itself will directly benefit the development of inland China.

These goals are included in the Maritime Silk Road as well, as seen by Chinese investments and projects in Africa. However, these shared goals are likely to apply less to the Maritime Silk Road due to geography; given Chinese academic literature on sea power and ongoing Chinese interests in the Indian Ocean region, it is more likely that the MSR is designed primarily to address Chinese energy security issues and, in a broad sense, to enhance the capacity-building of the People's Liberation Army Navy. While practical reasons either draw greater prioritization to other issues or limit the extent by which the fifth-generation leadership can directly address these issues to a desired conclusion, one should nonetheless remain wary of diminishing the importance of dilemmas with regards to these issues therein.

These objectives come with a certain set of risks and threats to its success even on its own. The BRI and its investment projects are dependent on Chinese foreign

investments into regional economies, which are in turn dependent on Chinese economic reforms. The good news for China is that not only does much of the literature, both domestic and international, suggest that there is a clear path forward for the Chinese economy to achieve economic reform and avoid a “hard landing”, the CPC itself seems to reflect an understanding of this with the Four Comprehensives. However, the process in which this is achieved is fundamentally a balancing act for China, as it must manage both the speed and timing of its reforms to redevelop relevant industries and markets while also keeping the subsequent rising unemployment as a consequence of supply-side reforms to a manageable level.

While this thesis is not an in-depth economics report, an examination of the risks surrounding Chinese economic reform is necessary because Chinese economic reform shares a codependent relationship with the BRI: Chinese economic reform is necessary for the BRI to sustainably fund foreign infrastructure projects, and Chinese exports and trade in the BRI are necessary as an outlet to help mitigate the dilemmas facing economic reform. Both are thus exposed to risks from each other.

China’s primary domestic risk, particularly in relation to its goals, is the inability to enact its economic reforms in an expedited manner. There are clear symptoms for such concerns, as existing trends point towards a diminished political resolve towards reform when profit is possible. Despite the promises to “comprehensively deepen reform” in accordance to “The Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform” plenary

document since 2013, and despite a significant slowdown in Chinese economic growth since 2015, China has experienced a pattern of prioritizing economic growth over economic reforms. Surveys at the end of 2016 showed that more than half of Chinese industries and provinces not only reported overcapacity, but a diminishing in political resolve for reform and cutting down on overcapacity "when there were prospects of turning a profit" (Tang F. , 2016).

While this is considered to be a provincial problem, it is also in line with what may be a divergence of direction amongst the fifth-generation leadership with regards to credit or, alternatively, an insufficient amount of political resolve to strengthen prioritization of economic reforms over stable economic growth. While the Chinese leadership in general and Xi Jinping in particular has stressed the need for supply-side reforms over debt-fueled stimulus, the latter was still the favored tool of Premier Li Keqiang as late as 2016 (Wang X. , Xi Jinping's supply-side plan now the genuine article of economic reform for China, 2016). The industries in which there is overcapacity in China are not only overrepresented in growth, but are also disproportionate in economic importance, and are significantly influential in China's system of political patronage (Parker, 2013). Diminishing these industries with overcapacity involves not only a potentially painful realignment of political interests within the CPC, but also a potential source of extensive unemployment, especially as blue-collar low-end industrial jobs are replaced with high-tech high-end manufacturing jobs as envisioned by the "Made in China 2025" strategy.

All of these are obstacles in the fifth-generation's ability to pivot China's economy away from bloated SOEs. Unlike the 1990's, China is now the second largest economy, part of a still-brittle international economy, and has made gestures of leadership in terms of international trade and globalism. Furthermore, the needs of its increasingly urbane population have become more pronounced. It is thus not practical for the fifth-generation to take drastic measures towards SOEs as third-generation premier Zhu Rongji did in the 1990's by firing forty million workers employed by the state, nor can the fifth-generation continue to rely on the domestic housing sector and cheap exports to cushion such a shakeup in China's SOE sector in the way the third-generation did. Combined with the resistance by provinces and industries towards reform where there is a profit to be made, and coupled with the fifth-generation leadership's refusal to abandon stimulus programs for GDP growth, it seems questionable as to whether or not China has the willpower to prevent SOEs from attaching itself onto the BRI as a host for further expansion.

Specifically, the BRI is a cushion by which overcapacity and SOEs can be carefully exported, through which a steady stream of revenue can accompany the downsizing of aforementioned overcapacity and SOEs. Careful management between these factors would result in a "soft landing" with a steady rate of employment and a less stressful transformation of the Chinese economy, all without causing a crash. But if carelessly managed, the BRI may become an excuse for SOEs to maintain their operations by using BRI projects to turn a profit. This risk is made especially pertinent since it has mostly been the public sector that has contributed to the BRI while the private

sector has been far more cautious about its prospects, especially in regions of the world that are not considered promising investment targets. If China cannot sufficiently engage its private sector into the BRI, its reliance on SOEs may ultimately result in providing the public sector with more leverage at a time when the fifth-generation leadership is trying to downsize this sector.

Chapter 5.2 – Risks in Asia

Even after surmounting domestic obstacles, there is the question of whether or not the loans funding the infrastructure projects along the economic corridors will avoid becoming non-performing. Broadly speaking, Chinese state-run banks have been criticized for the careless misallocation of capital, resulting in non-performing loans to SOEs and foreign states with massive debts to China, such as Venezuela's staggering US$65 billion debt to China (Zhang & Miller, 2017). This is reflective of questionable loan approvals by Chinese state-run banks that prioritize the CPC's political agenda over actual commercial returns, a situation of startling similarity to its domestic lending practices, particularly in western China, which has created an asset bubble with no real return on investment. The reliability of South Asian and especially Central Asian economies and their ability to produce returns on these infrastructure projects and loans are also in doubt, as seen with the indefinite suspension of Line D of the Central Asia-China gas pipeline, which would've been a major step towards regional integration and is now a major blow to Turkmenistan's energy economy agenda (Michel, 2017).

The reliability of the economies in which the BRI is meant to invest in is suspect, as reflected in the hesitance and reluctance of the Chinese private sector to invest. The succession crisis for Kazakhstan's strongman president, Nursultan Nazarbayev, has also attracted concern that the subsequent political turmoil may cut into by far Central Asia's largest economy, exacerbating issues such as drops in international oil prices and risks from a small banking sector (Global Credit Research, 2017). All this is compounded by existing corruption in Central Asia, which has generally deterred or even disrupted foreign investments into the region (O'Casey, 2017). Over the long term, this may threaten not only the viability of the BRI in terms of linking economies together productively, but also challenge China's ability to further manage credit, especially if this item should be considered a time limit by which China needs to achieve its economic reforms to weather out the blowback from multiple non-performing loans. This puts into question the extent to which the CPC has learned from its policy mistakes during the Western Development Strategy, and whether or not connecting inland China as a trade hub to Central Asia via economic corridors can actually address longstanding issues in the region, especially if SOEs will continue to lead the effort in the BRI over China's more financially cautious private industries, given the official Chinese rhetoric on allowing the market to "play a decisive role in resource allocation", in line with China's economic reform agenda (Zhao, 2017).

Aside from the economics, there are also social dimensions at work. At least one Chinese researcher writing for a domestic academic journal has chastised the Chinese media for describing the BRI as an avenue for exporting China's excess production

capacity, recognizing that neighboring polities may not be enthused about the idea of taking China's leftovers. More so than the author's insistence that this issue should be reframed and re-emphasized by the media as a mutually-beneficial "win-win" arrangement that takes advantage of China's "production advantage", it is more interesting to note that a paper in a Chinese academic journal explicitly does not deny that, in spite of the suggested media spin, the BRI is not about "taking China's leftovers" (Zhang L. , 2015). Just as interesting would be how China's neighbors may factor this into their own decision-making rubric; more so than any accusations of cheek on the part of the Chinese, one only needs to look at the U.S. and Europe to see them fortifying themselves against Chinese dumping strategies.

Increased Chinese involvement in Central Asia and the Middle East also creates the potential in which China is drawn into local tensions, not only to protect its overseas interests, but also as a matter of diplomatic policy. China must inevitably maintain its interests in the Middle East, and the BRI is reflective of this. As previously mentioned, sixty percent of China's energy consumption is reliant on imports, and sixty percent of those imports come from the Middle East. The Silk Road Economic Belt envisions an economic corridor that reaches as far as Iran. The Maritime Silk Road runs through not only the Indian Ocean, which contains eighty percent of the world's seaborne oil trade, but also the Gulf of Aden and the Red Sea, putting it in contact with Saudi Arabia. By engaging in the region, China risks being drawn into the broader conflict between the Sunni-Shia sectarianism in general and the Iran and Saudi Arabia in particular, despite attempting to take a "business is business" approach in the Middle East and elsewhere.

Iran is in a more strategically vital position for the SREB, an increasingly important corner of China's strategy in diversifying its oil imports, a potential burgeoning market, and the destination of planned extents of pipelines running from China through Central Asia (Payne, 2016). By contrast, Saudi Arabia is not a direct beneficiary of the BRI in its original form, but is of significant importance to present Chinese energy security, as the Saudis make up the largest share of China's oil imports, coming up at 16% as of 2014, with Iran only at 9% (U.S. Energy Information Administration, 2015). Just as previous foreign powers learned when doing business in the Middle East, it is nearly impossible to not take sides, or at least to not be perceived as taking sides, in the Middle East once a foreign state is embroiled in regional politics, and only time will tell if China also needs to choose sides in spite of its alleged dedication to "business is business", such as if Saudi Arabia begins to wonder the worth of strong diplomatic ties with China when China is also strengthening Iran (Payne, 2016).

It isn't necessarily just state actors that factor into risks for China's BRI. China is ultimately connecting its western provinces, key among them Xinjiang, to Central Asia and Pakistan, and also to the Middle East further beyond, all of the Muslim-majority areas. While most of these governments, particularly in Central Asia and Pakistan, have been friendly to Beijing and restrained in any criticism of perceived repression against the Chinese Uyghur minority, their constituents do not always take such accommodating views, and extremists groups within these areas, particularly in Pakistan and the Middle East, have supported the independence of "East Turkestan". The perpetrators of terror attacks in western China have allegedly been trained under groups such as al Qaeda and

the Islamic State in particular, but also with similar extremist groups in Afghanistan, Pakistan, and Syria in general. The increasing connectivity and involvement with these Muslim majority regions may lower possible barriers for extremist groups to further perpetrate and train for future attacks, not only in western China, but also against Chinese interests in regions connected by the BRI.

The norms by which Chinese infrastructure investments projects are handled abroad has also proved to be a major challenge to Chinese soft power, a critical component in the ideals of the BRI where “people-to-people” relations are concerned. This concern is driven in part because Chinese-invested infrastructure projects have generally been managed by Chinese enterprises using a Chinese labor force, often at the expense of employment opportunities for the local population, which may not be beneficial to the long-term feasibility of economies reliant on investments from the BRI (O'Casey, 2017). In cases where a local workforce is hired alongside Chinese labor, accusations of Chinese chauvinism and prejudice are rife, sentiments that are hardly conducive to “people-to-people” relations or even good diplomatic relations, nor would it be particularly successful in heading off claims of Chinese neocolonialism.

Chapter 5.3 – Regional Opposition

Aside from the fundamental difficulties and challenges inherent to Chinese strategies in the surrounding regions, there is also the matter of the opposition or at least wariness of regional polities towards Chinese foreign policy in general and the BRI in

particular. These include not only regional rivals and concerned parties in North Asia, Central Asia, and South Asia, but also further afield in the Middle East and in Europe. All of these are within the scope of the BRI, and all of them have various reasons either to be concerned over Chinese policies or be worthy of Chinese concern with regards to the pursuit of such policies.

The most evident opponent to the BRI to date is India, for which the MSR specifically is a significant strategic concern. This has been marked by increased Chinese PLAN activity in the Indian Ocean region; increasingly close ties with Sri Lanka, traditionally considered within India's sphere of influence, to the point where PLAN vessels docked at Sri Lanka civilian ports at Colombo in late 2014; increasingly close Chinese ties with Pakistan, with whom India shares an acrimonious relationship; CPEC projects under the BRI framework that pass through disputed territory, specifically Pakistan-occupied Kashmir. As a more direct response to this state of affairs and towards the BRI, India boycotted the Belt and Road Forum, which the Chinese government sought to downplay and blame on Indian geostrategic paranoia (Connor, 2017). The Indian Ministry of External Affairs in turn raised concerns about the BRI creating an "unsustainable debt burden" for areas within the initiative's scope, pursuing its own "Go West" and "Act East" strategies (Indian Ministry of External Affairs, 2017). Fundamentally, the issue is less about whether or not the Chinese have any deliberate strategy similar to the "String of Pearls" theory, but whether or not India perceives China to have similar or other designs disadvantageous to India.

While India is upgrading its defense capabilities, particularly in anti-submarine weapon systems clearly meant to counter Chinese submarines, India has several other limited leverages that may allow it to oppose the BRI. Its "Act East" policy, transformed in 2014 from a previous "Look East" policy, has consolidated relations with ASEAN states and Japan. Although the ASEAN response is less coherent, these three political entities have been wary of Chinese regional ambitions (Sajjanhar, 2016). India in particular is pivoting towards a stronger alignment with Japan in responding to Chinese activities in the region, such as establishing competing infrastructure projects against Chinese bids under the MSR banner (Bajpaee, 2016). There are, however, limits to the effectiveness of this strategy. The ASEAN community is at various stages of industrialization, is moving increasingly from complementing to competing with China's economy, is developing their own low-cost manufacturing infrastructure to attract foreign demand previously invested in China, and is also making moves towards domestic consumption (Salidjanova & Koch-Weser, 2015). This means the region is not as desperately in need for foreign investment compared to the Central Asian states along the SREB for its infrastructure projects. Similarly, Chinese infrastructure deals in Southeast Asia under the BRI are more limited, restricted largely to railway deals compared to the ambitious port projects in Colombo and Gwadar, the trade centers in Khorgos, the power facilities in Pakistan, and the oil pipelines across Central Asia and the Middle East. Competition with India over the Southeast Asian market is not a crisis for the BRI. And in spite of India upgrading its navy to consolidate its position in the Indian Ocean region, existing cooperative frameworks between China and India make it difficult for New Delhi to threaten Chinese energy imports in the Indian Ocean over the MSR. Disputes

over the extent of China's influence over Sri Lanka may be a more significant worry, but indications thus far are that Sri Lanka remains under India's sphere of influence (Aneez & Sirilal, 2017).

India's "Go West" strategy, not to be confused with the Western Development Strategy that also colloquially known as "Go West", may be a source of competition against Chinese interests in Iran. This includes the International North-South Transport Corridor (INSTC) that sees an economic corridor from India that stretches through Iran and the Caucasus, and into Moscow; and the Iran-Oman-India pipelines across the western Indian Ocean (Chatterjee & Singh, 2015). Central to these efforts is Indian investment into Chabahar Port in Iran, considered an Indian alternative to China's reliance on Gwadar in Pakistan. As Pakistan denies Indian overland routes to Central Asia, Indian is instead relying on naval power to connect to Iran, and then using Iran as a springboard for its "Connect Central Asia" (CCA) policy (Putz, Why Is India Hopeful About Iran and Central Asia?, 2015). Furthermore, it is attempting to engage in negotiations with the EEU to develop a comprehensive economic relationship (Chatterjee & Singh, 2015). This engagement with Central Asia, especially if India continues to refuse to join the BRI framework or perhaps even oppose it, is likely to be the most significant risk to the BRI's objectives from India in terms of the Xi administration's policies as proposed in this thesis.

There are also economic avenues that India has access to that may directly influence the BRI. One of the sources of funding for the initiative is the AIIB, in which

China maintains control through 30.3% of the bank's shares and thus 26.1% of the banks' votes. However, although a distant second, India still commands a respectable 8.5% of the bank's shares and thus 7.5% of the vote (Federal Council of Switzerland, 2015). This could have limited but potentially consequential implications for China's ability to fund the BRI. Furthermore, India has leveraged against the BCIM Economic Corridor as recently as 2017, which had been agreed upon prior to the formation of the BRI, and which India is resistant towards including under the BRI banner (Kantha, 2017). This opposition has manifested in stalled projects along the economic corridor, and may also threaten the position of India-leaning Bangladesh in the project (Iyer, 2017). But this is still a region where Chinese investments are limited, and where the BRI is less exposed to the consequences of failure aside from the loss of face from failing to bring one of the proposed economic corridors of the BRI to fruition.

Aside from India's limited potential setbacks to the BCIM Economic Corridor, however, there are reasons why these risks from India may be limited. India's dependence on Iran to access the Central Asian market is constrained by China's attempts to also create deals with Iran with the BRI, which is developing at a much faster pace, as seen from China's attempts to extend its oil pipelines from Central Asia to the Middle East. This may not actually shut out India's Go West or Connect Central Asia policies, but it can diminish the leverage by which India may challenge the BRI, especially since China's trade volume is already significantly higher than India's in both Central Asia and East Africa, with a Chinese trade volume of US$18 billion in Central Asia to India's US$950 million in 2015, diminishing the chances India can challenge China's entrenched

position in these regions (Watson, 2017). It may also find itself reluctantly drawn into the BRI's orbit due to China's trade dominance in the area, existing frameworks such as the SCO and the BCIM Economic Corridor, and India's negotiations with an allegedly BRI-friendly EEU.

Russia has also been wary of increasing Chinese influence into Central Asia, historically considered part of the Russian sphere of influence, especially with their increasingly unequal relationship (Singh, 2015). The Russian-led Eurasian Economic Union meant to tie Central Asian economies with the Russian economy has been met with starkly limited success, especially in relation to the BRI, and Central Asia is looking increasingly towards China for economic benefits (Putz, China's Silk Road Belt Outpaces Russia's Economic Union, 2016). While Beijing has public encouraged Moscow to integrate their plans with the BRI, Russia has reason to be concerned about what certainly seems to be an increasingly unequal relationship between the two major powers. Publicly, Russia supports the BRI and has fostered warmer relations with China, but this has largely been a result of strategic decision-making following the Russian economic slowdown as a result of Western sanctions on Russia following the invasion of the Crimea (Singh, 2015). The public image of a friendly relationship and perhaps even increasingly close bilateral ties belie the skepticism on both sides with regards to Sino-Russian ties (Radio Free Europe / Radio Liberty, 2017).

Existing literature discourages the idea that China and Russia are inevitably headed for a collision course. Although Russia remains concerned over Chinese designs

in Central Asia, the BRI and the EEU are not necessarily mutually exclusive concepts, as they are ultimately aiming towards different goals, with the former focusing on economic ties and the latter seeking to preserve its privileged political position (Kaczmarski, 2015). However, in terms of policy, the BRI has not shown signs of developing in a direction that forms "a stepping stone toward a greater Eurasian bloc or a two-power condominium in Eurasia" (Remington, 2016). If Moscow's public support for the BRI and for improved relations with China is a cynical strategic decision in recognition of its economic hurdles, then it puts into question how Moscow may react to or even resist increased Chinese influence in Central Asia as a matter of principle. This is especially so since it is not yet clear how to connect the BRI and the EEU yet (Putz, China Pushes One Belt, One Road in Central Asia, 2016). This is likely to be dependent on the lifting of Western sanctions on Russia and the recovery of the Russian economy, at which point the BRI may have consolidated sufficient Chinese influence in the region that makes it difficult for Moscow to dislodge, especially with increased resistance in Central Asia against Russian imports (Lillis, 2015).

Finally, Europe is the end destination of the BRI as it is publicly envisioned, and seen in the manner in which at least sixteen European delegations, including Russia, were represented out of the fifty-seven confirmed minister-level delegations present at the Belt and Road Forum as of May 2017 (The Diplomat, 2017). Chinese operations in Greece, specifically in the port of Piraeus, have been at the forefront of the Chinese trade efforts in Europe, and it is also courting Central and Eastern European states through the "16+1" mechanism (Browne, 2016). This has fractured the unity of the response to the BRI from

the European Union, as evidenced through its weakened response to the arbitral tribunal verdict on China versus the Philippines, with the primary holdouts being Greece and Hungary, two major European beneficiaries of Chinese investment (Emmott, 2016). While it is questionable that the development of the BRI can reach an advanced stage across EU markets even during Xi's second term, the resistance of several EU states to Chinese trade strategies such as the dumping of Chinese industrial overcapacity, to the point where anti-dumping tariffs have been passed into law (Le Corre, 2017). Furthermore, EU states, foremost among them Germany, are concerned about the reciprocity of market access, as China seeks export markets but fall short on fair trade and free competition that erects barriers to entry for foreign investors while supporting domestic industries (Glenn, Mason, Peter, & Munroe, 2017).

Chapter 6 – Conclusion

This thesis has highlighted the position that the BRI is primarily a strategy that addresses China's current economic dilemmas, primarily in terms of its transformation from a manufacturing-based economy to a consumption-based economy, from an export-based economy to a services-based economy, and all the other problems and contradictions surrounding China's decades-long, miraculous economic growth. To be imminently clear, this is not to downplay or diminish the other goals proposed by the literature surrounding the initiative. The literature referenced in this thesis may paint a picture of a China beset by a great many problems, but this is not an indication of China's ability or inability to address these issues; rather, they are meant to be reference points by which one analyzes the patterns facing China today and the policies necessary to tackle them. It's incredibly unlikely that this level of commitment is merely a smokescreen to address only China's domestic and economic issues. However, the signs ultimately point towards the BRI being part of a greater whole that is Xi Jinping's primarily domestic and primarily economic agenda. Many of China's concerns are pressing, but none of these other concerns are described in a way that suggests a countdown that is coming to an imminent end. By contrast, academic literature and other analyses agree that China's present looming economic crisis is immediate and a matter of increasing urgency. Economic and market reforms are the most pressing and urgent issues for the Chinese fifth-generation leadership.

This thesis has thus argued that the BRI is not just an international project independent of Chinese domestic concerns. Rather, the BRI contains significant

components that thoroughly synergize with Chinese economic and industrial reforms while mitigating its growing pains. While the envisioned scope of the BRI project as the fifth-generation leadership sees it is grand, there are benchmarks that the initiative needs to achieve within the scope of the Xi administration, and these benchmarks are vital to how the future of the BRI is ultimately determined.

Chapter 6.1 – The Future of the BRI

The context of this research and argument for the BRI is specifically within the scope of the fifth-generation leadership, and is predicated on two trends consistent with Chinese leadership: That Chinese administrations generally serve for a limit of two five-year terms, and that landmark policies set by previous generations of Chinese leadership may not survive in its original form or even meaningfully affect policy in the next generation. This research thus assumes that Xi will step down as general secretary in 2022 and president in 2023, and that whoever succeeds the fifth-generation will not be obligated to carry out the BRI in the way the fifth-generation leadership envisioned it, if at all, though existing institutional, economic, and diplomatic momentum may cause them to do so regardless.

The good news for the Xi administration is that successive generations of Chinese leadership generally tend to recognize the same trends in China, even if their responses to them are different. Even though Jiang created the Western Development Strategy, Hu broadly abandoned it, and Xi decided to rectify it with the BRI, this chain of

policymaking consistently recognized the problems with western China and made efforts with varying degrees of success to address it. It also helps that there have been tangible promises for the BRI in the form of investments and infrastructure projects that make it difficult for the next generation of Chinese leadership to simply cut losses without dealing a great blow to Chinese soft power, unless new crises arise that damage the feasibility of the BRI, such as a "hard landing". As such, even if the BRI is not kept in its entirety in its original form after the fifth-generation leadership steps down, it would not be a stretch to imagine major components of it being ported over into the policies of the next generation of Chinese leadership.

Lending from the points made in previous chapters, this thesis suggests three metrics of success for the BRI within the scope of the fifth-generation leadership, in descending order of importance:

1. Successfully contributing the transformation of the Chinese economy;
2. Successfully reversing the growing economic inequality between the inland and coastal regions of China;
3. Successfully generating returns from early investments within the BRI.

Although existing English-language literature does not promise that China will overcome its economic slowdown, it at least cautions against assuming that the economic problems are insurmountable, suggesting that China has a reasonably clear path forward and that a "hard landing" is unlikely (Parker, 2013). What should be of greater interest to

observers of the BRI is when China will be able to achieve the economic reforms outlined in the Chinese Dream and the Four Comprehensives, especially relative to the progress of the BRI. Timing is everything. The three proposed metric of success obviously also come with their corresponding failure states, although it should be noted that none of these "failure states" demand the complete failure and abolishment of the BRI; rather, it simply increases the likelihood that the BRI will be amended in either scope or methodology, or perhaps be quietly abandoned and absorbed into a separate strategy proposed by future generations of leadership much in the way the Western Development Strategy was absorbed by the BRI.

The primary failure state of the BRI under the fifth-generation leadership would be the inability to carry out the necessary reforms required for the Chinese Dream, the first Centenary Goal, the economic components of the Four Comprehensives, and the "Made in China 2025" strategy. These reforms would address China's asset and credit bubbles, and thus pull China back from the precipice of a crisis similar to the Japanese asset bubble collapse of the 1990's. The BRI plays an instrumental role in this strategy, as it is hoped that proximate developing markets in greater need of Chinese exports and with a lack of anti-dumping policies as found in the U.S. and Europe would provide a more immediate outlet of China's industrial overcapacity. From a more stable and less dangerous position, China can then attempt to further its other ambitions. Conversely, the BRI's inability to contribute to economic reform may exacerbate China's dilemma and cause future generations of leadership to seek other options. While geopolitical imperatives make it unlikely for China to withdraw its existing involvement and

investments, particularly along the Central Asia, South Asia, and Southeast Asia, the degree to which future generations of Chinese leadership will be willing to invest in such infrastructure projects may very well be sharply curtailed.

The secondary failure state would be the inability to address the growing inequality between inland and coastal China. When Hu shelved reform policies in favor of strengthening SOEs to stimulate pure economic growth, it was done so under the belief that said economic growth would be able to temporarily mitigate the negative effects of regional inequality and provide a larger margin of error for future reform (Brown, 2012). This line of thinking has not necessarily changed with the fifth-generation leadership, but the circumstances are now certainly different; China's economic slowdown no longer makes pure economic growth, especially when measured via GDP, viable, meaning reform is, to some extent, the only option left to the Xi administration. By using economic corridors to connect eastern China with Central Asia and Pakistan, two areas of Asia in great need of investment and regional integration, China hopes to maintain a sufficient level of economic activity in its poorer provinces so as to provide its leadership with the breathing room necessary to pursue further economic growth without being accused of sacrificing equality. Compared to the primary failure state, the second failure state is undesirable but tolerable and certainly nothing new, if the Western Development Strategy has been any indication. So long as the BRI contributes to economic reform, it will likely continue to exist, but new policies may be considered to directly address Chinese wealth inequality.

The tertiary failure state would be the inability to generate returns on the early investments from the BRI, most likely from the China-Pakistan Economic Corridor, the China-Central Asia-West Asia Economic Corridor, and the China-Indochina Peninsula Economic Corridor. Relative to the other two failure states, non-performing BRI investments are more tolerable and, again, certainly nothing new, given the careless loaning practices of China's state-owned banks. This can be seen in both domestic lending to inefficient SOEs and foreign lending, especially to debt-ridden Venezuela. While regional connectivity has always been in the Chinese geopolitical interests, China's credit situation suggests that the ability of Chinese investment targets to generate returns is less important than the Chinese economy's capacity to absorb the monetary and credit risks associated with these BRI projects. Of course, these targets of investment will provide returns on investment, in spite of the structural challenges that face unorthodox investment targets like Kazakhstan or Pakistan. But if Chinese reforms take hold early enough to mitigate the worst consequences of non-performing loans, then it will still have been money well spent on regional connectivity for China's future benefits. However, a worst-case scenario for the tertiary failure state would be for consequences to arise before the Chinese economy has achieved sufficient reform to absorb these costs.

Assuming that China can avoid the above failure states, or mitigate them to the point where they have greatly diminished consequences, what then? Ultimately, although issues pertaining to economic reform are most relevant to the fifth-generation leadership, should this be addressed in a timely matter, future generations of Chinese leadership will have more leeway, more room to maneuver, and more sustainable funding where the

other aspects of the BRI's strategic goals are concerned. There will be a greater diversification of emphasis. Although it is not certain which specific policies future generations of Chinese leadership will pursue, they are unlikely to diverge far from the other goals ultimately linked to Chinese geopolitical interests as the BRI ultimately provides a convenient springboard. Foremost is likely to be the diversification of Chinese energy security, which remains an outstanding issue that can threaten Chinese growth. After that, strategic goals include the strengthening of the People's Liberation Army Navy into a blue-water force capable of projecting Chinese power, an increased security presence in the Indian Ocean region and other areas at China's periphery, more comprehensive trade relations with its immediate neighbors and markets as far as Europe, an increased involvement with international political and economic systems, and the consolidation of further Asian or even Eurasian institutions separate from Western or American political orbits.

Chapter 6.2 – The Implications of the BRI

An aspect of the BRI mentioned in the literature review indicated that one of the BRI's major social components relate to national security, particularly to counter any autonomous or secession movements in China's restive Tibet and Xinjiang regions. And as the risk analysis in Chapter 5 pointed out, the BRI is also further connecting China with regions that have Muslim majorities and thus Islamic extremist groups that have been involved with acts of terrorism in western China. From a certain point of view, the BRI is not a significant departure from which China handles domestic social issues with

regards to western China. Just as it was with the Western Development Strategy, China's primary blueprint towards managing the restive provinces is to increase economic activity and thus increase standards of living. It does not seem to signify any meaningful departure from existing social policies, and Beijing seems to be continuing to "buy" social stability with economic gains. However, there should be some expectations of further capacity-building in terms of national security and national defense by connecting western China to these regions. Such capacity-building includes the development of a blue-water navy capable of safeguarding the "unlimited" scope of China's overseas interests, as seen with the evacuation of its nationals from Libya and Yemen during periods of civil war and unrest. It will likely also include further counterterrorism and intelligence safeguards a potential future increase of attacks in western China, prominent among them being the 2014 Kunming knife attack.

In the short-term, specifically within the scope of China's fifth-generation leadership, the international implications of the BRI are largely benign, although with points of concern. Ultimately, between the distant promise of an ambiguous new sphere of influence with China at its center and the more immediate outlet of China's industrial overcapacity, the Xi administration will choose the latter, although this does not suggest the former is not simultaneously achievable. While the BRI and AIIB, and perhaps future trade agreements like the FTAAP and RCEP, may shift the balance of influence in Asia, present Chinese concerns ultimately mean it's unlikely that the Xi administration can form any significant challenge to the current international order, even if it continues to dominate as the regional heavyweight. At the same time, however, the fifth-generation

leadership is certainly setting up the groundwork for it, gambling on the chance that the BRI and, more comprehensively, the necessary reforms will ultimately succeed in shorter order. These ambitions are ultimately tied closely together.

What the BRI can presently do, however, and what should be of concern to relevant polities in China's neighborhood, is affect ongoing trends in Asia and the Asia-Pacific region. Claims from India suggesting that China is ultimately engaged in neocolonialism may be exaggerated, but they ultimately stem from the questionable sustainability of Chinese investments and projects in unorthodox investment targets in Central Asia and Pakistan, which face significant economic and political risks. Central Asian states and Pakistan are thus fundamentally taking a gamble: They have identified infrastructure development as the necessary stepping stone to strengthen their own economies, but they risk these projects managed by Chinese enterprises to be of little net value to domestic labor while also ultimately falling into debt with China if loans prove non-performing, as seen most starkly with Venezuela.

China's more cautious neighbors will also need to consider how China will affect their IPE rubric. While Russia and ASEAN publicly support the BRI, the former remains concerned over Chinese influence over Asian geopolitics and the latter is slowly finding itself to be in increased economic competition with China; India opposes the BRI outright, and its Japanese allies will remain concerned over Chinese moves interpreted as potentially aggressive. While Chinese foreign policy, as seen with the rhetoric surrounding the BRI, discourages interpretations of international relations being a zero-

sum game, the avoidance of tensions requires its neighbors to believe in the same, even as Asia transforms from a multipolar region of relatively balanced polities to that of an increasingly unbalance region with drastically increasing Chinese influence.

Ultimately, the grand rhetoric and vision of the BRI is multifaceted and ambitious in scope, using a single coherent strategy by which to complement China's attempts to address many of its concerns at once, which include energy, security, defense, and soft power. Ultimately, however, the BRI needs to overcome its first hurdle along with the fifth-generation leadership's other policies: It ultimately needs to address economic and industrial reforms, as well as increasing wealth inequality, and it needs to do so with increasingly pressing urgency. It follows a series of gambles made by generations of Chinese leaders. Deng and the second-generation leadership believed that they could open up the Chinese economy to the world without destabilizing the country. Jiang and the third-generation leadership believed that they could decrease the power of SOEs while significantly investing in western China. Hu and the fourth-generation believed that they needed to postpone significant reforms, and first build up sufficient wealth and economic power to create a sufficiently large margin of error to address any unexpected crises to arise from aforementioned reforms. Ultimately, Xi and the fifth-generation's gamble is that they can utilize tools of foreign policy and international connectivity to address the problems that have accumulated over generations of Chinese leadership.

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