



NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

THESIS

**AN ANALYSIS OF THE PRIMARY DRIVER FOR
CHINA'S BELT AND ROAD INITIATIVE—SECURITY
VERSUS ECONOMICS**

by

Jamie N. Whitman

September 2018

Thesis Advisor:
Second Reader:

Michael A. Glosny
Feroz H. Khan

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REPORT DOCUMENTATION PAGE			<i>Form Approved OMB No. 0704-0188</i>	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington, DC 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE September 2018		3. REPORT TYPE AND DATES COVERED Master's thesis
4. TITLE AND SUBTITLE AN ANALYSIS OF THE PRIMARY DRIVER FOR CHINA'S BELT AND ROAD INITIATIVE—SECURITY VERSUS ECONOMICS			5. FUNDING NUMBERS	
6. AUTHOR(S) Jamie N. Whitman				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A			10. SPONSORING / MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release. Distribution is unlimited.			12b. DISTRIBUTION CODE A	
13. ABSTRACT (maximum 200 words) China portrays the Belt and Road Initiative—an interconnected network of rail lines, oil and gas pipelines, roads, bridges, and port facilities designed to connect China with Central Asia, the Middle East, Africa, and Europe—as an effort aimed at regional economic integration with win-win outcomes for every country involved. The China–Pakistan Economic Corridor (CPEC) is the flagship project of the Belt and Road Initiative, consisting of rail lines, fiber optic cables, power plants, and the Gwadar Port facility. CPEC provides the most tangible infrastructure projects to evaluate. Critics argue that it is a Chinese neocolonial effort to exert Chinese influence and increase Chinese power globally, burdening poor and developing countries with dangerous amounts of debt. Chinese internal and external security concerns, such as violence in Xinjiang and the perceived “Malacca Dilemma,” are also discussed as important drivers for the Belt and Road Initiative and CPEC. This thesis examines both economic and security arguments to address the question: What is the primary driver for China's Belt and Road Initiative and the China–Pakistan Economic Corridor? The research shows that security is the primary driver for these projects. Economic considerations and benefits are also important to Chinese leaders, but security considerations trump economic ones.				
14. SUBJECT TERMS BRI, Belt and Road, One Belt One Road, Belt and Road Initiative, Maritime Silk Road, String of Pearls, OBOR, CPEC, China, Pakistan, China Pakistan Economic Corridor			15. NUMBER OF PAGES 89	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UU	

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INITIATIVE—SECURITY VERSUS ECONOMICS**

Jamie N. Whitman
Lieutenant Commander, United States Navy
BA, Eastern Washington University, 2006

Submitted in partial fulfillment of the
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES
(FAR EAST, SOUTHEAST ASIA, THE PACIFIC)**

from the

**NAVAL POSTGRADUATE SCHOOL
September 2018**

Approved by: Michael A. Glosny
Advisor

Feroz H. Khan
Second Reader

Mohammed M. Hafez
Chair, Department of National Security Affairs

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ABSTRACT

China portrays the Belt and Road Initiative—an interconnected network of rail lines, oil and gas pipelines, roads, bridges, and port facilities designed to connect China with Central Asia, the Middle East, Africa, and Europe—as an effort aimed at regional economic integration with win-win outcomes for every country involved. The China–Pakistan Economic Corridor (CPEC) is the flagship project of the Belt and Road Initiative, consisting of rail lines, fiber optic cables, power plants, and the Gwadar Port facility. CPEC provides the most tangible infrastructure projects to evaluate. Critics argue that it is a Chinese neocolonial effort to exert Chinese influence and increase Chinese power globally, burdening poor and developing countries with dangerous amounts of debt. Chinese internal and external security concerns, such as violence in Xinjiang and the perceived “Malacca Dilemma,” are also discussed as important drivers for the Belt and Road Initiative and CPEC. This thesis examines both economic and security arguments to address the question: What is the primary driver for China’s Belt and Road Initiative and the China–Pakistan Economic Corridor? The research shows that security is the primary driver for these projects. Economic considerations and benefits are also important to Chinese leaders, but security considerations trump economic ones.

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TABLE OF CONTENTS

I.	INTRODUCTION.....	1
A.	RESEARCH QUESTION AND MAIN FINDINGS.....	3
B.	SIGNIFICANCE OF THE RESEARCH QUESTION.....	4
C.	LITERATURE REVIEW	5
1.	Belt and Road Overview.....	6
2.	Previous Investment, China–Pakistan Economic Corridor, and BRI	8
3.	Chinese Motivations.....	9
D.	POTENTIAL EXPLANATIONS AND HYPOTHESES	14
E.	RESEARCH DESIGN	16
F.	THESIS OVERVIEW AND CHAPTER OUTLINE.....	18
II.	THE CHINA–PAKISTAN ECONOMIC CORRIDOR.....	19
III.	AN ANALYSIS OF SECURITY AS THE DRIVER.....	37
A.	CPEC, GWADAR, AND CHINA’S OIL DEMAND	39
B.	BRI: A NEO-COLONIAL PUSH?	41
C.	MORE THAN ACCESS TO RESOURCES.....	43
D.	BRI AS A FOREIGN POLICY INITIATIVE	45
IV.	ECONOMICS AS THE DRIVER FOR CHINA’S BELT AND ROAD INITIATIVE.....	49
A.	BRI AS THE NEW “GOING OUT” POLICY?	51
B.	MADE IN CHINA 2025.....	54
C.	BRI AS A TRADE FACILITATOR	56
D.	CONCLUSION	57
V.	CONCLUSION	61
	LIST OF REFERENCES	67
	INITIAL DISTRIBUTION LIST	73

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LIST OF FIGURES

Figure 1.	Map of the Belt and Road Overview	20
Figure 2.	CPEC Highway Network Map.....	23
Figure 3.	CPEC Railway Network Map.....	24
Figure 4.	CPEC Fiber Optic Cable Network Map.....	25
Figure 5.	Transit Routes for Chinese Energy Imports.....	27
Figure 6.	Energy Demands for the U.S., European Union, and China in Million Tons Equivalent of Oil.....	28
Figure 7.	Chinese Energy Consumption and Energy Breakdown.....	30
Figure 8.	Chinese Lending to High Default-Risk Countries	38

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LIST OF ACRONYMS AND ABBREVIATIONS

AIIB	Asia Infrastructure Investment Bank
BRI	Belt and Road Initiative
CCP	Chinese Communist Party
CPEC	China–Pakistan Economic Corridor
ICC	International Chamber of Commerce
KKH	Karakorum Highway
NDRC	National Development and Reform Commission
OEDC	Organization for Economic Cooperation and Development
PLAN	People’s Liberation Army Navy
SCO	Shanghai Cooperation Organization
TPP	Trans-Pacific Partnership

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ACKNOWLEDGMENTS

For my parents, Gary and Barb, who always loved, encouraged, supported, and believed in me. For my friends John, Grant, Kristina, Lizz, Veronica, Juice, Tony, Bre, Sean, Leah, and Jon, who supported and encouraged me—thank you. And for Patrick, who kept me motivated and sane.

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I. INTRODUCTION

In 2013, China's President Xi Jinping announced the Belt and Road Initiative (BRI),¹ an interconnected network of rail lines, oil and gas pipelines, roads, bridges, and port facilities designed to connect China with Central Asia, the Middle East, Africa, and Europe.² The BRI is funded mostly by China and Chinese investors through loans or grants from the Silk Road Fund and the Asia Infrastructure Investment Bank (AIIB), both of which were created specifically for or in part for this initiative.³ As of October 2017, approximately US\$300 billion have already been invested in BRI initiatives, with an additional US\$700 billion worth of investment expected in the next 10 years.⁴

A key element of BRI is the China–Pakistan Economic Corridor (CPEC), an infrastructure-building campaign in Pakistan, which began in 2015 with an estimated US\$46 billion dollars' worth of investment, but increased to US\$51.1 billion.⁵ It includes port facilities at Gwadar Port, roads, and pipelines.⁶ CPEC will span from Kashgar in the Chinese province of Xinjiang, to Gwadar port in the Pakistani province of Baluchistan.⁷

¹ The Belt and Road Initiative is the latest term in a series of terms to describe China's global infrastructure building and trade initiative. Other terms used are One Belt, One Road (OBOR), the Maritime Silk Road, the Economic Belt, the Silk Road Economic Belt, and the 21st Century Maritime Silk Road. While this list is not all encompassing, these terms are often used interchangeably and are used to describe the same phenomena. The term Belt and Road Initiative is the most recent term used by China and will be used throughout this thesis.

² "Chronology of China's "Belt and Road" initiatives," Xinhuanet, February 5, 2015, http://news.xinhuanet.com/english/china/2015-02/05/c_133972101.htm; Scott Kennedy, "Building China's One Belt, One Road," Center for Strategic and International Studies, April 3, 2015, <https://www.csis.org/analysis/building-china's-one-belt-one-road>"; Michael D. Swaine, "Chinese Views and Commentary on the "One Belt, One Road" Initiative," *China Leadership Monitor* 47 (July 2015): 2, <https://www.hoover.org/sites/default/files/research/docs/clm47ms.pdf>.

³ Swaine, 3.

⁴ Anja Manuel, "How China is Quietly Reshaping the World," *The Atlantic*, October 17, 2017, <https://www.theatlantic.com/international/archive/2017/10/china-belt-and-road/542667/>.

⁵ Abdur Rehman, "How CPEC Security Will Test the 'All-Weather Friendship' of China and Pakistan," *The Diplomat*, June 24, 2017, <https://thediplomat.com/2017/06/how-cpec-security-will-test-the-all-weather-friendship-of-china-and-pakistan/>.

⁶ Muhammad Diah Fazil, "The China-Pakistan Economic Corridor: Potential and Vulnerabilities," *The Diplomat*, May 29, 2015, <https://thediplomat.com/2015/05/the-china-pakistan-economic-corridor-potential-and-vulnerabilities/>.

⁷ Ibid.

The Karakorum Highway was completed in 1979 and is slated to be widened and improved as part of CPEC.⁸ Several wind and coal-fired power production facilities have been built to address widespread have been completed to help address chronic power shortages in Pakistan.⁹

However, CPEC is the newest and greatest manifestation of the long-term Sino-Pakistan economic cooperation. Pakistan was among the first countries, and the first Muslim country, to recognize Communist China as the legitimate government of a mainland China.¹⁰ Their relationship has been consistently characterized as “sweeter than honey, “deeper than the deepest ocean,” and “all-weather friends.”¹¹ The first and most important joint infrastructure-building project was the Karakorum Highway (KKH), a stretch of road reaching heights of 15, 397 feet between China and Pakistan that has become the central land artery between the two countries.¹² Taking over 27 years to build, over 1,000 Chinese and Pakistani workers died building the KKH, which has become a symbol of the solidity of relations between the two.¹³ Although not originally planned as part of a greater network, the KKH has been integrated into the greater CPEC plan.

What is China’s motivation for CPEC and the BRI? Two main arguments emerge - security and economic. The economic argument is focused on China’s desire to move up the production value chain, escape the middle income trap, and maintain access to markets globally. The security argument focuses on China’s “soft underbelly” of the southwestern provinces, its increased spending on internal security, the perceived “Malacca Dilemma,”

⁸ “CPEC Projects Progress Update,” Government of Pakistan, November 29, 2017, <http://cpec.gov.pk/progress-update>.

⁹ Ibid.; Drazen Jorgic, “Pakistani PM Rushes to End Energy Shortages Ahead of 2018 Poll,” Reuters, October 9, 2016, <https://www.reuters.com/article/us-pakistan-power-politics/pakistan-pm-rushes-to-end-energy-shortages-ahead-of-2018-poll-idUSKCN12A030>

¹⁰ Andrew Small, *The China Pakistan Axis: Asia’s New Geopolitics* (Haryana, India: Penguin Random House India), 19.

¹¹ Ibid., 3.

¹² Ibid., xv, 99.

¹³ Ibid., 99.

and a desire to spread its influence globally. While economic performance is increasingly important to Chinese leaders, the desired ends is security.

A. RESEARCH QUESTION AND MAIN FINDINGS

What drives China's Belt and Road Initiative? Is it economic, driven by China's desire and need to continue economic growth? Or is the BRI driven by China's need to maintain a firm grip on the southwestern provinces and perceived external security threats? Examining where China invests for these projects gives insights to the motivations. If the BRI and CPEC were purely economically driven as China claims, then Beijing would be investing in countries with investable grade credit ratings and where they would likely receive a safe return on investment. However, China is investing in countries with high risks of default on loans and who have credit ratings below investable grade, according to the Organization for Economic Cooperation and Development (OECD), notably Pakistan, Venezuela, and Argentina.¹⁴ These high risk investments can threaten the viability of CPEC and BRI projects in the near and long term, as well as threaten to overburden the Chinese and recipient country's economy with non-performing loans and debt.¹⁵ This analysis of where China is investing points to a different driver, that of security concerns.

The thrust of BRI out of China is focused on the southwest frontiers, an area which China has historically felt a shaky grip on power and an area China views as its "soft underbelly."¹⁶ Xinjiang, as well as Pakistan are of concern to Beijing as unrest and a shift in Uighur sentiment from secular to Islamist in Xinjiang is linked to Pakistan.¹⁷ An unstable Pakistan poses an increasing risk to China, not only because they share a border, but China perceives that Uighurs have and are traveling to Pakistan for radicalization and then return to Xinjiang and perpetuate acts of violence.¹⁸ Xi Jinping said that religious

¹⁴ "China rethinks developing world largesse as deals sour," Financial Times, October 13, 2016, <https://www.ft.com/content/5bf4d6d8-9073-11e6-a72e-b428cb934b78>.

¹⁵ Small, *The China Pakistan Axis: Asia's New Geopolitics*, 15–16.

¹⁶ Swaran Singh, "Rebuilding Lifelines of Its Soft Underbelly," in *The New Great Game*, ed. Thomas Fingar, (Stanford, CA: Stanford University Press, 2016), loc 398 of 799, iBooks.

¹⁷ Small, 84–87.

¹⁸ *Ibid.*, 72, 176–177.

extremism is a direct threat to China, as extremists and separatists could flow into Xinjiang with a goal to weaken China.¹⁹ This focus on internal security was also included in Xi Jinping's 19th Party Congress speech. Internal security spending by China totaled nearly US\$200 billion in 2017, and while the largest amount of domestic security spending is focused on the Tibetan Autonomous Region, Xinjiang is second and saw a 92.8 percent increase between 2017 and 2018.²⁰

Chinese leaders recognize that economic development since the Deng Xiaoping era has been uneven and has favored large coastal cities, and has left behind the interior and outlying provinces. China advertises that BRI will raise the standard of living in these areas and claims the BRI will address chronic underdevelopment. This desire to raise the standard of living for all Chinese citizens is based on a quest for security, to placate the ethnic minority populations living there, and to maintain a grip on power, rather than altruistic intentions.²¹ While economic benefits undoubtedly appeal to China, the ends are motivated by security considerations.

B. SIGNIFICANCE OF THE RESEARCH QUESTION

The Belt and Road Initiative is arguably the most ambitious infrastructure building campaign in history. It crosses some of the most unstable countries in the world, whose governments are stymied by corruption, rent-seeking, and violence. China hopes to improve the economies of these states in order to decrease violence, prevent spillover into Chinese territory, and increase the standard of living in its southwestern frontier to promote internal stability. Whether or not BRI will succeed is unknown, however the China–Pakistan Economic Corridor provides the opportunity for a case study. Pakistan is plagued by many of the same issues other BRI countries experience, such as corruption, ethnic

¹⁹ Christopher Ford, "Realpolitik with Chinese Characteristics: Chinese Strategic Culture and the Modern Communist Party-State," in *Strategic Asia 2016–2017: Understanding Strategic Cultures*, ed. Ashley J. Tellis, Alison Szalwinski, and Michael Willis, (Washington, DC: National Bureau of Asian Research), pg. 38.

²⁰ Adrian Zenz, "China's Domestic Security Spending: An Analysis of Available Data," Jamestown Foundation, China Brief, 18, Issue 4, <https://jamestown.org/program/chinas-domestic-security-spending-analysis-available-data/>

²¹ Singh, "Rebuilding Lifelines of Its Soft Underbelly," in *The New Great Game*, loc. 355–357 of 799.

violence, and violent extremism. CPEC succeeding could provide China with a blueprint on how to succeed elsewhere. Yet, China's motivation for BRI is debated, with some arguing the main driver is continued Chinese economic development and others arguing that security trumps all.

Understanding the motivations for BRI and CPEC have implications for U.S. foreign policy, and may also illuminate potential areas of cooperation and conflict between the U.S. and China. Understanding these motivations could also reveal areas of strength and weakness in China's calculus, and provide clues to areas in which the U.S. could exploit. The Chinese motivations also provide insight as to what Beijing views as most important for China, which helps the U.S. determine and shape its foreign policy.

C. LITERATURE REVIEW

Official Chinese media, such as Xinhua offers insight into Chinese thinking on topics such as the BRI, CPEC, and the "Made in China 2025" initiative, discussed in Chapter IV. Unofficial Chinese media, such as the South China Morning Post often offer differing views from the official party line in China, and often offer information or insight that deviates from Beijing's from scholars, officials, and economists in China who otherwise would not speak to official media. Think tanks such as the Lowy Institute in Australia and the Center for Strategic and International Studies in Washington, DC, offer analysis by experts, as well as a Western view of the BRI and CPEC. The Center for Strategic and International Studies experts such as Johnathan Hillman testify before Congressional bodies focused on China, and thus reviewing such testimonies is important as it helps direct the United States government's perceptions and actions vis-a-vis China.

Andrew Small is arguably one of the top Sino-Pakistan scholars, and thus his work *The China-Pakistan Axis Asia's New Geopolitics* has been reviewed at length. Several renowned scholars such as Michael Swaine, Robert Sutter, and Thomas Fingar have written on the Chinese Foreign Policy extensively. Fingar's book, *The New Great Game* offers chapters from Western and non-Western authors, and focuses on China's relations and foreign policy goals in South and Southeast Asia, which is important to review in regards to the maritime portion of the BRI. Swaine's article *China Leadership Monitor* discussing

Chinese views on the BRI is of great value as it provides insight and analysis of official Chinese media and statements. Sutter's book *Chinese Foreign Relations: Power and Policy Since the Cold War* includes both Western and non-Western authors and provides insight into China's foreign policy considerations.

1. Belt and Road Overview

In 2013, China's President Xi Jinping announced the Belt and Road Initiative (BRI), an interconnected network of rail lines, oil and gas pipelines, roads, bridges, and port facilities designed to connect Chinese market with European markets, transiting Central Asia, the Middle East, and Africa.²² It is arguably the most ambitious and expansive infrastructure-building campaign in history. The BRI is funded mostly by China and Chinese investors through loans or grants from the Silk Road Fund and the Asia Infrastructure Investment Bank (AIIB), both of which were created specifically for or in part for this initiative.²³ Foreign investors are also helping to fund BRI.²⁴ The AIIB was formed in early 2014 to "finance infrastructure construction and promote regional interconnectivity and economic integration."²⁵ By the beginning of 2015, 25 countries signed on to the AIIB: China; Bangladesh; Brunei; Cambodia; Pakistan; India; Kazakhstan; Kuwait; Laos; Malaysia; Mongolia; Myanmar; Nepal; Oman; the Philippines; Qatar; Singapore; Sri Lanka; Thailand; Uzbekistan; Vietnam; New Zealand; Maldives; Saudi Arabia; and Tajikistan.²⁶ The Silk Road Fund was established when China invested US\$40 billion, which President Xi announced would be used to "provide investment and financing support to carry out infrastructure, resources, industrial cooperation, financial cooperation and other projects related to connectivity for countries along the 'Belt and Road.'"²⁷ While estimates differ, approximately UD\$300 billion have already been invested in BRI

²² Chronology of China's "Belt and Road" initiatives, Xinhuanet; Scott Kennedy, "Building China's One Belt, One Road; Swaine, "Chinese Views and Commentary on the "One Belt, One Road" Initiative."

²³ Swaine, "Chinese Views and Commentary on the 'One Belt, One Road' Initiative," 3.

²⁴ Ibid.

²⁵ "Chronology of China's "Belt and Road" initiatives, Xinhuanet.

²⁶ Ibid.

²⁷ Ibid.

initiatives, with an additional US\$700 billion worth of investment expected in the next 10 years.²⁸

While not specifically a function of the BRI initiative, the Shanghai Cooperation Organization (SCO) also serves as an economic and security cooperation forum, useful to China and other BRI countries. Originally composed of the “Shanghai Five” – China, Russia, Kazakhstan, Tajikistan, and Kyrgyzstan – expanded in 2001 to include Uzbekistan and was rebranded as the Shanghai Cooperation Organization.²⁹ The SCO expanded to include India and Pakistan as members, along with Afghanistan, Belarus, Iran, and Mongolia as observers.³⁰ The United States has been blocked by China from joining, even as an observer.³¹ Originally intended to prevent Russia or its predecessor the Soviet Union from dominating Central Asia, the SCO essentially allows Beijing to block U.S. hegemony in the Central Asian Republics.³² The SCO’s focus has evolved slightly over time, but one of its main focus is battling the “three evils” of separatism, religious extremism, and terrorism.³³ While anti-terrorism and emergency exercises have been held between SCO countries militaries, its focus is on regional cooperation.³⁴ The SCO’s focus has shifted in recent years to economic concerns, and in 2015 they released a 10-year development strategy in which economics was featured prominently and where a provision for “developing common approaches of the SCO member states” to the BRI.³⁵

²⁸ Anja Manuel, “How China is Quietly Reshaping the World.”

²⁹ Small, *The China Pakistan Axis: Asia’s New Geopolitics*, 76; “About SCO”, Shanghai Cooperation Organization, December 1, 2017; Jonathan E. Hillman, *India and Pakistan Join the Shanghai Club*, (Washington, DC: Center for Strategic and International Studies), June 8, 2017, <https://www.csis.org/analysis/india-and-pakistan-join-shanghai-club>

³⁰ Ibid.

³¹ Thomas Fingar, “China’s Goals in South Asia,” in *The New Great Game*, ed. Thomas Fingar, (Stanford, CA: Stanford University Press, 2016), loc. 141 of 799, iBooks.

³² Ibid., loc. 146 of 799.

³³ Small, 76; Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, Fourth Edition, (Lahnman, MD: Rowman and Littlefield, 2016,) loc. 386 of 512, iBooks.

³⁴ Ibid., loc 385–386 of 512.

³⁵ Jonathan E. Hillman, *India and Pakistan Join the Shanghai Club*; “Development Strategy of the Shanghai Cooperation Organization Until 2025,” Shanghai Cooperation Organization, accessed December 4, 2017, <http://eng.sectsc.org/load/200162/>.

2. Previous Investment, China–Pakistan Economic Corridor, and BRI

A key element of BRI is the China–Pakistan Economic Corridor (CPEC), and relations between the two have been described as “sweeter than honey,” “deeper than the deepest ocean,” and “all-weather friends.”³⁶ Pakistan was among the first countries, and the first Muslim country to recognize the People’s Republic of China.³⁷ CPEC, as previously mentioned is not the first infrastructure initiative between China and Pakistan; the most notable of which is the Karakorum Highway (KKH). CPEC is another infrastructure-building campaign announced in 2015, which began with an estimated at US\$46 billion dollars’ worth of investment, but increased to US\$51.1 billion, and includes port facilities at Gwadar Port, roads, and pipelines.³⁸ CPEC will span from Kashgar in the Chinese province of Xinjiang, to Gwardar port in the Pakistani province of Baluchistan.³⁹ Although recently unveiled, the bones of CPEC were laid in 1979, when China and Pakistan completed the Karakoram Highway (KKH).⁴⁰ Though this route claims only seven to eight percent of the trade between the two countries, it is symbolic of the long-term relations between China and Pakistan, as well as China’s continued interest in investment in Pakistan.⁴¹ The China-Pakistan relationship is viewed curiously, as the two have seemingly very little in common, the exception being both have a contentious relationship with India. Yet China has a security interest in Pakistan, since it borders Xinjiang, where Uighur separatists have committed acts of terrorism and Pakistan is where some Chinese Uighurs are suspected of receiving terrorist training.⁴²

³⁶ Small, *The China Pakistan Axis: Asia’s New Geopolitics*, 3.

³⁷ Ibid., 19.

³⁸ Rehman, “How CPEC Security Will Test the ‘All-Weather Friendship’ of China and Pakistan.”

³⁹ Fazil, “The China-Pakistan Economic Corridor: Potential and Vulnerabilities.”

⁴⁰ Small, 70–71.

⁴¹ Ibid., 100.

⁴² Charles Wolf, Xiao Wang, Eric Warner, “China’s Foreign Aid and Government Sponsored Investment Activities: Scale, Content, Destinations, and Implications,” RAND Corporation, (Santa Monica, CA, RAND Corporation, 2013), http://www.rand.org/content/dam/rand/pubs/research_reports/RR100/RR118/RAND_RR118.pdf

While China's intended investment in CPEC has risen to over US\$51 billion, little has been accomplished. KKH was completed in 1979, and is slated to be widened and improved as part of CPEC.⁴³ The first phase of Gwadar Port has been completed, but not the second; a handful of wind turbine farms have been completed to help address chronic power shortages in Pakistan.⁴⁴ Speculation exists on how much of the US\$51.1 billion will actually be invested, as China has failed to follow through with investments in the past. A RAND Corporation study that detailed Chinese-pledged assistance to Pakistan over a decade between 2001 and 2011 at a value of US\$66 billion, however only six percent of the investment actually came to fruition.⁴⁵ Chinese and Pakistani efforts for CPEC have similarly been late bloomers. The most recent example is Gwadar Port, a port facility located in a restive Pakistani province that borders the Arabian Sea. The port opened in 2007, with the intention of a second phase of the port construction to follow; this second phase would be oil terminals, cargo terminals, a roll-on/roll-off terminal, and a grain terminal.⁴⁶ China was also to build an oil refinery at Gwadar as well, yet very little of this second phase has been built.⁴⁷

3. Chinese Motivations

China's motivations for the BRI are likely multifaceted, with President Xi making the initiative feature prominently in both foreign policy and domestic economic strategy.⁴⁸ Both the economic and the geopolitical benefits to China from this initiative are undeniable, but which is the primary driver is where scholarly discussion diverges. The economic argument focuses on the expected economic dividends to China once the BRI projects are put in place and begin to bear fruit. Such dividends would include markets to

Government of Pakistan, "CPEC Projects Progress Update."

⁴⁴ Government of Pakistan, "CPEC Projects Progress Update"; Jorgic, "Pakistani PM Rushes to End Energy Shortages Ahead of 2018 Poll."

⁴⁵ Small, *The China Pakistan Axis: Asia's New Geopolitics*, 97.

⁴⁶ Ibid., 101.

⁴⁷ Ibid.

⁴⁸ Scott Kennedy, "Building China's 'One Belt, One Road,'" (Washington, DC: Center for Strategic and International Studies, April 3, 2015), <https://www.csis.org/analysis/building-china's-one-belt-one-road>

offload excess capacity, markets for high-end Chinese goods, and the establishment of a Chinese-centric manufacturing model. Economic-focused arguments do not discount the geopolitical forces in play, nor disregard the implications to foreign policy that economics has.⁴⁹ Some literature focuses on specific aspects of China's economic interest that drives the BRI, while others focus on economics writ large. The geopolitical argument focuses on security; China views the southwest frontier provinces such as Xinjiang as its "soft underbelly."⁵⁰ The underdevelopment, ethnic and religious conflict, and remote locations of the five southwest frontier provinces is a partial motivation for the BRI, but the desire to increase the standard of living in those provinces isn't the result of altruistic motives, rather it is based on a quest for security and to placate the people living there.⁵¹

a. *Economic Motivations*

The economic-focused argument has official backing, in respects to the official commission it was placed under. Beijing created an BRI oversight office, and placed it under the control of the National Development and Reform Commission (NDRC), which is China's premier economic planning commission.⁵² The NDRC's focus is on economic cooperation and global economic integration, and five goals are listed as part of the vision for BRI, including policy coordination, unimpeded trade, and facilities connectivity.⁵³ According to Peter Cai at the Lowy Institute, the economic aspect is overlooked; he argues that China is using the BRI to create regional economic integration in order to assert Chinese regional dominance, both in the Southwest frontiers and beyond.⁵⁴ Within China, the southwestern provinces continually lag behind the eastern ones with per capita incomes

⁴⁹ Peter Cai, *Understanding China's Belt and Road Initiative*, (Sydney, Australia: Lowy Institute, March 2017), pg. 1, https://www.lowyinstitute.org/sites/default/files/documents/Understanding%20China's%20Belt%20and%20Road%20Initiative_WEB_1.pdf

⁵⁰ Singh, "Rebuilding Lifelines of Its Soft Underbelly," loc.348-350 of 799., iBooks.

⁵¹ Ibid., loc. 355–357 of 799.

⁵² Swaine, "Chinese Views and Commentary on the 'One Belt, One Road Initiative,'" 3.

⁵³ "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," National Development and Reform Commission, People's Republic of China, March 28, 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html

⁵⁴ Cai, *Understanding China's Belt and Road Initiative*, 5.

in these areas consistently fallen behind for the last six decades, which Beijing feels is a motivating factor for instability.⁵⁵ Lu Shuling, the former Chinese ambassador to Pakistan, postulates that economic development provided by BRI and CPEC in China's southwest frontiers, as well as regionally will help combat the primary driver of insurgency and separatism in Pakistan and Xinjiang, which is poverty.⁵⁶

Aside from the desire to promote economic growth internally, economic motivations extend outside China's borders. As China's economy has grown, wages within China have increased, thus costing China its manufacturing comparative advantages.⁵⁷ Stimulus packages during the global recession of 2008 has created excess capacity within China's economy that it needs to offload, or risk economic crisis.⁵⁸ China is also looking to create markets for higher-priced Chinese goods that the West is unlikely to buy; the Chinese also seek to be the standard bearers for BRI countries in areas like science and technology, as some Chinese sources think that "only companies that make standards can be considered world-class companies."⁵⁹ All of these elements support what is called "Made in China 2025," a manufacturing industry upgrade push to restructure China's manufacturing industry, make it more innovation-driven, and emphasize quality over quantity.⁶⁰ The BRI is expected to play a prominent role in the exporting of higher-end Chinese goods.⁶¹

Cai does note that there are some potential problem areas for China and the BRI countries. Some of the BRI countries have credit ratings below investable grade, and some Chinese banks are worried about risky loans to these countries as well as the long-term viability of some BRI projects.⁶² Some Chinese bankers are also worried that these massive

⁵⁵ Singh, "Rebuilding Lifelines of Its Soft Underbelly," loc. 353 of 799.

⁵⁶ Cai, *Understanding China's Belt and Road Initiative*, 7.

⁵⁷ Ibid., 8.

⁵⁸ Ibid., 12

⁵⁹ Ibid., 9–11.

⁶⁰ Ibid., 8.

⁶¹ Ibid., 9.

⁶² Ibid., 15–16.

initiatives could create another global economic crisis, and worry that poorer countries could take advantage of China by getting loans for projects with no intention of repaying them.⁶³ Simultaneously, former ambassador to Pakistan is claiming that the BRI is a “free ride on the Chinese economic express train,” which demonstrates the split between the two schools of thought.⁶⁴ Pakistan is proving to be dangerous for Chinese overseas workers, which could also threaten the viability of the BRI projects in that country.⁶⁵

b. Security Motivations

The security-focused argument for the BRI is focused on the southwest frontiers, separatism and violence in Xinjiang, and stability and economic viability of Pakistan and CPEC. To sustain economic growth, China needs consistent access to energy, which the Central Asian Republics have, and that Pakistan can provide via Gwadar Port.⁶⁶ China’s emphasis on the SCO – which Pakistan recently became a member of – demonstrates that China believes it can only truly address the issues inside its borders by cooperating with regional states.⁶⁷ Central Asia and Pakistan have been a source of training and support for militant Uighurs in Xinjiang.⁶⁸ The Chinese Foreign Minister in 2015 stated that the BRI was the key focus of Chinese foreign policy.⁶⁹ Thus, security is not the only geopolitical consideration or concern; China seeks to enhance its prestige, and will use the BRI to do so.⁷⁰ By connecting the region together, financing massive infrastructure-building campaigns, and establishing itself as the standard setter, China will enhance its own economy as well as its regional and global prestige.

⁶³ Cai, *Understanding China’s Belt and Road Initiative*, 16.

⁶⁴ Swaine, “Chinese Views and Commentary on the “One Belt, One Road” Initiative,” 10.

⁶⁵ Cai, 15.

⁶⁶ Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, loc. 387–388 of 512, iBooks.

⁶⁷ Ibid., loc. 385 of 512; Jonathan E. Hillman, *India and Pakistan Join the Shanghai Club*.

⁶⁸ Small, *The China Pakistan Axis: Asia’s New Geopolitics*, 84–86.

⁶⁹ Swaine, 4.

⁷⁰ Thomas Fingar, “China and South and Central Asia in the Era of Reform and Opening” in *The New Great Game*, ed. Thomas Fingar, (Stanford, CA; Stanford University Press, 2016,) loc. 84d of 799, iBooks

China has also announced it has set up courts within China to arbitrate BRI disputes, though it is unclear how these Chinese courts will overcome sovereignty issues that arise out of international law.⁷¹ The International Court of Arbitration for the International Chamber of Commerce (ICC) has offered its services to Beijing to arbitrate disputes.⁷² The ICC is an international business association with 6 million members in 100 countries, and is headquartered in Paris, France.⁷³ It has not yet been announced if China will utilize the ICC's Court of Arbitration. Should China continue to use internal courts to arbitrate may signal a desire to control not only the funding for BRI projects, but also the mechanism to determine outcomes of disputes so that they favor China. Such favoritism would not only help propel Chinese companies toward the goal of becoming members of "world-class companies"⁷⁴ they so desire, but also would give China complete control over projects while giving BRI countries only a perceived arbitration mechanism.

Certain areas covered by CPEC and BRI are especially important to China. Pakistan and Xinjiang are of particular concern to Beijing. Unrest in Xinjiang is linked, sometimes legitimately to Pakistan,⁷⁵ which played a critical role in the shift of Uighur sentiment from mostly secular to Islamist in nature, according to Andrew Small.⁷⁶ Many of the young Uighur men that traveled to Pakistan to seek religious education ended up funneled into madrassas that were hotbeds for extremist recruitment and radicalization.⁷⁷ Coupled with a long-held desire by most Uighurs to establish an independent country, China feared an outbreak of extremist violence. Beginning in 2008, that is exactly what occurred; the

⁷¹ Janne Suokas, "China to set up Belt and Road court for settling disputes," *Global Times*, January 25, 2018, <https://gbtimes.com/china-to-set-up-belt-and-road-court-for-settling-disputes>.

⁷² Janne Suokas, "ICC court plans to arbitrate in Belt and Road disputes," *Global Times*, March 6, 2018, <https://gbtimes.com/icc-court-plans-to-arbitrate-in-belt-and-road-disputes?feature=chinas-belt-and-road-initiative>.

⁷³ International Chamber of Commerce, "Who We Are," April 3, 2018, <https://iccwbo.org/about-us/who-we-are/>.

⁷⁴ Peter Cai, *Understanding China's Belt and Road Initiative*, 9–11.

⁷⁵ Andrew Small, *The China Pakistan Axis: Asia's New Geopolitics*, 69–72.

⁷⁶ *Ibid.*, 84–87.

⁷⁷ *Ibid.*, 72.

violence hit an apex in 2009, when at least 184 people were killed in clashes between Uighurs and the ethnic Han Chinese.⁷⁸

With China viewing the southwest frontier as their “soft underbelly,” the fears of internal instability, and the increase in violence in Xinjiang in the last decade, the security argument also holds significant influence.⁷⁹

D. POTENTIAL EXPLANATIONS AND HYPOTHESES

There are two schools of thought regarding explanations for Chinese motivations for BRI—economic and security. The security explanation focuses on the Southwest frontier region, with a specific focus on Xinjiang, as well as the Chinese concern regarding Pakistan. This focus on Xinjiang covers the entire array of Chinese interests and foreign policy worldwide, notably in South Asia due to the connection between Pakistan and Muslim Uighurs.⁸⁰ A 2012 terror attack near the entrance to the Forbidden City, perpetuated by Uighurs who came from an area close to the Xinjiang-Pakistan border resulted in two deaths and 38 wounded embarrassed Chinese security services.⁸¹ This attack is one of many.

An unstable Pakistan poses increasing risk to China, as China perceives that Uighurs have and are traveling to Pakistan for radicalization in order to return to Xinjiang and perpetuate acts of violence.⁸² Xi himself characterized religious extremism as a direct threat to China, as extremists and separatists could flow into Xinjiang in order to weaken China.⁸³ It is not just the threat of Pakistani-trained militants that worries Beijing. Pakistan

⁷⁸ Shan Wei and Chen Gang, *The Urumqi Riots and China's Ethnic Policy in Xinjian*, (Singapore: East Asian Institute, National University of Singapore, Accessed 23 May, 2017), http://www.eai.nus.edu.sg/publications/files/Vol1No3_ShanweiChenGang.pdf

⁷⁹ Singh, “Rebuilding Lifelines of Its Soft Underbelly,” loc.398 of 799.

⁸⁰ Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, loc. 400 of 512, iBooks.

⁸¹ Andrew Small, *The China Pakistan Axis: Asia's New Geopolitics*, 176–177.

⁸² Ibid., 72, 176–177.

⁸³ Christopher Ford, “Realpolitik with Chinese Characteristics: Chinese Strategic Culture and the Modern Communist Party-State,” in *Strategic Asia 2016–2017: Understanding Strategic Cultures*, ed. Ashley J. Tellis, Alison Szalwinski, and Michael Willis, (Washington, D.C.: National Bureau of Asian Research), 38.

has become an increasingly dangerous place to be a Chinese worker; in Baluchistan, Chinese workers have been harassed and killed by separatists in Baluchistan, but also by religious extremists.⁸⁴ In 2004, the Baloch Liberation Army attacked Chinese workers who were building Gwadar Port, killing three and injuring nine, and also attacked the Gwadar airport and a hotel housing Chinese workers.⁸⁵ In 2007, a group of vigilantes from the Red Mosque attacked a Chinese acupuncture clinic and massage parlor, taking workers and clients hostage, claiming it was used as a brothel.⁸⁶ Such events show on an international scale that Beijing and Islamabad are incapable of protecting Chinese workers, embarrassing both governments. Pakistan often struggles to combat terrorism within its own borders, in part because of ties between organizations like the Pakistani Taliban, and the ISI Pakistan's intelligence service.⁸⁷ Beijing fears spillover of unrest and violence into Chinese territory.

The importance of economic motivations cannot be overlooked. China has become a net importer of oil, which is a resource that is key to its economic advancement.⁸⁸ China has lost its comparative advantage in the manufacturing sector as its economy has continued to grow.⁸⁹ Beijing announced the Made in China 2025 initiative, which is focused on restructuring its manufacturing industry to emphasize innovative, quality manufacturing in place of quantity, low-cost manufacturing.⁹⁰ China is anticipating that the BRI countries will be more willing to purchase higher-end, more expensive Chinese goods than Western countries.⁹¹ The infrastructure built by the BRI will help facilitate the movement of goods to and from China. This economic-focused approach is the basis behind the BRI push by Beijing.

⁸⁴ Small, *The China Pakistan Axis: Asia's New Geopolitics*, 4, 102.

⁸⁵ Ibid., 102.

⁸⁶ Ibid., ix.

⁸⁷ Ibid., 79.

⁸⁸ Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, loc. 26 of 512, iBooks.

⁸⁹ Cai, *Understanding China's Belt and Road Initiative*, 8.

⁹⁰ Ibid.

⁹¹ Ibid., 9.

The push for higher-end Chinese goods is not simply for monetary purposes. China sees the BRI as necessary to establish China as a standard-setter for manufacturing, technology, and science; by setting the standards for those industries, Chinese companies can become world-class companies and be more competitive internationally.⁹² China's push for exporting its high-speed rail technology is an example of this, with China constructing high-speed rail projects in Laos, Thailand, and Indonesia.⁹³ A compounding economic reason is China suffers from excess capacity in its manufacturing sectors, and the BRI countries are seen a possible relief valves for this excess.⁹⁴ Beijing initiated a stimulus package during the 2008 global financial crisis in order to keep its economy afloat, which in turn exacerbated Chinese excess capacity.⁹⁵

E. RESEARCH DESIGN

For this research question, I examine the China–Pakistan Economic Corridor. This portion of the greater BRI is useful because large amounts of infrastructure already exist, and as such they can be studied for their longevity as well as the presence of additional literature, to include official Pakistani and Chinese press releases and information made available to the public. Studying already-existing infrastructure lessens the need for speculation and conjecture, and the CPEC currently has the most infrastructure already built.

Various types of literature have been examined. Of particular interest is official and unofficial Chinese sources, to include statements made by Chinese government officials and the official news media outlet Xinhua. Other official sources, such as the Shanghai Cooperation Organization, and the official Government of Pakistan CPEC website are also available in English. Many think tanks, located around the world have extensive research and writings on the One Belt, One Road and China–Pakistan Economic Corridor initiatives, including the Center for Strategic and International Studies and the Lowy Institute. Online

⁹² Cai, *Understanding China's Belt and Road Initiative*, 9.

⁹³ Ibid., 10.

⁹⁴ Ibid., 12.

⁹⁵ Ibid.

and print scholarly journals, such as Harvard University's Hoover Institute China Leadership Monitor are available for research and are well-sourced. Several renowned scholars such as Andrew Small, Michael Swaine, Robert Sutter, and Thomas Fingar have written on the topic extensively. Combined, these sources provide breadth and depth to the question posed, ensuring to include both Eastern and Western views.

Economic motivations are best supported by official statements or documents from the governments of China and Pakistan. Press statements, official communications, and other reports from officials in positions to make such statements are beneficial. Continued investment in Pakistan and CPEC could also indicate China's motivation for CPEC, as Beijing would likely continue to invest if it were more concerned with economic growth and integration than by security motivations. The oversight of the NDRC props up the economics-motivated argument for BRI writ large. However, the vision paper put out by the commission does not address Pakistan or CPEC directly, but rather focuses on South Asia as a whole region.

The argument for security motivations is bolstered by a historical view of China's concern regarding Xinjiang and Pakistan. Evidence of Chinese pushing Pakistan toward additional counter-terror operations, or away from its intelligence service's ties to the Pakistani Taliban, or any effort to quell anti-Chinese sentiment in Pakistan, especially among Uighurs would reinforce the idea that security is the motivating factor for China to pursue CPEC. A January 2018 "manifesto" was published on the front page of the People's Daily, the official Chinese Communist Party newspaper, that "(t)he world needs China... That creates broad strategic room for our efforts to uphold peace and development and gain an advantage" (emphasis added).⁹⁶ While similar statements have been used in the past, other statements within the front page piece included a "democratic" and "governance deficit," along with the "drawbacks of capitalism-led political and economic systems are

⁹⁶ Robert Daly, Matthew Rojansky, "China's Global Dreams Gives Its Neighbors Nightmares," *Foreign Policy*, March 12, 2018, <http://foreignpolicy.com/2018/03/12/chinas-global-dreams-are-giving-its-neighbors-nightmares/>.

emerging.”⁹⁷ When considered with increasingly isolationist U.S. policies and a perceived loss of U.S. influence globally, these statements indicate that China is looking to take advantage of more than just an economic opportunity.

Additionally, statements other official communications from officials in positions to make assertions regarding CPEC and motivations would also weigh heavily in favor of the security argument. Statements by Chinese officials referenced previously that these initiatives were the most important aspect of Chinese foreign policy lends credence to the security motivations argument.

F. THESIS OVERVIEW AND CHAPTER OUTLINE

This thesis addresses the Chinese motivations for the BRI and CPEC initiatives, including dollar amounts of what has already been invested and where the BRI and CPEC will traverse, and how they relate to each other. A brief overview of the BRI and CPEC initiatives is provided. Chapter II covers CPEC, and includes what China and Pakistan have already built as part of the CPEC initiative, and how it fits into the broader BRI construct. Chapter II also looks at what problems China has faced with infrastructure development in the past. Chapter III examines the security argument, and Chapter IV covers the economic argument. The concluding chapter, Chapter V summarizes the previous arguments, along with my assessment as to the most likely explanation.

⁹⁷ “PC newspaper says China should “grasp historic opportunity,” *Xinhuanet*, January 15, 2018, http://www.xinhuanet.com/english/2018-01/15/c_136897189.htm.

II. THE CHINA–PAKISTAN ECONOMIC CORRIDOR

A key element of China's Belt and Road Initiative (BRI) is the China–Pakistan Economic Corridor (CPEC), an infrastructure-building campaign in Pakistan, which began in 2015 with an estimated at US\$46 billion dollars' worth of investment, but increased to US\$51.1 billion.⁹⁸ It includes port facilities at Gwadar Port, roads, and pipelines.⁹⁹ CPEC will span from Kashgar in the Chinese province of Xinjiang, to Gwardar port in the Pakistani province of Baluchistan.¹⁰⁰ The Karakorum Highway (KKH) was completed in 1979 and is slated to be widened and improved as part of CPEC.¹⁰¹ Several wind and coal-fired power production facilities have been built to address widespread chronic power shortages in Pakistan.¹⁰² The plan covers projects to the year 2030, and is divided among short, medium, and long term projects. Short term projects are considered up to the year 2020, medium term until 2025, and long term until 2030.¹⁰³ CPEC is divided into five functional zones that encompass key functional “node” cities, which are: the foreign economic zone in Xinjiang, China; the trade logistics and business corridor and ecological reserve along the northern border; the central and eastern plain economic zone; the western logistics business zone; and the zone for southern coastal logistics business.¹⁰⁴ Figure 1 gives a visual overview of the BRI.

⁹⁸ Abdur Rehman, “How CPEC Security Will Test the ‘All-Weather Friendship’ of China and Pakistan,” *The Diplomat*, June 24, 2017, <https://thediplomat.com/2017/06/how-cpec-security-will-test-the-all-weather-friendship-of-china-and-pakistan/>.

⁹⁹ Muhammad Diam Fazil, “The China-Pakistan Economic Corridor: Potential and Vulnerabilities,” *The Diplomat*, May 29, 2015, <https://thediplomat.com/2015/05/the-china-pakistan-economic-corridor-potential-and-vulnerabilities/>.

¹⁰⁰ Ibid.

¹⁰¹ Government of Pakistan, “CPEC Projects Progress Update,” November 29, 2017, <http://cpec.gov.pk/progress-update>.

¹⁰² Ibid.; Drazen Jorgic, “Pakistani PM Rushes to End Energy Shortages Ahead of 2018 Poll,” October 9, 2016, <https://www.reuters.com/article/us-pakistan-power-politics/pakistan-pm-rushes-to-end-energy-shortages-ahead-of-2018-poll-idUSKCN12A030>.

¹⁰³ Government of Pakistan, “Long Term Plan for China Pakistan Economic Corridor (2017-2030),” June 1, 2018, 2, <http://cpec.gov.pk/brain/public/uploads/documents/CPEC-LTP.pdf>.

¹⁰⁴ Government of Pakistan, “Long Term Plan for China Pakistan Economic Corridor (2017-2030),” 4

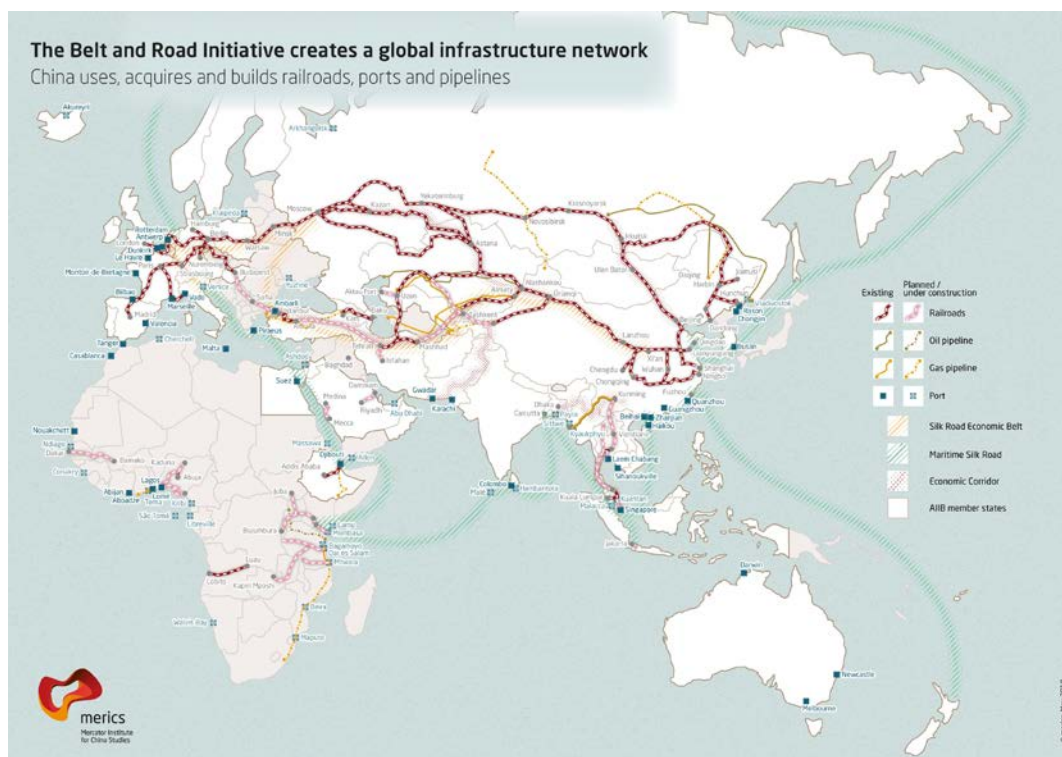


Figure 1. Map of the Belt and Road Overview¹⁰⁵

CPEC is not the first Chinese-Pakistani attempt to build infrastructure within Pakistan and between the two countries, but it is the newest and greatest. Pakistan was among the first countries, and the first Muslim country to recognize Communist China as the legitimate government of mainland China.¹⁰⁶ Their relationship has been consistently characterized as “sweeter than honey,” “deeper than the deepest ocean,” and “all-weather friends.”¹⁰⁷ The first and most important joint infrastructure-building project was the Karakorum Highway, a stretch of road passing through some of the highest points on earth, reaching heights of 15,397 ft between China and Pakistan that has become the central land artery between the two countries.¹⁰⁸ Taking over 27 years to build, over 1,000 Chinese and

¹⁰⁵ Source: Mercator Institute for China Studies, “Mapping the Belt and Road Initiative: this is where we stand,” June 7, 2018, https://www.merics.org/sites/default/files/2018-06/MERICS_Silk_Road_v8.jpg

¹⁰⁶ Small, *The China Pakistan Axis: Asia's New Geopolitics*, 19.

¹⁰⁷ *Ibid.*, 3.

¹⁰⁸ *Ibid.*, xv, 99.

Pakistani workers died building the KKH, which has become a symbol of the solidity of relations between the two.¹⁰⁹ The highway is functional, but carries only 7–8% of trade between China and Pakistan, so it's function is mainly symbolic, as air and sea transport have overtaken this land route.¹¹⁰ The area which the KKH passes through is prone to landslides and flooding, and part of the KKH has been submerged underwater since 2010.¹¹¹ This lake, near Attabad, is 14 miles long and over 100 meters deep, and was formed after a landslide.¹¹² Small boats transport goods across the lake to keep trade flowing, but such a method is not efficient.¹¹³ Although not originally planned as part of a greater network, the KKH has been integrated in to the greater CPEC plan.

CPEC was not originally conceived as a portion of China's BRI, as portions of CPEC predate China's initiative, but it has been wrapped into the overall BRI construct. Since 2015, CPEC has been slated as the "flagship project" of BRI, mostly because the most infrastructure already exists out of all BRI projects.¹¹⁴ Consisting of roads, rail lines, pipelines, power production facilities, and a deep water port at Gwadar, this corridor will be a test case for the broader BRI plans.¹¹⁵ Since the 1960s China had envisioned Pakistani ports to revitalize what it saw as "an 'ancient trade route...lost to modern times, not only for trade but for strategic purposes as well.'" ¹¹⁶ This history of project planning alleviated the requirement for additional feasibility studies prior to beginning construction.¹¹⁷ This test case may also be used to demonstrate China's ability to deliver on promised projects, as well as its ability to complete projects in difficult operating environments to potential partner countries.

¹⁰⁹ Small, *The China Pakistan Axis: Asia's New Geopolitics*, 99.

¹¹⁰ Ibid., 100.

¹¹¹ Ibid., 99.

¹¹² Ibid.

¹¹³ Ibid.

¹¹⁴ Ibid., 190.

¹¹⁵ Ibid.

¹¹⁶ Ibid., 188.

¹¹⁷ Ibid., 190.

The highway systems will link numerous Pakistani cities, including Lahore, Peshawar, Karachi, and Gwadar.¹¹⁸ Rail lines will be built or expanded and link major cities as well as towns, eventually linking Karachi to Gwadar, and linking up to rail lines extending into Iran.¹¹⁹ Railways into China are also planned.¹²⁰ Fiber optic cables will run for 820 kilometers and link communication networks north to south.¹²¹ Figures 2, 3, and 4 depict these systems. Multiple power projects are also part of the corridor, including hydroelectric plants, coal power plants, and wind power fields. Of the 15 projects currently part of the corridor, six are operational or partly operational and mostly consist of coal-fire and wind power generating plants, with four expecting to reach commercial operation dates by 2019.¹²² Two hydro power stations are expected to reach commercial operation dates in 2020 or 2021.¹²³ A total of nine Special Economic Zones have also been proposed as part of CPEC.¹²⁴ These zones vary in the type of industry, but cover agriculture; textiles; steel; iron ore; and other processing and manufacturing industries.¹²⁵ The Long Term Plan for CPEC also covers a somewhat ambiguous plan for: agricultural and livestock areas; calling for cooperation regarding agricultural production, processing, disease prevention; irrigation; and land development.¹²⁶

¹¹⁸ “Progress Update,” Government of Pakistan, May 29, 2018, <http://cpec.gov.pk/map-single/1>.

¹¹⁹ “Progress Update,” Government of Pakistan, May 29, 2018, <http://cpec.gov.pk/map-single/2>.

¹²⁰ “Progress Update,” Government of Pakistan, May 29, 2018, <http://cpec.gov.pk/map-single/2>.

¹²¹ “Progress Update,” Government of Pakistan, May 29, 2018, <http://cpec.gov.pk/map-single/3>.

¹²² “Progress Update,” Government of Pakistan, May 29, 2018, <http://cpec.gov.pk/progress-update>.

¹²³ Ibid.

¹²⁴ “Special Economic Zones,” Government of Pakistan, <http://cpec.gov.pk/special-economic-zones-projects>.

¹²⁵ Ibid.

¹²⁶ “Long Term Plan for China Pakistan Economic Corridor (2017-2030),” Government of Pakistan, 18, <https://www.pc.gov.pk/uploads/cpec/LTP.pdf>.

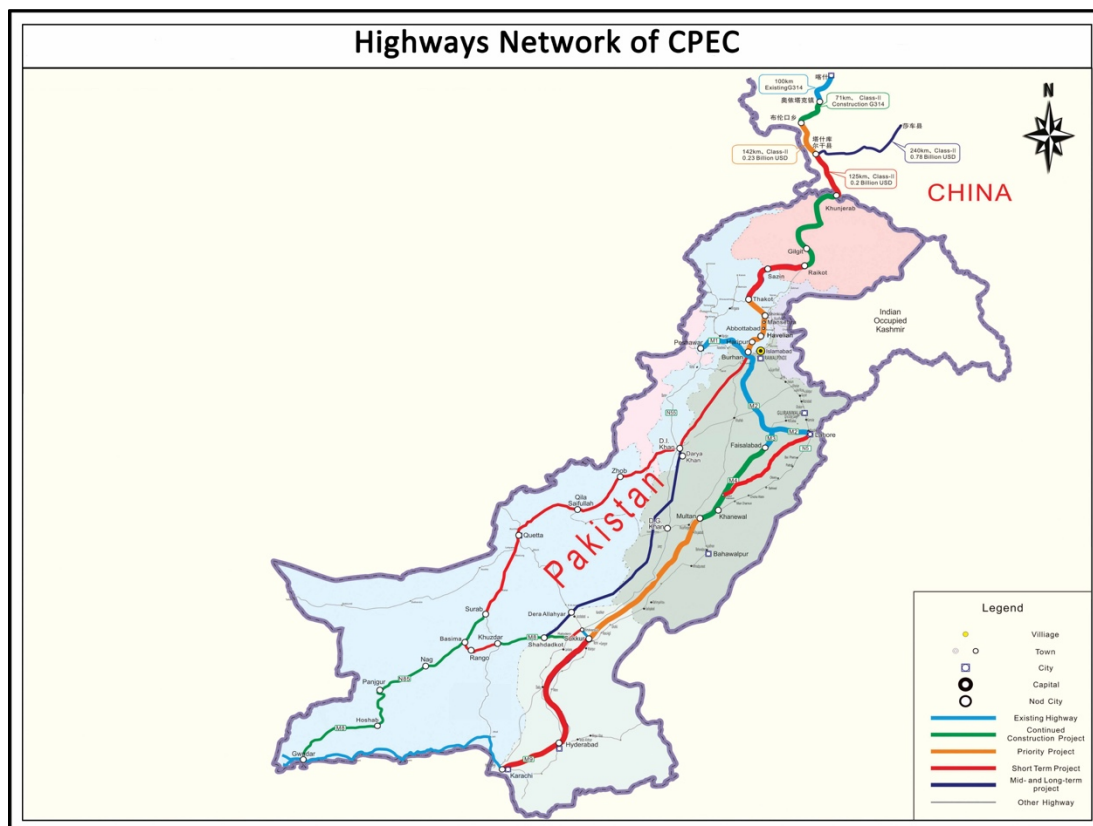


Figure 2. CPEC Highway Network Map¹²⁷

¹²⁷ Source: "China Pakistan Economic Corridor Maps," Government of Pakistan, June 11, 2018, <http://cpec.gov.pk/maps>.

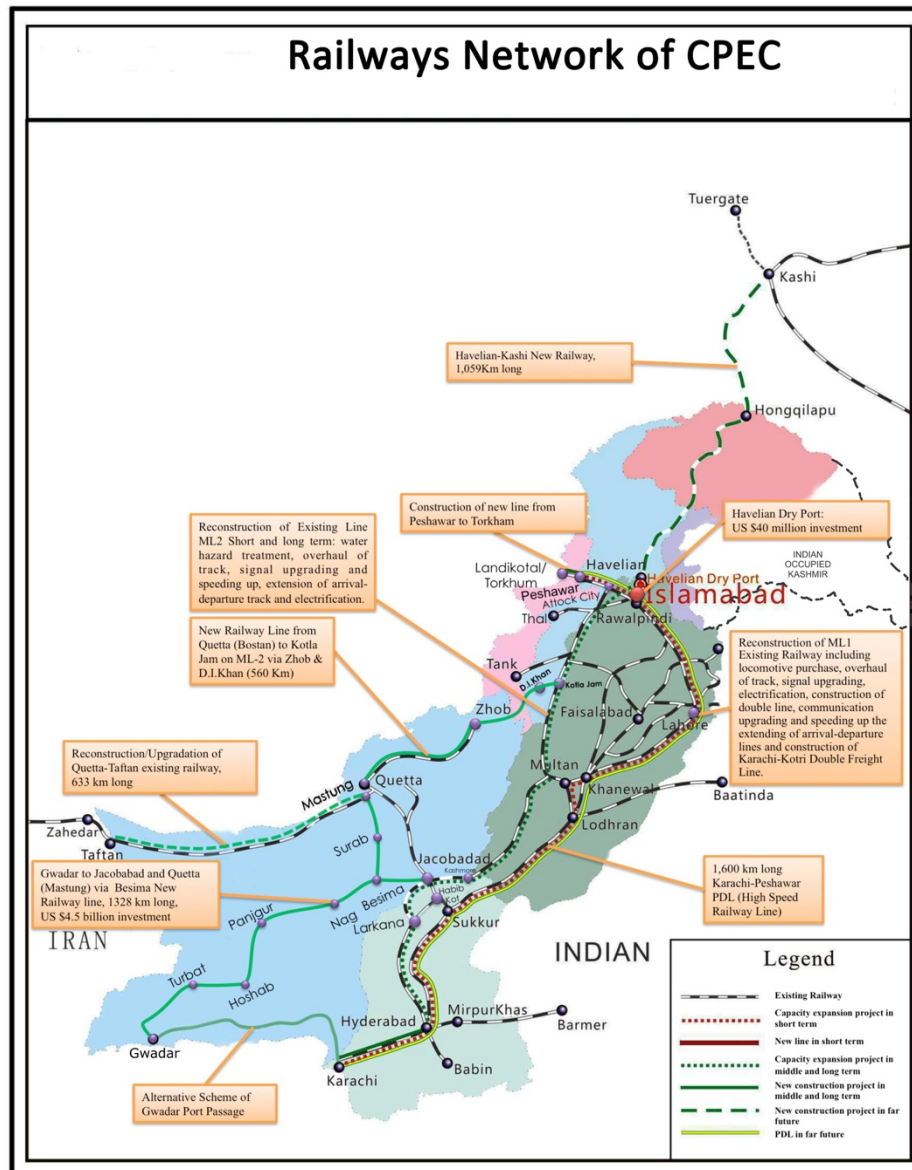


Figure 3. CPEC Railway Network Map¹²⁸

¹²⁸ Source: “China Pakistan Economic Corridor Maps,” Government of Pakistan, June 11, 2018, <http://cpec.gov.pk/maps>.

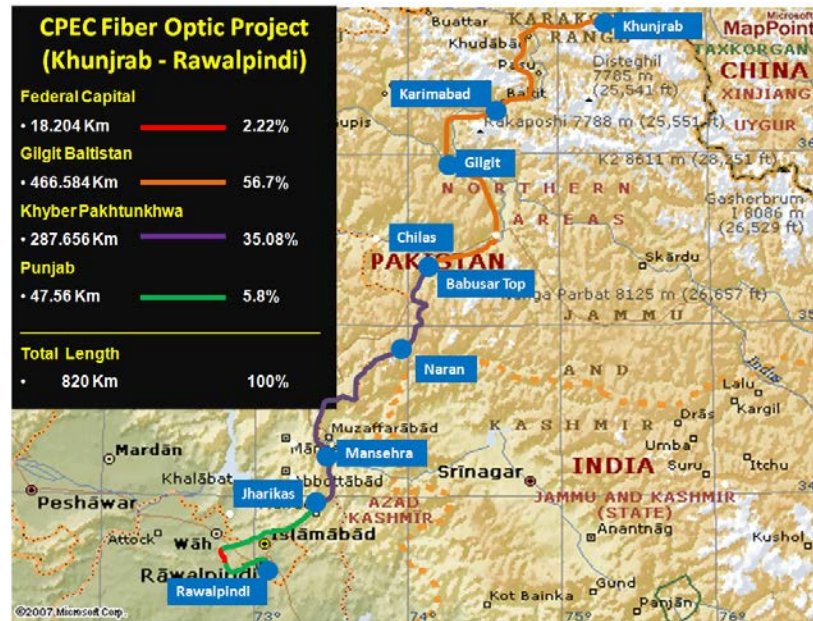


Figure 4. CPEC Fiber Optic Cable Network Map¹²⁹

China is increasingly focused on what it sees as the Malacca Dilemma, or the perceived critical vulnerability the Strait of Malacca poses if the Strait were to be closed or otherwise threatened. China is the second largest economy in the world, at US\$14 trillion, behind the United States at UD\$20.4 trillion in the first half of 2018.¹³⁰ China's economy is still heavily focused on manufacturing, and thus requires continual access to resources, including oil. China became the world's largest energy consumer in 2010, and by 2014 China consumed one fifth of the world's energy consumption.¹³¹ With a forecasted growth in 2018 of 6.6 percent, slightly below the previous two years, China's economy continues to expand and thus requires increasingly more resources.¹³² British Petroleum forecasts that by 2035, global energy demands will increase from current levels

¹²⁹ Source: "China Pakistan Economic Corridor Maps," Government of Pakistan, June 11, 2018, <http://cpec.gov.pk/maps>.

¹³⁰ Rob Smith, "The World's Biggest Economies in 2018," World Economic Forum, April 18, 2018, <https://www.weforum.org/agenda/2018/04/the-worlds-biggest-economies-in-2018/>.

¹³¹ Robert Looney, "Energy Security Issues Asia," (Lecture, Naval Postgraduate School, Monterey, CA, May 21, 2018); Meghan L. O'Sullivan, *Windfall: How the New Energy Abundance Upends Global Politics and Strengthens America's Power*, (New York, Simon & Schuster, 2017), 213.

¹³² "IMF Ups China 2018 Economic Growth Forecast," Xinhuanet, January 23, 2018, http://www.xinhuanet.com/english/2018-01/23/c_136918004.htm.

by 41 percent, with China and India constituting over half the demand in global energy.¹³³ More than 80 percent of China's oil imports, originating in the Middle East and Africa, flow through the Strait of Malacca, one of the busiest waterways in the world.¹³⁴ The International Energy Agency projects that China will need to import four fifths of its oil demands by 2030.¹³⁵ Most of China's natural gas flows in pipelines from Turkmenistan, via pipelines in Kazakhstan and Uzbekistan, totaling about 46 percent of imports.¹³⁶ A China-Burma pipeline was completed in 2015, but negotiations continue on transit fees and thus it is not fully operational.¹³⁷ This pipeline is supplied by crude oil from Middle East and African countries, and bypasses the Malacca Strait.¹³⁸ It is estimated that it is four to five times more costly to send oil over land from Gwadar to Xinjiang than by sea to Shanghai, highlighting China's emphasis on solving this Malacca Dilemma.¹³⁹ Figure 5 depicts the transit routes China utilizes for energy imports, and Figure 6 depicts China's forecasted energy demands into 2035.

¹³³ "BP Energy Outlook 2035 Factsheet," British Petroleum, June 22, 2018, http://www.atmosedu.com/Geol390/articles/BPEnergy_Outlook_insights_2035.pdf.

¹³⁴ Rhea Menon, "Thailand's Kra Canal: China's Way Around the Malacca Strait," *The Diplomat*, April 6, 2018, <https://thediplomat.com/2018/04/thailands-kra-canal-chinas-way-around-the-malacca-strait/>.

¹³⁵ Looney, "Energy Security Issues Asia,,"; Robert Looney, "Windfall: Chapter 10, China" (Class presentation, Naval Postgraduate School, Monterey, CA, May 21, 2018).

Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2017* (Washington, D.C.: Pentagon, 2017,) 51, https://www.defense.gov/Portals/1/Documents/pubs/2017_China_Military_Power_Report.pdf.

¹³⁷ Ibid.

¹³⁸ Ibid.

¹³⁹ Small, *The China Pakistan Axis: Asia's New Geopolitics*, 102.

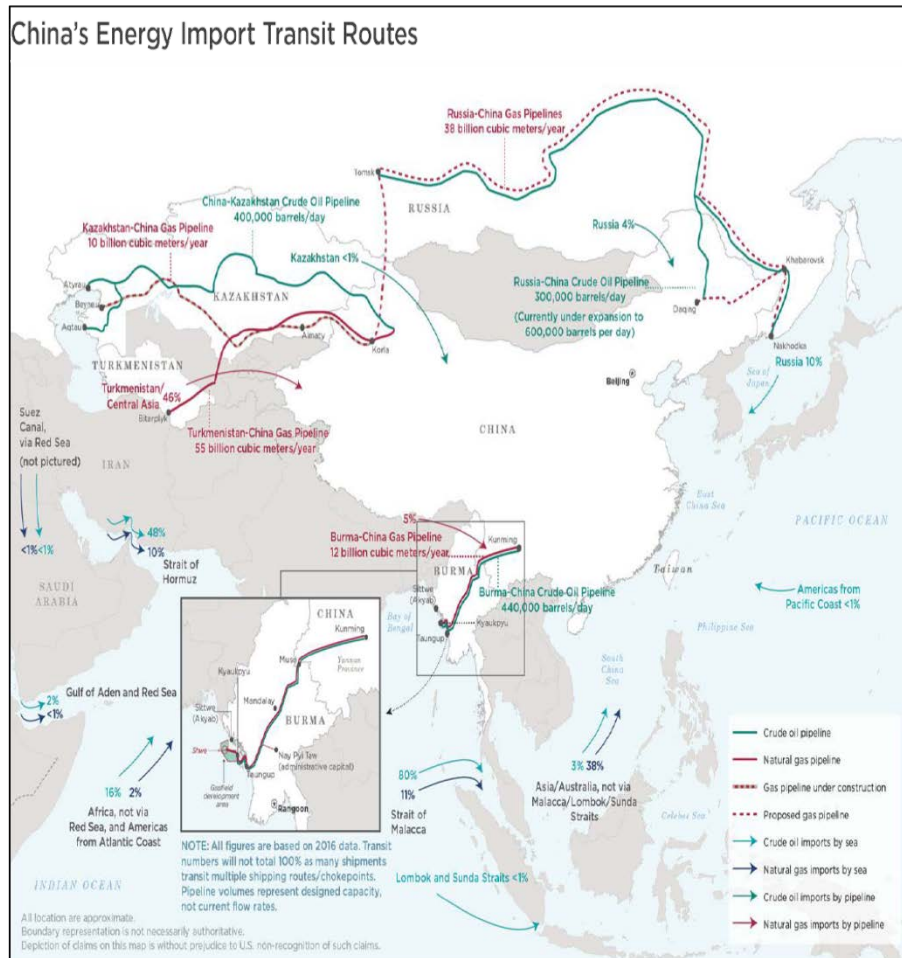
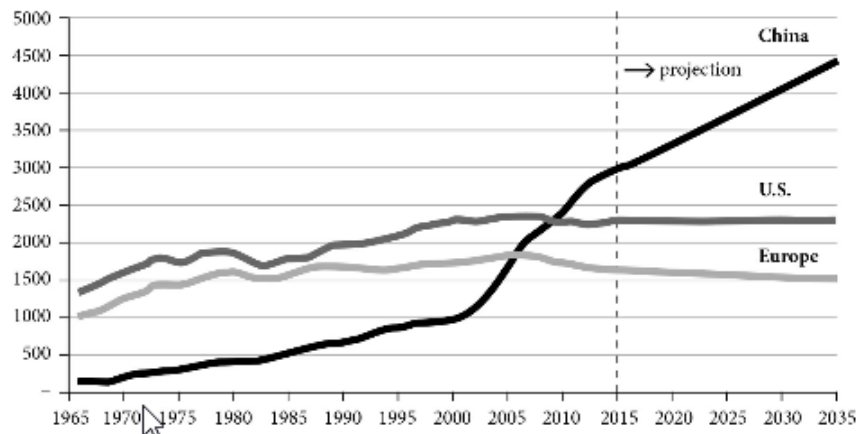


Figure 5. Transit Routes for Chinese Energy Imports¹⁴⁰

¹⁴⁰ Source: Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China* 2017, 52.



Source: Derived from BP, *BP Statistical Review of World Energy 2016* and BP, *BP Energy Outlook 2017*.

Figure 6. Energy Demands for the U.S., European Union, and China in Million Tons Equivalent of Oil¹⁴¹

As previously mentioned, China's economy is heavily dependent on manufacturing and its market is export-oriented. Over the last several years China has desired and is attempting to move to a more service-based economy in an attempt to escape the middle income trap and promote long term economic growth. This move to a more service-based economy is based less on Chinese economic savant, and more on reactions to the market. As China's economy has grown, wages within China have increased, thus costing China its manufacturing comparative advantages.¹⁴² Manufacturing-based economies are more strongly tied to the strength of other economies.¹⁴³ Service-based economies are less so. China has begun initiatives such as the "Made in China 2025," a manufacturing industry upgrade push to restructure China's manufacturing industry, make it more innovation-

¹⁴¹ Source: Meghan L. O'Sullivan, *Windfall: How the New Energy Abundance Upends Global Politics and Strengthens America's Power*, 213

¹⁴² Cai, *Understanding China's Belt and Road Initiative*, 8.

¹⁴³ Robert Looney, "Windfall: Chapter 10, China," (Class presentation, Naval Postgraduate School, Monterey, CA, May 21, 2018).

driven, and emphasize quality over quantity.¹⁴⁴ The OBOR initiative is expected to play a prominent role in the exporting of higher-end Chinese goods.¹⁴⁵

China's energy generation is heavily dependent on coal, which made up approximately 70 percent of its energy needs from 1980 to 2014, consuming as much coal as the rest of the countries in the world combined.¹⁴⁶ Coal is nearly three times cheaper for energy generation in China than other methods, but recent events endogenous and exogenous to China may shift that.¹⁴⁷ Chinese environmentalists and citizens have been pushing for more sustainable and environmentally sustainable energy sources, and China signing on the Paris Climate Accord may signal an end to cheap coal.¹⁴⁸ China has set a goal for natural gas consumption at ten percent, up from its current six percent, and in 2015 invested nearly UD\$90 billion in renewable energy, the highest in the world.¹⁴⁹ As China transforms into a more service-based economy, the shift from coal and fossil fuels to renewable sources may become more articulated. This is due partly because service-based economies are less energy intensive than manufacturing and export-based economies.¹⁵⁰ Figure 7 depicts China's energy trends and breakdown since 1990.

¹⁴⁴ Cai, "Understanding China's Belt and Road Initiative," Lowy Institute, March 2017, 8.

¹⁴⁵ Ibid., 9.

¹⁴⁶ Looney, "Windfall: Chapter 10, China."

¹⁴⁷ Ibid.

¹⁴⁸ Ibid.

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

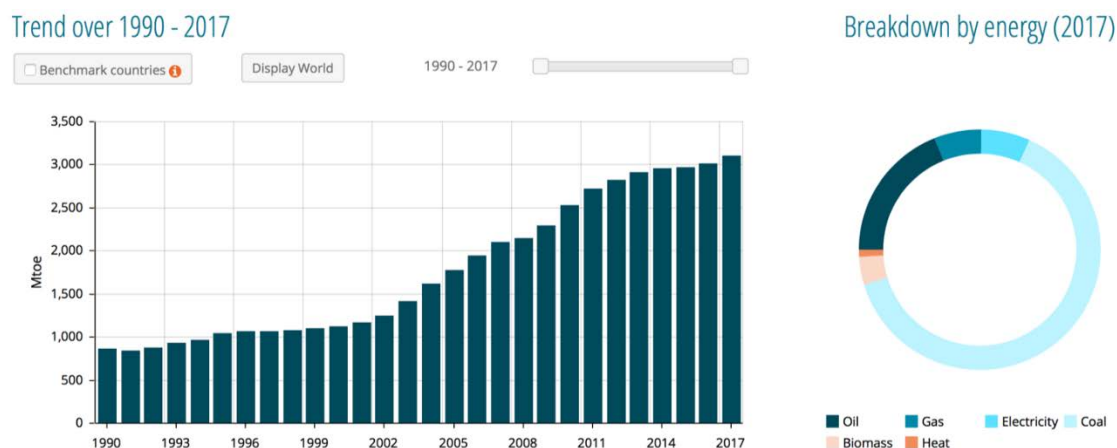


Figure 7. Chinese Energy Consumption and Energy Breakdown¹⁵¹

The port at Gwadar has become a central focus of CPEC. This port allows China to bypass the Malacca Strait by importing and transferring goods, materials, and energy into China through the CPEC infrastructure. Gwadar was purchased from Oman in 1958, and was nothing more than a quiet fishing village.¹⁵² While Gwadar holds a strategic location on the Arabian Sea, it lies in the restive, resource-rich but underdeveloped province of Baluchistan, prone to ethnic violence and insurgency.¹⁵³ Gwadar Port opened in 2007, with the Port of Singapore Authority assuming control of port operations until the lease was transferred to China Overseas Port Holding Company – Pakistan for 40 years in 2013.¹⁵⁴ A second phase of the port construction was intended to follow, comprising of oil terminals, cargo terminals, a roll-on/roll-off terminal, and a grain terminal in order to transform it into a commercial hub.¹⁵⁵ China was also to build an oil refinery at Gwadar as well, yet very little of this second phase has been built.¹⁵⁶ In 2017, Gwadar Port had

¹⁵¹ Source: “Global Energy Statistical Yearbook 2018,” EnerData, June 28, 2018, <https://yearbook.enerdata.net/total-energy/world-consumption-statistics.html>.

¹⁵² *China-Pakistan Economic Corridor: Opportunities and Risks*, (Brussels, Belgium, International Crisis Group) Crisis Group Asia Report No. 297, June 29, 2018, 17, <https://www.crisisgroup.org/asia/south-asia/pakistan/297-china-pakistan-economic-corridor-opportunities-and-risks>.

¹⁵³ Ibid.

¹⁵⁴ Ibid.

¹⁵⁵ Ibid.; Small, *The China Pakistan Axis: Asia’s New Geopolitics*, 101.

¹⁵⁶ Small, 101.

only nine vessels call, handling approximately 3,600 metric tons.¹⁵⁷ Upon completion of additional berths, it is projected that Gwadar will handle up to a million metric tons.¹⁵⁸ However, the expansion projects are still being reviewed, and thus have not been funded or construction begun.¹⁵⁹

The current small capacity is not Gwadar's only problem. Like the rest of Pakistan, Gwadar suffers from electricity shortages, and even with energy imports from Iran, outages can last up to ten hours each day.¹⁶⁰ CPEC energy projects aim to eliminate these extreme shortages, but current infrastructure is not enough. Gwadar also experiences extreme potable water shortages, and while two desalinization plants exist in Gwadar Port local officials claim that the plants only support and benefit the port and not the city's population.¹⁶¹ Much of the local population relies on subsistence fishing in Gwadar Port, and in recent years the Pakistani government has prevented them from fishing due to security concerns.¹⁶² Fears and feelings of alienation are not new in Baluchistan. The province has desired independence dating back to the partition of Pakistan from India in 1947.¹⁶³ CPEC has brought foreign and non-Baluch workers into the province, further stoking fears within the Baluch community that they will become a minority in their own province.¹⁶⁴ Baluchi in Gwadar also claim exclusion from job opportunities in port and

¹⁵⁷ *Logistics Capacity Assessment* (Rome, Italy: Logcluster, October 26, 2017), <http://dlca.logcluster.org/display/public/DLCA/2.1.3+Pakistan+Gwadar+Port;jsessionid=882DE065923E229D21A211F76617DEF6#id-2.1.3PakistanGwadarPort-PortPerformance>.

¹⁵⁸ Ibid.

¹⁵⁹ "Dredging of Berthing Areas & Channels," Government of Pakistan, June 18, 2018, <http://cpec.gov.pk/project-details/35>.

¹⁶⁰ *China-Pakistan Economic Corridor: Opportunities and Risks*, International Crisis Group, 18.

¹⁶¹ Ibid.

¹⁶² Ibid., 20.

¹⁶³ Qasim Nauman, "What Is Pakistan's Balochistan Insurgency and Why Is India's Modi Talking About It," *The Wall Street Journal*, August 17, 2016. <https://blogs.wsj.com/briefly/2016/08/17/what-is-pakistans-balochistan-insurgency-and-why-is-indias-modi-talking-about-it-the-short-answer/>.

¹⁶⁴ Umair Jamal, "Pakistan's Balochs Fear Minority Status in Their Own Province," *The Diplomat*, February 11, 2016, <http://thediplomat.com/2016/02/pakistans-balochs-fear-minority-status-in-their-own-province/>.

construction projects.¹⁶⁵ The Frontier Works Organization, run by the Pakistani military control most construction projects in Baluchistan as well as other areas of Pakistan, have been criticized for using labor from Punjab rather than from the local Baluch population.¹⁶⁶ Baluchi disenfranchisement only furthers this sense of alienation at best, and at worst appears to be a concerted effort by the government to displace and further disenfranchise Baluchi.¹⁶⁷ A tongue-in-cheek joke reflects these fears and ethnic tensions—that CPEC actually stands for “the China Punjab Economic Corridor.”¹⁶⁸ Over the 40 year lease China Overseas Port Holding Company – Pakistan holds, China will received 91 percent of the profit from the port’s operations, while the Gwadar Port Authority will receive the other nine percent.¹⁶⁹ The provincial government in Baluchistan will receive nothing, raising questions as to what exactly CPEC offers Baluchistan.¹⁷⁰ This uneven distribution of profit only further fuels the anxiety felt by the Baluch.

Baluchistan suffers from endemic ethnic conflict and violence against both Pakistani security forces and Chinese workers, becoming one of the most dangerous places to be an overseas Chinese worker.¹⁷¹ Kidnappings and killings occur regularly, and date back to as early as 2004. The Pakistani security forces are not without blame. Under the Musharraf regime, which ended in 2008, they carried out kidnappings, torture, and killings of hundreds, possibly thousands of Baluch nationalists or sympathizers, in an attempt to suppress dissent.¹⁷² Such tactics continue under the current government.¹⁷³ Not only do such tactics reinforce fears of marginalization, but these tactics provide recruiting material

¹⁶⁵ *China-Pakistan Economic Corridor: Opportunities and Risks*, International Crisis Group, 20

¹⁶⁶ *Ibid.*

¹⁶⁷ Jamal, “Pakistan’s Balochs Fear Minority Status in Their Own Province.”

¹⁶⁸ Small, *The China Pakistan Axis: Asia’s New Geopolitics*, 191.

¹⁶⁹ *China-Pakistan Economic Corridor: Opportunities and Risks*, International Crisis Group, 17.

¹⁷⁰ *Ibid.*

¹⁷¹ Small, 99.

¹⁷² *China-Pakistan Economic Corridor: Opportunities and Risks*, International Crisis Group, 20.

¹⁷³ *Ibid.*

for terror groups or violent Baluch nationalists.¹⁷⁴ The civilian population is caught in the metaphoric and literal crossfire—if they cooperate with Pakistani security forces, militants threaten them; if they cooperate with militants, they are targeted by security forces.¹⁷⁵ An uncertain security environment leads to an uncertain economic one, as instability does not promote foreign investment because the risks are too great.

Ethnic conflict is particularly dangerous, as it often results in violence and perpetual instability of a region or state. Violence and state instability often dissuade foreign investment, as investors seek stability and the ability to predict future performance of their investments. This is especially true of physical infrastructure. Ethnic tensions in Baluchistan, a critical portion of CPEC, could threaten to extend construction timelines and operability of CPEC thus further delaying economic and development benefits to Pakistan and China. Like Pakistan, China continues to combat low-grade insurgency within its borders from the Uighur minority in Xinjiang, where CPEC physically connects Pakistan and China, which is exacerbated by economic inequality between the Han and Uighurs; the Han tend to be better educated and more economically prosperous than Uighurs.¹⁷⁶ Uighurs have also accused the Chinese central government of religious and ethnic discrimination, and fear that any influx of money into Xinjiang will disproportionately benefit ethnic Han. Uighurs are also Muslim in a nation that is hostile to organized religion. Both the Baluchi in Pakistan and the Uighurs in Xinjiang are ethnically different than the majority in power, have a different cultural identity, and fear that any economic or social development will unequally favor the majority ethnic group, even when the infrastructure transverses their territory. Neither Pakistan or China have made significant efforts to assuage these concerns, thus continued conflict is likely.

The potential benefits to China are also numerous. A successful implementation could be advertised to partner or potential partner countries of the viability of the broader BRI construct, as well as demonstrate China as an alternative partner option to Western

¹⁷⁴ Ibid., 21.

¹⁷⁵ Ibid.

¹⁷⁶ Ibid.

countries, and the United States specifically. China will secure its much desired access to the Arabian Sea and solving its Malacca Dilemma through Gwadar Port. Gwadar Port could theoretically be used as a naval base for logistics and resupply for the People's Liberation Army Navy, though that possibility has been downplayed.¹⁷⁷ By linking the troubled region of Xinjiang with Pakistan, should CPEC be economically prosperous, it could lead to prosperity in Xinjiang and thus reducing violence and resentment in the region. China has not been coy regarding the benefit of the BRI, to include CPEC, to China, stating in a 2018 "manifesto" on the front page of the *People's Daily* that "[t]he world needs China... That creates broad strategic room for our efforts to uphold peace and development *and gain an advantage*" (emphasis added).¹⁷⁸ How much of China's promised funding will come through is a legitimate question. A RAND Corporation study that detailed Chinese-pledged assistance to Pakistan over a decade between 2001 and 2011 at a value of U.S. \$66 billion, however only six percent of the investment actually came to fruition.¹⁷⁹

Political strife, corruption, and violence within Pakistan has hurt its economy. Pakistan's reputation, deservedly or not as a hotbed of terrorism has also affected foreign direct investment. Pakistan ranks 116 out of 176 of corrupt countries, and has a score of 32 out of 100, meaning it is highly corrupt. To put it in perspective, Pakistan is trailed by countries like Sierra Leone, Kazakhstan, Iran, and Russia.¹⁸⁰ Alexander Cooley notes that Chinese officials expect to lose up to 80% of their investment in the China-Pakistan Economic Corridor to Pakistani corruption.¹⁸¹ If the Pakistani government can gain control over the violence in Baluchistan and reduce government corruption, CPEC could provide important benefits to Pakistan. With the CPEC infrastructure, Pakistan forecasts over six

¹⁷⁷ Small, *The China Pakistan Axis: Asia's New Geopolitics*, 103.

¹⁷⁸ Daly, Rojansky, "China's Global Dreams Gives Its Neighbors Nightmares."

¹⁷⁹ Small, 97.

¹⁸⁰ "Corruption Percentage Index: 2016," Transparency International, January 25, 2017, https://www.transparency.org/news/feature/corruption_perceptions_index_2016.

¹⁸¹ Alexander Cooley, *The Emerging Political Economy of OBOR: The Challenges of Promoting Connectivity in Central Asia and Beyond*. (Washington, DC: The Center for Strategic and International Studies, October 2016), <https://www.csis.org/analysis/emerging-political-economy-obor>.

percent growth rates in its GDP.¹⁸² Free trade zones, updated infrastructure, and a safe physical space could attract additional foreign direct investment into the Pakistani economy and contributing to its growth. Pakistan is an export-oriented market, with half of Pakistan's economy is textile manufacturing.¹⁸³ This lack of diversification in manufacturing coupled with its export-oriented economy has made the Pakistani economy susceptible to shifts in global demand for its products.¹⁸⁴ Additional power generating plants could significantly reduce or end the chronic electricity shortage in Pakistan, which would also contribute to growing the economy, human development, and overall quality of life for the population. While power plants of varying types have been constructed and come on line, they are not yet enough to meet current or future demand. A stronger economy would allow for the enfranchisement of minority populations, and thus potentially undermining extremist recruiting. The Pakistani economy is heavily reliant on bailouts from the International Monetary Fund, with the most recent in 2013, and potentially another in 2018.¹⁸⁵ A large portion of Pakistan's government spending goes to the military, with the 2018–19 budget increased to RS1.1 trillion, or over US\$8.8 billion, with an overall Gross Domestic Product of US\$304 billion.¹⁸⁶ The largest percentage of Pakistan's GDP goes to debt servicing, accounting for nearly 30 percent of GDP at nearly US\$ 92 billion.¹⁸⁷ This leaves little money to put toward development and services within Pakistan.

¹⁸² "World Fact Book: Pakistan," Central Intelligence Agency, June 28, 2018, <https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html>.

¹⁸³ Ibid.

¹⁸⁴ Ibid.

¹⁸⁵ Asif Shahzad, Kay Johnson, "Pompeo Said U.S. Would Not Block Pakistan If It Seeks IMF Bailout: Pakistani Minister," Reuters, September 11, 2018, <https://www.reuters.com/article/us-pakistan-usa/pompeo-said-u-s-would-not-block-pakistan-if-it-seeks-imf-bailout-pakistani-minister-idUSKCN1LR13C>

¹⁸⁶ Kamran Yousaf, "Defence budget up by around 20%," *The Express Tribune*, April 28, 2018, <https://tribune.com.pk/story/1697218/1-defence-budget-around-20/>; "CIA World Fact Book: Pakistan," Central Intelligence Agency, September 10, 2018, <https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html>

¹⁸⁷ Kamran Haider, Faseeh Mangi, "IMF Bailout Looms For Pakistan as Debt Surge Raises Alarm," *Bloomberg*, May 30, 2018, <https://www.bloomberg.com/news/articles/2018-05-30/imf-bailout-looms-for-pakistan-as-debt-surge-raises-alarm>

China hopes this key portion of its Belt and Road Initiative will solve a long term fear of strategic encirclement and long term requirement for energy. However, significant problems face the China–Pakistan Economic Corridor, especially in Gwadar that must be overcome if China is to succeed in its quest for energy security. The tumultuous security situation in Pakistan threatens both CPEC as well as inhibits foreign direct investment, thus contributing to a weak economy and continued internal strife. However, unless there is a shift in the way CPEC projects are implemented and who they benefit, certain projects—especially in Baluchistan—could only fan the flames of tension and conflict.¹⁸⁸

¹⁸⁸ *China-Pakistan Economic Corridor: Opportunities and Risks*, International Crisis Group, 27.

III. AN ANALYSIS OF SECURITY AS THE DRIVER

China's Belt and Road Initiative is touted as an economic enterprise with benefits for all parties involved. China contests the framing of BRI as a geostrategic tool but claims that all participants in the initiative are equal partners, and that the initiative seeks to achieve win-win outcomes, according to the spokesman for the 13th People's Congress, Zhang Yesui.¹⁸⁹ Yet an examination of where China is investing suggests that economics is not the underlying motivation for BRI. If this initiative was purely economic in nature, China would invest in countries with lower risks of default and credit ratings that would allow the countries to borrow from other institutions. However, China has invested in countries with the highest risks of default, which suffer from significant economic and governance issues. Of the top ten recipients of foreign investment, six are rated by the Organization for Economic Cooperation and Development (OECD) as having the highest risk for default (see Figure 8).¹⁹⁰ Of these six countries, five have signed on to BRI projects, and one is a prospective BRI partner. If China is making investments for an initiative that are economically risky, are economic drivers really behind this initiative? If the driver was economic, China would seek stable investments with lower risks of default than what they have done. Another potential explanation is that China is using BRI, its accompanying infrastructure, and loans in order to spread Chinese influence globally. China's focus on internal security spending and investments into unstable countries and regions indicates that the main driver is security focused, not economic.

¹⁸⁹ "Belt and Road Initiative yields fruitful results: spokesman," *Xinhua*, March 4, 2018, http://www.xinhuanet.com/english/2018-03/04/c_137015668.htm.

¹⁹⁰ "China rethinks developing world largesse as deals sour," *Financial Times*, October 13, 2016, <https://www.ft.com/content/5bf4d6d8-9073-11e6-a72e-b428cb934b78>.



Figure 8. Chinese Lending to High Default-Risk Countries¹⁹¹

China has not been reserved regarding the benefit of the BRI to China, stating in a 2018 “manifesto” on the front page of the *People’s Daily* that “[t]he world needs China... That creates broad strategic room for our efforts to uphold peace and development *and gain an advantage*” (emphasis added).¹⁹² While Chinese officials have used this type of language previously, in the context of BRI and large sums of investment already occurring, the statements gain new traction. Chinese scholars have confided that a purpose of the BRI was to internationalize the Renminbi, because China sought to challenge the U.S. dollar by making it the currency of initiative transactions.¹⁹³ This drive to gain the advantage is

¹⁹¹ Source: “China rethinks developing world largesse as deals sour.” *Financial Times*.

¹⁹² Daly, Rojansky, “China’s Global Dreams Gives Its Neighbors Nightmares.”

¹⁹³ Ibid.

causing concern among neighboring states, and those that bought into the BRI that China is embarking on a neo-colonial push across the globe.¹⁹⁴

A. CPEC, GWADAR, AND CHINA'S OIL DEMAND

The China–Pakistan Economic Corridor, with its crown jewel in Gwadar Port is not without difficulties. While Gwadar holds a strategic location on the Arabian Sea, it lies in the resource-rich but underdeveloped province of Baluchistan, prone to ethnic violence and insurgency as mentioned in the previous chapter.¹⁹⁵ Opened in 2007, with the China Overseas Port Holding Company – Pakistan gained control for 40 years in 2013.¹⁹⁶ A second phase of the port construction was intended to follow, consisting of oil terminals, cargo terminals, a roll-on/roll-off terminal, and a grain terminal in order to transform it into a commercial hub.¹⁹⁷ China was also to build an oil refinery at Gwadar as well, yet very little of this second phase has been built.¹⁹⁸ However, the additional projects are plagued with delays and setbacks.¹⁹⁹ In 2017, Gwadar Port had only nine vessels call, handling approximately 3,600 metric tons.²⁰⁰

Recently, Chinese media has begun to question Gwadar's economic benefits to China, mainly due to the port being unable to handle China's oil import demands and the higher cost of transporting oil via pipeline.²⁰¹ It is estimated that it is four to five times more costly to send oil over land from Gwadar to Xinjiang than by sea to Shanghai.²⁰² Economically it makes little sense to choose a more costly route to import oil, but viewing

¹⁹⁴ Ani, "CPEC in dock after Pakistan, Nepal withdraw from dam projects in China," *The New Indian Express*, November 29, 2017, <http://www.newindianexpress.com/world/2017/nov/29/cpec-in-dock-after-pakistan-nepal-withdraw-from-dam-projects-in-china-1713804.html>.

¹⁹⁵ Ibid.

¹⁹⁶ Ibid.

¹⁹⁷ Ibid.; Small, *The China Pakistan Axis: Asia's New Geopolitics*, 101.

¹⁹⁸ Small, 101.

¹⁹⁹ "Dredging of Berthing Areas & Channels," Government of Pakistan.

²⁰⁰ *Logistics Capacity Assessment*, Log Cluster.

²⁰¹ Li Xuanmin, "Gwadar Port benefits to China limited," *Global Times*, November 23, 2017, <http://www.globaltimes.cn/content/1019840.shtml>.

²⁰² Small, *The China Pakistan Axis: Asia's New Geopolitics*, 102.

it through a security lens it makes sense to ensure access to vital resources. China has built a network of pipelines along with the plan to create oil transporting infrastructure in Gwadar because of a perceived security vulnerability the Chinese call the Malacca Dilemma. This is a term used to describe what China views as a strategic vulnerability to its access to energy and markets. Nearly 80 percent of oil imports and 11 percent of natural gas imports to China passes through the Strait of Malacca, and China fears an interruption of the flow of that traffic, either from at-sea crimes or from the United States, would have significant impact on the Chinese economy and its ability to project power.²⁰³ While the China–Pakistan Economic Corridor might be economic for Pakistan, it is certainly security-focused for China.

China’s demand for oil has changed its foreign policy goals in the last fifteen years, with an emphasis on foreign oil as China became a net importer of oil in 1993, when its consumption surpassed its production.²⁰⁴ The International Energy Agency estimates that by 2030, four-fifths of China’s oil will need to be imported.²⁰⁵ This dependence on foreign oil, and the requirement that it traverse large swaths of the globe far from the mainland and often perceived to be controlled by the United States—the Malacca Dilemma—caused Chinese leaders to pause and debate what energy security means to China and how to achieve it.²⁰⁶ As is the goal of many nations including the United States, China seeks to achieve and maintain energy security, and this goal has become an important aspect of Chinese foreign policy.²⁰⁷

Gwadar also has the potential to act as a naval base for either Pakistani or Chinese naval forces, or both. Gwadar was offered to the United States to develop as a base in the

²⁰³ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China 2017*, 51.

²⁰⁴ O’Sullivan, *Windfall: How the New Energy Abundance Upends Global Politics and Strengthens America’s Power*, 213; Sutter, *Chinese Foreign Policy*, loc. 19 of 332, iBooks.

²⁰⁵ O’Sullivan, *Windfall*, 214.

²⁰⁶ Sutter, *Chinese Foreign Policy*, loc. 19 of 332, iBooks.

²⁰⁷ *Ibid.*, loc.19 of 332, iBooks.

1970s, but the United States passed on the offer.²⁰⁸ Use as a naval base by the Pakistani navy concerns Balochis in the region, as they see it as an attempt by the Pakistani military to strengthen its presence in the troubled region.²⁰⁹ In the past, Chinese officials have denied the desire by the People's Liberation Army Navy (PLAN) to use it as a base, but over the decade, the PLAN has deployed its forces further from the mainland, and China has increasingly deployed its forces in support of activities such as United Nations peace keeping operations.²¹⁰ In its current configuration, it is unlikely that the PLAN could use it as a place to stage naval forces, though it could be used as a port of call to resupply food and fuel stores.

B. BRI: A NEO-COLONIAL PUSH?

Some of China's investments abroad, both for projects that predate the announcement of BRI and BRI projects that followed are loans that are repaid in resources rather than cash. Venezuela struck a deal with China to repay loans for a items such as high speed rail system, gold mines, and refineries in oil when oil ran nearly US\$100 per barrel.²¹¹ When the price of oil dropped by two-thirds in 2016, Venezuela had to export two barrels for every one originally agreed upon.²¹² China has loaned Venezuela US\$65 billion dollars over the last decade, which according to World Bank data is greater than any sum that the World Bank has loaned any country since 1945, with the sole exception of India.²¹³ A similar deal was struck with Ghana, where the Chinese firm increased the number of barrels per day required to repay, causing the Ghanaian government to cancel the half the US\$3 billion loan.²¹⁴ Prior to the announcement of BRI, in 2007 Chinese firms

²⁰⁸ Small, *The China Pakistan Axis*, 100.

²⁰⁹ Ibid., 102.

²¹⁰ Ibid., 103.

²¹¹ Christopher Balding, "Venezuela's Road to Disaster is Littered with Chinese Cash," *Foreign Policy*, June 6, 2017, <https://foreignpolicy.com/2017/06/06/venezuelas-road-to-disaster-is-littered-with-chinese-cash/>.

²¹² Ibid.

²¹³ "China rethinks developing world largesse as deals sour," *Financial Times*.

²¹⁴ Ibid.

agreed to a nearly US\$9 billion deal with the Democratic Republic of the Congo for copper and cobalt mines, with repayment to be made in those resources.²¹⁵ The deal was plagued with difficulties and delays, including the inability to secure electricity from the Congo for the mine's operation, and the total copper reserves in the mine was adjusted to 35 percent below the original estimate.²¹⁶ The market price for copper dropped nearly 20 percent, and the overall deal may end in a large net loss for the Chinese firms.²¹⁷ These few examples show that Chinese firms have a record of misjudging potential markets. Critics of the deal in the Congo argued that China is taking advantage of a poor and developing country in their quest for access to resources and markets.²¹⁸

Aside from resources, China also secured a 99 year lease to the Sri Lankan port of Hambantota, after Sri Lanka was unable to repay a joint developed port facility with China, at the cost of around US\$1.1 billion.²¹⁹ The government of Sri Lanka still owes state-owned Chinese firms approximately US\$8 billion.²²⁰ As in the case in the Sri Lankan port of Hambantota, states may fear a required turnover of control of the infrastructure to Chinese firms as part of the loan terms if they fail to repay.²²¹ As BRI projects continue, if such measures become more common, BRI states may rethink loan or project terms, or demand less stringent Chinese terms. Alternatively, it could also set a dangerous precedence where states agree to sign over territory a form of debt settlement.²²² Opposition could potentially set precedence for other BRI states to cancel, decline, or

²¹⁵ David Landry, "The Belt and Road Bubble Is Starting to Burst," *Foreign Policy*, June 27, 2018, <https://foreignpolicy.com/2018/06/27/the-belt-and-road-bubble-is-starting-to-burst/>.

²¹⁶ Ibid.

²¹⁷ Ibid.

²¹⁸ Landry, "The Belt and Road Bubble Is Starting to Burst."

²¹⁹ Kai Schultz, "Sri Lanka, Struggling with Debt, Hands a Major Port to China," *New York Times*, December 12, 2017, <https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html>.

²²⁰ Ibid.

²²¹ Ibid.

²²² Ibid.

sideline projects that are suboptimal for the host country.²²³ While such cancellations or stalling of projects on a large scale across multiple BRI countries would probably not derail BRI completely, it could hinder the initiative's overall potential growth.

C. MORE THAN ACCESS TO RESOURCES

Access to resources is not the only factor in the argument that security is China's main driver for BRI. Internal security is arguably more important to China than external security. Annually, the ruling Chinese Communist Party (CCP) spends more on internal security than any other area. In 2017, Chinese domestic security spending totaled US\$197 billion.²²⁴ While the Tibetan Autonomous Region receives the largest amount of domestic security spending, Xinjiang is second and saw a 92.8 percent increase in domestic security spending between 2017 and 2018.²²⁵ When adjusted for Purchasing Power parity, both Chinese domestic spending for Xinjiang and the Tibetan Autonomous Region exceed U.S. domestic security spending by 32 and 37 percent, respectively.²²⁶ This focus on internal security was also featured in Xi Jinping's speech at the 19th Party Congress. China views the southwest frontier provinces such as Xinjiang as its "soft underbelly," and has felt an unstable grip on the region since it was fully incorporated into the Chinese empire during the Qing Dynasty.²²⁷ The underdevelopment, ethnic and religious conflict, and remote locations of the five southwest frontier provinces is a partial motivation for BRI, but the desire to increase the standard of living in those provinces isn't the result of altruistic motives, rather it is based on a quest for security and to placate the ethnic minority populations living there.²²⁸

²²³ James M. Dorsey, *Commercial Terms Call Into Question China's Win-Win Belt And Road Initiative*, (Washington, DC: Lobe Log, December 17, 2017), <https://lobelog.com/commercial-terms-call-into-question-chinas-win-win-belt-and-road-initiative/>.

²²⁴ Adrian Zenz, "China's Domestic Security Spending: An Analysis of Available Data," *Jamestown Foundation, China Brief*, 18, Issue 4, <https://jamestown.org/program/chinas-domestic-security-spending-analysis-available-data/>.

²²⁵ Ibid.

²²⁶ Ibid.

²²⁷ Singh, "Rebuilding Lifelines of Its Soft Underbelly," loc.348-350 of 799.

²²⁸ Ibid., loc. 355–357 of 799.

Domestic issues are not the only concern for CCP leaders regarding Xinjiang, as the cross border issue of Pakistani militant support to Uighur separatists is also a concern. Populated by a Muslim Turkic people the Uighurs are ethnically, religiously, linguistically, and culturally different than the majority Han Chinese. Officially, the CCP is atheist, and has sometimes taken a hostile stance toward religion. Separatist independence movements in Xinjiang have existed since at least the 1990s, of which the East Turkistan Islamic Movement is a part of.²²⁹ The region declared independence in 1933 and 1944, but were subsequently reabsorbed by the Republic of China and the People's Republic of China, respectively.²³⁰

China continues to combat a low-grade insurgency within its borders from the Uighur minority in Xinjiang, and battle Sinophobia throughout the region as its influence and power grows. Unrest in Xinjiang is linked Pakistan,²³¹ which played a critical role in the shift of Uighur sentiment from mostly secular to Islamist in nature.²³² Many of the young Uighur men that traveled to Pakistan to seek religious education ended up being funneled into madrassas that were hotbeds for extremist recruitment and radicalization.²³³ Coupled with a desire to establish an independent country, China feared an outbreak of extremist violence. Beginning in 2008, that is exactly what occurred, and the violence hit an apex in 2009 and continues. During 2009, violence broke out in Xinjiang, where Uighurs and ethnic Han Chinese clashed, and although the exact number of casualties is unknown due to Chinese strict control of the media and information, the official Chinese death toll is 184.²³⁴ In 2012, Uighurs and Han again clashed, killing at least 12 people as men armed with knives attacked people in Kashgar, near the Pakistani border and where the China–

²²⁹ Preeti Bhattacharji, *Uighurs and China's Xinjiang Region*, (New York, NY: Council on Foreign Relations, accessed 23 May 2017), <https://www.cfr.org/background/uighurs-and-chinas-xinjiang-region>.

²³⁰ Ibid.

²³¹ Small, *The China Pakistan Axis: Asia's New Geopolitics*, 69–72.

²³² Ibid., 84–87.

²³³ Ibid., 72.

²³⁴ Shan Wei and Chen Gang, *The Urumqi Riots and China's Ethnic Policy in Xinjiang*, (Singapore: East Asian Institute, National University of Singapore, Accessed 23 May, 2017), <http://www.eai.nus.edu.sg/publications/files/Vol1No3-ShanweiChenGang.pdf>

Pakistan Economic Corridor will physically connect the two countries.²³⁵ Chinese authorities claim that the men were Muslims with links to Pakistani terrorists.²³⁶

In 2012, a terror attack targeting the Forbidden City was perpetrated by Uighurs who came from an area close to the Xinjiang-Pakistan border, and resulted in two deaths and 38 wounded and embarrassed Chinese security services.²³⁷ These are just a few examples of violence in Xinjiang, and there are many others. Pakistan has been a source of training and support for militant Uighurs in Xinjiang.²³⁸ However, due to the China-Pakistan relationship, Chinese officials typically refrain from publicly implicating Pakistan directly. Such unrest in a province far away from the capital with a history of being difficult to control further fuels the CCP's unease with the region. By physically connecting Pakistan and Xinjiang, CPEC presents additional security concerns for the CCP, as these physical connections could further facilitate Uighur extremist movement.

D. BRI AS A FOREIGN POLICY INITIATIVE

While the commission responsible for coordinating BRI projects is the National Development and Reform Commission (NDRC), the Chinese Foreign Minister in 2015 stated that the BRI was the key focus of Chinese foreign policy.²³⁹ Based on its size, history, civilization, and population, Chinese leaders believe that China belongs with the “‘great power’ club” and seeks to reestablish China's place as a great power once more, as two scholars at China's Academy of Social Sciences argue.²⁴⁰ China has sought a peaceful rise, and believes that it can only accomplish this if it belongs to the international system and mostly adheres to international norms.²⁴¹ In order to achieve a peaceful rise China needs regional and global actors to be receptive of it, and by participating in the

²³⁵ Bhattacharji, *Uighurs and China's Xinjiang Region*.

²³⁶ Ibid.

²³⁷ Small, *The China Pakistan Axis*, 176–177.

²³⁸ Ibid., 84–86.

²³⁹ Swaine, “Chinese Views and Commentary on the ‘One Belt, One Road’ Initiative.”

²⁴⁰ Zhang Yunling, Tang Shiping, “China's Regional Strategy,” in *Power Shift: China and Asia's New Dynamics*, ed. David Shambaugh (Berkeley: University of California Press, 2006), 48–49.

²⁴¹ Ibid., 53.

international order, China recognizes that participation is the way to shape the future of the international order.²⁴² BRI is a vehicle for growth and acclimation to its rise, as well as acceptance of any changes to the world order it may propose. China's official narrative has been that a rising China is an opportunity, not a threat.²⁴³ BRI, advertised as an economic path beneficial to all would give support to the official narrative. However, recently Chinese statements have been indicating signs that China is beginning to steer away from a more subdued foreign policy to a more active and prominent.²⁴⁴ This raises concerns that China, through economic power and means is seeking to advance its foreign policy objectives and enhance its global position.²⁴⁵

Special courts in China have been established to litigate BRI cases, which have been increasing in recent months.²⁴⁶ The court consists of three international commercial courts, one handling the overland route, one handling the maritime route, and a supreme court in Beijing.²⁴⁷ The courts were reportedly set up because many of the countries involved in BRI are not well adjusted to other forms of arbitration, which mainly uses western law.²⁴⁸ However, it is unclear if BRI participating states are actually less adapted to international arbitration, or if it is another attempt by Beijing to utilize arbitration forms that it controls or otherwise favors.²⁴⁹ Since some disputes are cross-border, it is unclear how Chinese legal authority and other state's legal authority will intersect to arbitrate such cases.²⁵⁰

²⁴² Yunling, Shiping, "China's Regional Strategy," 53.

²⁴³ Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War* loc. 19 of 332.

²⁴⁴ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2017*.

²⁴⁵ Ibid.

²⁴⁶ Janne Suokas, "China to set up Belt and Road court for settling disputes."

²⁴⁷ Ibid.

²⁴⁸ Ibid.

²⁴⁹ Ibid.

²⁵⁰ Ibid.

If China wishes to join the world's great powers, it will need the freedom of maneuver and the ability to prevent other powerful states from exerting their will on it. China's Belt and Road Initiative is in part China's attempt at gaining that maneuvering space and the international clout to go with it. If China's goals with BRI were purely economic, the investments made by Chinese firms would be less risky than what has been demonstrated. As previously mentioned, between 2013 and 2015, China invested in six countries that have the highest risk of default according to the OECD, contrasted with just two that the World Bank invested in for a time period twice as long.²⁵¹ Even before BRI was announced, China saw firsthand the effects of poor investment in unstable countries with governance issues. Chinese companies will likely suffer net losses in areas such as the Democratic Republic of the Congo, Ghana, and Venezuela. In the example of the Congo, this deal predated the Belt and Road Initiative by six years.

China brings large sums of money to poor and developing nations which suffer from underdevelopment, corruption, and other governance issues but which are rich in resources China wants or needs. For these countries, it makes economic sense to accept Chinese funds. Yet for China, these countries are often unable to pay the terms of the loan. As China increases its investment abroad and in countries that are at high risk of loan default, it could create a series of large underperforming loans that the Chinese economy must deal with, and that the central government must deal with political and internal social backlash.

²⁵¹ "China rethinks developing world largesse as deals sour," Financial Times.

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IV. ECONOMICS AS THE DRIVER FOR CHINA'S BELT AND ROAD INITIATIVE

A second explanation of China's motivation for the Belt and Road Initiative is economic. China frames the BRI as a way to further economically integrate the region and produce win-win outcomes for every party involved. The BRI is also designed to ensure Chinese access to resources and markets, to continue long-term economic growth. While economics is undoubtedly important to Chinese decision makers, the economic argument is unable to rationalize risky investments in countries with the highest risks of default and lower than investible grade credit ratings. Beijing created an BRI oversight office, which was placed under control of the National Development and Reform Commission (NDRC), China's premier economic planning commission.²⁵² The NDRC's focus is on economic cooperation and global economic integration, with five goals listed as part of the vision for the Belt and Road Initiative, including policy coordination, unimpeded trade, and facilities connectivity.²⁵³ China is using the BRI initiative to create regional economic integration to assert Chinese dominance regionally.²⁵⁴ Within China the southwestern provinces continually lag behind the eastern ones with per capita incomes in these areas have consistently fallen behind for the last six decades, which Beijing thinks is the primary factor for instability.²⁵⁵ Lu Shuling, the former Chinese ambassador to Pakistan, postulates that economic development provided by BRI and CPEC in China's southwest frontiers, as well as regionally will help combat the primary driver of insurgency and separatism in Pakistan and Xinjiang, which he believes is poverty.²⁵⁶ However poverty is not the sole driver of violence and separatism in Xinjiang. Uighurs experience ethnic, religious, and economic discrimination within China's borders, which the economic argument ignores.

²⁵² Swaine, "Chinese Views and Commentary on the "One Belt, One Road" Initiative," 3.

²⁵³ "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," National Development and Reform Commission, People's Republic of China, March 28, 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

²⁵⁴ Cai, "Understanding China's Belt and Road Initiative," 5.

²⁵⁵ Singh, "Rebuilding Lifelines of Its Soft Underbelly," loc. 353 of 799.

²⁵⁶ Cai, *Understanding China's Belt and Road Initiative*, 7.

China is the second largest economy in the world, at US\$14 trillion, behind the United States at UD\$20.4 trillion in the first half of 2018.²⁵⁷ China's economy is still heavily focused on manufacturing, and thus requires continual access to resources, including oil. China became the world's largest energy consumer in 2010, and by 2014 China consumed one fifth of the world's energy consumption.²⁵⁸ With a forecasted growth in 2018 of 6.6 percent, slightly below the previous two years, China's economy continues to expand and thus requires increasingly more resources.²⁵⁹ British Petroleum forecasts that by 2035 global energy demands will increase from current levels by 41 percent, with China and India constituting over half the demand in global energy.²⁶⁰ As China's economy grows and moves from a manufacturing based economy to more service based, leaders in Beijing need to ensure continued economic growth. The BRI and CPEC are the answer. Additional and alternate routes for resources and goods to and from China as well as additional markets for Chinese goods are important elements of continued Chinese economic growth. CPEC offers both.

Over the last several years China has desired and is attempting to move away from an export-oriented manufacturing economy to a more service-based economy in an attempt to escape the middle income trap and promote long term economic growth. This move to a more service-based economy is based less on Chinese economic savant, and more on reactions to the market. As China's economy has grown, wages within China have increased, thus costing China its manufacturing comparative advantages.²⁶¹ Manufacturing-based economies are more strongly tied to the strength of other economies.²⁶² Service-based economies are less so. China has begun initiatives such as the "Made in China 2025," a manufacturing industry upgrade push to restructure China's

²⁵⁷ Rob Smith, "The World's Biggest Economies In 2018."

²⁵⁸ Robert Looney, "Energy Security Issues Asia,"; Looney, "Windfall: Chapter 10, China."

²⁵⁹ "IMF ups China 2018 economic growth forecast," Xinhuanet, January 23, 2018, http://www.xinhuanet.com/english/2018-01/23/c_136918004.htm.

²⁶⁰ "BP Energy Outlook 2035 Factsheet," British Petroleum.

²⁶¹ Cai, *Understanding China's Belt and Road Initiative*, 8.

²⁶² Looney, "Windfall: Chapter 10, China."

manufacturing industry, make it more innovation-driven, and emphasize quality over quantity.²⁶³ The BRI initiative is expected to play a prominent role in the exporting of higher-end Chinese goods.²⁶⁴

Economic growth is key to the Chinese Communist Party's grip on power, internal stability, and external strength. The BRI is how the Party will seek to escape the middle income trap, maintain long-term economic growth, and enhance internal stability. Under the reforms of Deng Xiaoping, China's economy grew rapidly, however economic development was lopsided, favoring the coastal areas and leaving the interior poor. The BRI is China's most recent push to further develop the historically poorer areas of China.²⁶⁵ Pakistan likewise suffers from economic stagnation, electricity shortages, and other drains on its economy. As part of the larger BRI construct, CPEC offers opportunities for economic growth and addresses energy shortages.

A. BRI AS THE NEW “GOING OUT” POLICY?

Aside from the desire to promote economic growth internally, economic motivations extend outside China's borders. As China's economy has grown, wages within China have increased, thus costing China its manufacturing comparative advantages.²⁶⁶ Stimulus packages during the global recession of 2008 has created excess capacity within China's economy that it needs to offload, or risk economic crisis.²⁶⁷ When the global financial crisis of 2008 hit, the Chinese government injected huge sums of money into the its economy mainly through loans for construction and infrastructure projects within China. This saved the Chinese economy from some of the worst effects of the Global Financial Crisis, but had the unintended and persistent consequence of causing over-capacity in its

²⁶³ Cai, *Understanding China's Belt and Road Initiative*, 8.

²⁶⁴ *Ibid.*, 9.

²⁶⁵ Yu Jie, *China's One Belt, One Road: A Reality Check*, (London, England: LSE Ideas, 24 July, 2017), <https://medium.com/@lseideas/chinas-one-belt-one-road-a-reality-check-b28030ac6d3b>.

²⁶⁶ Cai, *Understanding China's Belt and Road Initiative*, 8.

²⁶⁷ *Ibid.*, 12

manufacturing sector in areas like steel and cement.²⁶⁸ During a 2014 statement to the China-ASEAN Summit, Premier Li Keqiang noted that China possessed large capacities in equipment and infrastructure-based production, and encouraged Chinese producers of steel, cement, iron, and pleat glass to shift production to ASEAN countries to create “mutual benefits.”²⁶⁹

The BRI is the newest form of China’s “going out” policy of the early 21st century, where Chinese leaders emphasized Chinese companies to investment abroad. Instead of exporting natural resources from abroad and importing low-end goods, China seeks to move up the value chain to creating high-end manufactured goods and be at the center of regional production change and innovation, and to become the standard setter for technology and innovation.²⁷⁰ Peter Cai of the Lowy Institute notes that the BRI aims to address three key issues facing China’s economy: better integration with regional economies to encourage regional development beneficial to China; exporting Chinese standards while simultaneously upgrading China’s industry; and addressing China’s pressing issue with excess capacity.²⁷¹

Some experts argue that although the BRI is massive in scale, it is still not enough to address China’s excess capacity problem.²⁷² Many countries have industries that are directly competing with Chinese companies in the infrastructure and construction sectors and thus may not be welcoming to Chinese firms setting up shop within their borders.²⁷³

²⁶⁸ Cai, *Understanding China’s Belt and Road Initiative*, 12.

²⁶⁹ Ministry of Foreign Affairs of the People’s Republic of China, “Remarks by H.E. Li Keqiang Premier of the State Council of the People’s Republic of China At the 17th ASEAN-China Summit,” November 14, 2014, http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1212266.shtml.

²⁷⁰ Cai, *Understanding China’s Belt and Road Initiative*, 5.

²⁷¹ *Ibid.*, 6.

²⁷² Jonathan Hillman, *China’s Belt and Road Initiative Five Years Later*, (Washington, DC: Center for Strategic and International Studies, January 25, 2018), <https://www.csis.org/analysis/chinas-belt-and-road-initiative-five-years-later-0>.

²⁷³ Cai, *Understanding China’s Belt and Road Initiative*, 14.

Economics aside, it there is also the question of whether politically these countries want to absorb China's unwanted surplus.²⁷⁴

Analyzing Belt and Road projects is more difficult because there is no clear, agreed upon definition of what a BRI project is.²⁷⁵ With 70 countries claiming participation in BRI, there are projects in nonparticipant countries with similar characteristics to BRI projects.²⁷⁶ China had infrastructure and other projects abroad prior to the announcement of the initiative that are being counted as BRI projects.²⁷⁷ Jonathan Hillman of the Center for Strategic and International Studies described it as "more a loose brand than a program with strict criteria."²⁷⁸ Transparency is a main critique of BRI projects from the outside.

While the BRI has been placed under the NDRC, a key component of Chinese internal politics is the Leading Small Groups. The chair of the BRI Leading Small Group is Zhang Gaoli, who is also a member of the Standing Committee of the Chinese Communist Party.²⁷⁹ Beneath him are four deputy chairs, who have equal shared responsibility.²⁸⁰ These deputy chairs are: Wang Huning, the Head of Policy Planning for the Chinese Communist Party and President Xi's chief advisor; Wang Yang, the Deputy Premier responsible for Trade and Economic Issues; Yang Jiechi, the Foreign Affairs State Councilor; and Yang Jing, the State Council Secretary General.²⁸¹ There are five different people from five different areas of government that have equal power in this Leading Small group, with equal power to override the other on which projects to choose for BRI and why.²⁸² Economic agencies have different criteria for what projects they advocate for than foreign affairs agencies. Further muddying the proverbial waters is that within the Chinese

²⁷⁴ Cai, *Understanding China's Belt and Road Initiative*, 14,

²⁷⁵ Hillman, *China's Belt and Road Initiative Five Years Later*.

²⁷⁶ Ibid.

²⁷⁷ Ibid.

²⁷⁸ Ibid.

²⁷⁹ Jie, *China's One Belt, One Road: A Reality Check*.

²⁸⁰ Ibid.

²⁸¹ Ibid..

²⁸² Ibid.

Communist Party, a hierarchical structure exists where ministers may be outranked by party rank by a CEO of a state owned enterprise.²⁸³ The presence of economic and foreign policy officials on the Leading Small Group for the BRI supports statements made by Xi Jinping and other Party officials that the BRI is China's foreign policy and economic focus.

B. MADE IN CHINA 2025

China is also looking to create markets for higher-priced Chinese goods that the West is unlikely to buy.²⁸⁴ The Chinese also seek to be the standard bearers for BRI countries in areas like science and technology, as some Chinese sources think that “only companies that make standards can be considered world-class companies.”²⁸⁵ China's “Made in China 2025” is a manufacturing industry upgrade push to restructure China's manufacturing industry, make it more innovation-driven, push smart technology, and emphasize quality over quantity, but also to export such technology abroad.²⁸⁶ The foremost example of this is high speed rail technology that China has been seeking to export to places like Indonesia and Thailand.²⁸⁷ By establishing Chinese firms in these sectors and establishing Chinese technology and standards, China seeks to supplant western countries in these fields in Asia and abroad. However, this initiative has drawn the ire of China's large trading partners, to include the United States and the European Union.²⁸⁸

This ire is a result of China's state support of certain “strategic emerging industries,” to include: biotechnology; information technology; artificial intelligence; electric and new energy vehicles; advanced materials; and energy distribution and

²⁸³ Jie, *China's One Belt, One Road: A Reality Check*.

²⁸⁴ Cai, *Understanding China's Belt and Road Initiative*, 9–11

²⁸⁵ Ibid.

²⁸⁶ Cai, 8; Sidney Leng, Zheng Yangpeng, “Beijing Tries To Play Down ‘Made In China 2025’ As Donald Trump Escalates Trade Hostilities,” *South China Morning Post*, June 26, 2018, <https://www.scmp.com/news/china/policies-politics/article/2152422/beijing-tries-play-down-made-china-2025-donald-trump>.

²⁸⁷ Cai, *Understanding China's Belt and Road Initiative*, 9–10.

²⁸⁸ Leng, Yangpeng.

storage.²⁸⁹ This support includes access to capital, constraining foreign competitors through competition policy and under the broad guise of “national security,” and aggressive protection of Chinese intellectual property.²⁹⁰ Constraining competition from firms that are not Chinese and a declining business atmosphere is the most concerning for U.S. and European firms.²⁹¹ This concern not only stems from a competition and profit standpoint, but also the concern that a lack of foreign competition could damage supply chains, research and development in these fields, leading to decreased productivity much like what happened in the Chinese steel and aluminum sector.²⁹²

Recently, the Chinese central government directed state media outlets to reduce the mentions of “Made in China 2025.”²⁹³ The Ministry of Commerce has also reduced mentions of the push on their website, and at a June 2018 press conference regarding smart technology, the Ministry of Science and Technology and the Ministry of Industry and Information Technology did not mention “Made in China 2025.”²⁹⁴ Chinese ministers have avoided using the “Made in China 2025” terminology, and instead have described actions as following guidelines outlined in the 18th Party Congress.²⁹⁵ This reduction of specific mentions of “Made in China 2025” by official media outlets and central government ministries appears to be an attempt to downplay the initiative and placate European trading partners and specifically the United States, as both China and the United States trade tariff-for-tariff blows on each other’s industries.²⁹⁶

²⁸⁹ Scott Kennedy, et al., *Perfecting China, Inc.: The 13th Five-Year Plan*, (Washington, DC: CSIS, May 2016), <https://csis-prod.s3.amazonaws.com/s3fs-public/publication/160521/KennedyPerfectingChinaIncWeb.pdf>.

²⁹⁰ Scott Kennedy, *The Fat Tech Dragon: Benchmarking China’s Innovation Drive*, (Washington, DC: CSIS, August 2017), https://csis-prod.s3.amazonaws.com/s3fs-public/publication/170829_Kennedy_FatTechDragon_Web.pdf?6agdddecKW.hKNzCkVYvvUSDsQCeK9mN.

²⁹¹ Ibid.

²⁹² Ibid.

²⁹³ Leng, Yangpeng, “Beijing Tries To Play Down ‘Made In China 2025’ As Donald Trump Escalates Trade Hostilities.”

²⁹⁴ Ibid.

²⁹⁵ Ibid.

²⁹⁶ Leng, Yangpeng, “Beijing Tries To Play Down ‘Made In China 2025’ As Donald Trump Escalates Trade Hostilities.”

C. BRI AS A TRADE FACILITATOR

While BRI projects themselves are hard to analyze due to the lack of transparency and the long-term nature of large infrastructure projects, changes in trade and investment can be used to look at China's BRI progress. The trade of merchandise goods between China and the BRI countries increased 19.4 percent between the fourth quarter of 2017 and the first quarter of 2018, for a total of \$U.S. 287.3 billion.²⁹⁷ Exports and imports in this same period rose by 16.5 percent and 23.2 percent, respectively.²⁹⁸ The BRI countries accounted for nearly a third (29.1 percent) of China's total exports in the first quarter of 2018, an increase from 27.9 percent in the previous quarter.²⁹⁹ These countries accounted for a quarter (25.8 percent) of China's total imports in the first quarter of 2018.³⁰⁰ While the percentage of trade seems high, it is focused on a small group of BRI countries, with only ten accounting for a bulk of the trade.³⁰¹ Of those, Vietnam, Malaysia, Russia, Indonesia, and Thailand accounted for 66.4 percent and 73.3 percent of China's export and import flows, respectively.³⁰² China is Pakistan's second largest export partner, after the United States, and accounts for nearly eight percent of Pakistan's exports.³⁰³ However, Pakistan recently became the biggest destination for Chinese goods, accounting for 29 percent of total imports.³⁰⁴

Non-monetary overseas direct investment in the first quarter of 2018 to \$U.S. 3.6 billion, but were above 2017 quarter one levels.³⁰⁵ Similar to export and import flows,

²⁹⁷ The Economist Intelligence Unit, "Belt and Road Initiative Quarterly: Q2 2018," May 21, 2018, <http://country.eiu.com/article.aspx?articleid=626742246&Country=China&topic=Economy>

²⁹⁸ Ibid.

²⁹⁹ Ibid.

³⁰⁰ Ibid.

³⁰¹ Ibid.

³⁰² Ibid.

³⁰³ Junaid Kamal, Manzoor Hussain Malik, "Dynamics of Pakistan's Trade Balance with China," State Bank of Pakistan, October 2017, 3, <http://www.sbp.org.pk/publications/staff-notes/Pak-China-trade-balance.pdf>

³⁰⁴ Kamal, Malik, "Dynamics of Pakistan's Trade Balance with China."

³⁰⁵ The Economist Intelligence Unit, "Belt and Road Initiative Quarterly: Q2 2018."

only a few countries enjoy the bulk of Chinese overseas direct investment, including Vietnam, Singapore, Malaysia, and Indonesia.³⁰⁶ Concessional loans fell by 7.4 percent in the first quarter of 2018, which may suggest that Chinese state banks are adopting more strict or prudent loan terms for BRI countries.³⁰⁷ This is concurrent with Chinese bankers and economists who urged caution with China lending large sums to countries with poor credit ratings and which are at high risk of default. The Chief Investment Officer of one of China's largest state banks stated that he preferred to loan to western countries because the return on investment is safe and good.³⁰⁸ The same officer said he only allocates the minimum amount and only when ordered to invest in BRI countries, due to the risks associated with lending to countries with poor credit ratings and governance issues.³⁰⁹ There is also the risk of adding non-performing BRI loans to China's already sizable debt after the 2008 stimulus package China used to buoy its economy during the global financial crisis.³¹⁰

D. CONCLUSION

China's Belt and Road Initiative is aimed at ensuring access to markets, resources, and long-term economic growth. Recognizing that China's economic rise has not been equal, a goal is to spread economic growth and development to China's interior, which has been left behind for the last six decades while the eastern coastal areas have experienced rapid economic growth, wage and quality of life increases. The former Chinese ambassador to Pakistan, Lu Shuling argues that poverty is the main driving factor for the insurgency and separatism that exists both in Pakistan and Xinjiang.³¹¹ He further argues that the economic development that will result from BRI and CPEC in China's southwest frontiers,

³⁰⁶ Ibid.

³⁰⁷ Ibid.

³⁰⁸ Cai, *Understanding China's Belt and Road Initiative*, 16.

³⁰⁹ Ibid.

³¹⁰ Ibid.

³¹¹ Cai, *Understanding China's Belt and Road Initiative*, 7.

as well as regionally will help combat these ills.³¹² While poverty is a part of separatist or insurgent motives, this argument ignores the ethnic conflict that exists both in Baluchistan and Xinjiang, and the real and perceived ethnic, religious, and cultural discrimination experienced by ethnic minorities in China and Pakistan.

The BRI is also China's answer to the middle income trap and Chinese policymakers desire to move up the value chain to become a service-based economy. Access to resources and markets are of concern for China, as its economy is forecasted to grow by 6.6 percent in 2018.³¹³ Its economy is still heavily leveraged toward manufacturing, which requires continued access to oil. In 2010 China surpassed the United States as the world's largest energy consumer, and consuming one fifth of the world's energy by 2014.³¹⁴

Over the last several years China has desired and is attempting to move away from an export-oriented manufacturing economy to a more service-based economy in an attempt to escape the middle income trap and promote long term economic growth. China manufacturing comparative advantage of cheap labor has diminished as economic growth has increased wages.³¹⁵ China has begun initiatives such as the "Made in China 2025," a manufacturing industry upgrade push to restructure China's manufacturing industry, make it more innovation-driven, emphasize quality over quantity, and to offload its excess capacity.³¹⁶ The BRI initiative is expected to play a major role in the exporting of higher-end Chinese goods regionally.³¹⁷ While Beijing denies them, accusations by European and other Western companies that China is skewing the playing field in favor of Chinese companies or outright advantaging domestic firms has drawn criticism from abroad.³¹⁸

³¹² Ibid.

³¹³ "IMF ups China 2018 Economic Growth Forecast," Xinhuanet.

³¹⁴ Looney, "Energy Security Issues Asia;" Looney, "Windfall: Chapter 10, China."

³¹⁵ Cai, 8.

³¹⁶ Ibid.

³¹⁷ Ibid., 9.

³¹⁸ Kennedy, *The Fat Tech Dragon: Benchmarking China's Innovation Drive*.

The Chinese manufacturing sector is suffering from excess capacity in heavy industries such as steel and cement as a result from the stimulus package Beijing used to buoy the economy during the 2008 global financial crisis.³¹⁹ Entire cities were built, and now sit empty, as Chinese economic policymakers injected money in the form of loans to local governments to keep unemployment down and manufacturing up. This excess capacity places a drag on economies and hinders growth, thus China is seeking to offload it.

What constitutes a BRI project has not been clearly defined, and coupled with a lack of transparency and the long-term nature of infrastructure projects, analysis of BRI projects are difficult. Yet BRI is more than just infrastructure. Economic interconnectivity through trade and investment are also included in BRI. Trade between China and the BRI countries increased nearly 20 percent in the last six months, with exports and imports in this same period growing by 16.5 percent and 23.2 percent, respectively.³²⁰ The BRI countries accounted for nearly a third of China's total exports and a quarter of its imports in the first quarter of 2018.³²¹ While the percentage of trade seems high, it is focused on a small group of BRI countries, with Vietnam, Malaysia, Russia, Indonesia, and Thailand constituting the bulk.

The reduction in concessional loans in the first quarter of 2018 suggests that Chinese state banks are adopting more strict or prudent loan terms for BRI countries, especially those with below investible credit ratings.³²² This is concurrent with Chinese bankers and economists who urged caution with China lending large sums to countries with poor credit ratings and which are at high risk of default. Leading Chinese officials from economic institutions have been concerned that loans to these countries with bad credit ratings are too risky, and that they stated preferred to loan to western countries because the

³¹⁹ Cai, *Understanding China's Belt and Road Initiative*, 12.

³²⁰ Ibid.

³²¹ Ibid.

³²² The Economist Intelligence Unit, "Belt and Road Initiative Quarterly: Q2 2018."

return on investment is safe and good.³²³ There is also the risk of adding non-performing BRI loans to China's already sizable debt after the 2008 stimulus package China used to buoy its economy during the global financial crisis.³²⁴

Chinese officials refute the assertion that the BRI is the Chinese Marshall Plan. Foreign Minister Wang Yi stated that BRI is not like the Marshall Plan, which was a "tool of geopolitics," but rather BRI is "a product of inclusive cooperation...and must not be viewed with the outdated Cold War mentality."³²⁵ While the Marshall plan did reinvigorate and rebuild Europe's destroyed economies and infrastructure, and as a result helped establish a world order in which the United States benefits significantly from, China seeks to sell the BRI as a "win-win" for all parties involved, through trade, infrastructure, and economic development, and not as a geopolitical tool.³²⁶

³²³Cai, *Understanding China's Belt and Road Initiative*, 16.

³²⁴ Ibid.

³²⁵ Swaine, "Chinese Views and Commentary on the 'One Belt, One Road' Initiative," 11.

³²⁶ Ibid.

V. CONCLUSION

China's Belt and Road Initiative is arguably the most ambitious trade and infrastructure building campaign in history. Spanning Asia, Eurasia, Europe, the Middle East and Africa, the BRI spans the globe. This interconnected network of rail lines, oil and gas pipelines, roads, bridges, port facilities and trade agreements are designed to connect China to markets in Europe, Asia, the Middle East and Africa.³²⁷ The flagship project of China's BRI is the China-Pakistan Economic Corridor, a network of highways, rail lines, fiber optic cables, and free trade zones physically connecting China's Xinjiang Province with Pakistan. This Corridor is anchored on the Arabian Sea by Gwadar Port, in the restive Pakistani province of Baluchistan. This initiative is also designed to provide China with continued access to energy and resources in order to promote and continue Chinese economic growth. Complicating analysis of BRI projects is that there has yet to be an agreed upon definition of what constitutes a BRI project.³²⁸ Transparency of projects and their progress is also an issue, as is the long-term nature of infrastructure projects. Critics argue that while economic benefits for China are inarguable, the real motivation behind the BRI is a geopolitical tool that will be used to exert Chinese influence globally, enhance internal and external security, and reestablish a new global order that is more beneficial to China. This thesis examined the explanatory power of the security and economic drivers of the BRI and CPEC in Chapters III and IV, respectively. While the economic drivers are undoubtedly valid and important, unanswered questions remain. China is investing in some countries with the highest risk of default, according to the Organization for Economic Cooperation and Development. If the primary BRI driver is economic, this debt risk makes little sense. The Chinese Communist Party derives much of its legitimacy on economic performance. Yet this is primarily driven by the desire to stay in power, not by altruism. As the CCP desires to stay in power, internal security is paramount. Internal security spending increased significantly between 2017 and 2018, with Xinjiang seeing nearly a 93

³²⁷ "Chronology of China's "Belt and Road" initiatives; Kennedy, *Building China's One Belt, One Road*; Swaine, "Chinese Views and Commentary on the "One Belt, One Road" Initiative."

³²⁸ Kennedy, *China's Belt and Road Initiative Five Years Later*.

percent increase during that time.³²⁹ This region is considered especially problematic as it physically links China and Pakistan, is populated by the Muslim Uighur minority, and has seen violent attacks on security personnel and citizens over the last fifteen years. This focus on internal security spending and to retain the reins of power sufficiently point to security as the primary driver for these initiatives. Economics might be the means, but security is the ends.

While not originally conceived as a BRI project since many aspects predate the initiative, the flagship project of BRI is the China–Pakistan Economic Corridor, anchored by Gwadar Port on the Arabian Sea. This corridor also consists of rail lines, roads, fiber optic networks, free trade zones, and port facilities, designed to invigorate Pakistan’s economy, providing China with access to a warm water port which bypasses the Strait of Malacca, and solving China’s Malacca Dilemma. However, the port of Gwadar resides in Baluchistan, a restive province where violence is common and ethnic tensions are high. Attacks on Pakistani security forces occur, as do attacks on Chinese workers in Pakistan.³³⁰ As the flagship project, China will rely on the success of CPEC to further sell the overall BRI as well as projects to countries who may otherwise be unsure of BRI’s viability.

The arguments for China’s motivation for BRI fall into two main categories: economic focused and security. China seeks to advertise BRI as a mutually beneficial initiative to achieve win-win outcomes, according to the spokesman for the 13th Party Congress, Zhang Yesui.³³¹ China disputes the framing of BRI as a geostrategic tool but claims that all participants in the initiative are equal partners.³³² China has not been reserved about stating that the BRI will be very beneficial to them, including the assertion by Chinese scholars that the BRI is designed to internationalize the Renminbi by utilizing it as the currency for initiative transactions to challenge to U.S. Dollar.³³³ The front-page

³²⁹ Adrian Zenz, “China’s Domestic Security Spending: An Analysis of Available Data.”

³³⁰ Small, *The China Pakistan Axis: Asia’s New Geopolitics*, 4, 102.

³³¹ “Belt and Road Initiative yields fruitful results: spokesman,” Xinhua.

³³² Ibid.

³³³ Daly, Rojansky, “China’s Global Dreams Gives Its Neighbors Nightmares.”

manifesto in the People's Daily, the official mouthpiece of the Chinese Communist Party stated that China is needed by the world, and they should use the global environment to "gain an advantage" is causing concern in neighboring countries that China is beginning a neocolonial push across the globe.³³⁴

China desires to move its economy up the value chain from low-end manufactured goods to high-end manufactured goods and services through its "Made in China 2025" program. Its economy is still heavily reliant on low-end manufacturing which requires consistent and increasing access to resources, especially oil. This oil requirement impacted China's foreign policy after 1993 when it became a net importer of oil.³³⁵ China became the world's largest energy consumer in 2010, and by 2020 China estimates it will need to import nearly two thirds of its oil.³³⁶ Nearly eighty percent of China's oil imports flow through the Strait of Malacca, a strategic waterway that is one of the busiest in the world.³³⁷ China sees this reliance on a narrow waterway as a strategic vulnerability dubbed the Malacca Dilemma. If an actor such as the United States takes actions to shut down the Malacca Strait, it could be detrimental to China's economy and security. The Belt and Road Initiative, and CPEC in particular is China's answer to this perceived dilemma. Utilizing Gwadar Port, CPEC and BRI's road networks and pipelines, Chinese policy makers believe they can mitigate the Malacca Dilemma, though the mitigation is costly as it is estimated that it costs four to five times more to send oil over land from Gwadar to Xinjiang than by sea to Shanghai.³³⁸

Examining where China is investing suggests that economics is not the underlying motivation for BRI. If this initiative was purely economic in nature, China would invest in countries with lower risks of default and higher credit ratings. However, China has invested

³³⁴ Daly, Rojansky, "China's Global Dreams Gives Its Neighbors Nightmares."

³³⁵ O'Sullivan, *Windfall: How the New Energy Abundance Upends Global Politics and Strengthens America's Power*, 213.

³³⁶ Ibid., 213–214.

³³⁷ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2017*, 51.

³³⁸ Small, *The China Pakistan Axis: Asia's New Geopolitics*, 102.

in countries with the highest risks of default, which suffer from significant economic and governance issues. Some of the BRI countries have credit ratings below investable grade, and some Chinese banks are worried about risky loans to these countries as well as the long-term viability of some BRI projects.³³⁹ Chinese bankers have privately voiced concern that these massive initiatives could create another global economic crisis, and worry that poorer countries could take advantage of China by getting loans for projects with no intention of repaying them.³⁴⁰ Lending to countries at high risk for default does not make economic sense, thus pointing to another explanation.

The thrust of BRI out of China is focused on the southwest frontiers, an area which China has historically felt a shaky grip on power and an area China views as its “soft underbelly.”³⁴¹ Xinjiang, as well as Pakistan are of concern to Beijing as unrest and a shift in Uighur sentiment from secular to Islamist in Xinjiang is linked to Pakistan.³⁴² An unstable Pakistan poses increasing risk to China, as China perceives that Uighurs have and are traveling to Pakistan for radicalization and then return to Xinjiang and perpetuate acts of violence.³⁴³ Xi Jinping argued that religious extremism is a direct threat to China, as extremists and separatists could flow into Xinjiang with a goal to weaken China.³⁴⁴

A testament to China’s concern for security, the Chinese Communist Party spends more annually on internal security than any other area, totaling nearly US\$200 billion last year.³⁴⁵ The Tibetan Autonomous Region receives the largest amount of domestic security spending, Xinjiang is second and saw a 92.8 percent increase in domestic security spending between 2017 and 2018.³⁴⁶ When adjusted for Purchasing Power parity, both Xinjiang and

³³⁹ Small, *The China Pakistan Axis: Asia’s New Geopolitics*, 15–16.

³⁴⁰ Cai, *Understanding China’s Belt and Road Initiative*, 16.

³⁴¹ Singh, “Rebuilding Lifelines of Its Soft Underbelly,” loc 398 of 799, iBooks.

³⁴² Small, 84–87.

³⁴³ *Ibid.*, 72, 176–177.

³⁴⁴ Christopher Ford, “Realpolitik with Chinese Characteristics: Chinese Strategic Culture and the Modern Communist Party-State,” 38.

³⁴⁵ Zenz, “China’s Domestic Security Spending: An Analysis of Available Data.”

³⁴⁶ *Ibid.*

the Tibetan Autonomous Region exceed U.S. domestic security spending by 32 and 37 percent, respectively.³⁴⁷ This focus on internal security was also featured in Xi Jinping's speech at the 19th Party Congress. Chinese economic development since the Deng Xiaoping era has been uneven and has favored large coastal cities, leaving behind the interior and outlying provinces. China advertises that BRI will raise the standard of living in these areas and claims the BRI will address chronic underdevelopment but it isn't driven by a desire to raise the standard of living for all Chinese citizens, but rather it is based on a quest for security and to placate the ethnic minority populations living there and maintain a grip on power.³⁴⁸

China's BRI offers challenges and opportunities to the United States. If BRI is successful in the long-term, China could overtake the United States as the world's largest economy. Chinese influence increasing globally could upend U.S. power, affecting military and diplomatic efforts abroad. China's BRI, if successful will allow China to set the conditions and rules for global trade. The United States was in the position to ensure it would continue to set global trade rules by its membership in the Trans-Pacific Partnership, (TPP) a twelve country free trade agreement that covered 40 percent of the global economy.³⁴⁹ Upon its withdrawal from the TPP, the United States opened the door for China and its BRI to assume the role as rule-maker. The BRI is ““a vehicle for China to write new rules, establish institutions that reflect Chinese interests, and reshape ‘soft’ infrastructure.””³⁵⁰ A balance to China's BRI should be the United States' reentrance into the TPP, continued maintenance of alliances both in the Asia Pacific as well as in countries along China's Belt and Road. Should Gwadar be used as a base for China's People's Liberation Army Navy in the future could complicate the United States Navy operations in the region. It could also be problematic for both the Pakistani navy and the PLAN, as

³⁴⁷ Ibid.

³⁴⁸ Singh, “Rebuilding Lifelines of Its Soft Underbelly,” loc. 355–357 of 799.

³⁴⁹ James McBride, *What Is the Trans-Pacific Partnership (TPP)?*, (New York, NY: Council on Foreign Relations, May 15, 2018), <https://www.cfr.org/background/what-trans-pacific-partnership-tpp>.

³⁵⁰ Lily Kuo and Niko Kommenda, “What is China's Belt and Road Initiative,” *The Guardian*, August 28, 2018, <https://www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-road-initiative-silk-road-explainer>.

Baluchistan remains an unwelcoming environment for them, and could lead to additional attacks on those forces. The United States should engage Pakistan as a partner in trade and global security. The improvement of Pakistan's economy is beneficial globally, as it improves quality of life, the human development index, and can help reduce extremist recruitment by removing the recruiting points of poverty, lack of economic and social mobility, and alienation. The BRI and CPEC should not be ignored by the United States, as doing so would allow room for China to establish the global rules of trade. This would risk the United States losing its global position, and risk imbalanced trade rules worldwide.

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