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**The 'Belt and Road' Initiative and its Global Geopolitical
Implications**

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Títol: The "Belt and Road Initiative" and its Global Geopolitical Implications.

La Iniciativa "Belt and Road" y sus implicaciones geopolíticas mundiales.

La iniciativa "Belt and Road" i les seves implicacions geopolítiques mundials

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Belt and Road, People's Republic of China, Geopolitics, International, Politics, Geography, Silk Road Economic Belt, Maritime Silk Route.

Belt and Road, República Popular de China, Geopolítica, Internacional, Política, Geografía, Cinturón económico de la Seda, Ruta Marítima de la Seda.

Belt and Road, República Popular de la Xina, Geopolítica, Internacional, Política, Geografía, Cinturó econòmic de la Seda, Ruta Marítima de la Seda.

Resum del TFG

[ENG] This paper covers some of the most important key points to take a deeper insight into the geopolitical initiative known in Chinese as "一带一路 [yídài yílù]" translated as "Belt & Road initiative" (BRI). The *Belt* refers to the Silk Road Economic Belt (SREB), an economic cooperation area including China and West Asia and European countries. The term *Road* refers also to the 21st Century Maritime Silk Road (MSR). The BRI is not only important for trade and regional connectivity, but also for understanding the dynamics of the new Multi-polar world currently emerging. Up until now, the world dynamics have been long dominated by Western powers. China has benefited of the peaceful environment and the U.S. hegemony in the world for its own economy growth. Even so, recent events such as the 2008 crisis and the election of President Trump, and its consequent withdrawal from world politics had been a turning point in global governance. The "Belt and Road" can be regarded as a China's response to this weak recovery of the global economy and the and represents China's demand for inclusive globalization as a contribution to global economic governance. Focusing on a particular case, the China-Pakistan Economic Corridor (CPEC), We will see the difficulty involved in a project of these dimensions, as well as the different actors involved, both in critical and in cooperation.

[ESP] Este documento cubre algunos de los puntos clave más importantes para profundizar en la iniciativa geopolítica conocida en chino como "一带一路 [yídài yílù]", traducida como "Iniciativa del Cinturón y la Ruta de la Seda" abreviada como Nueva Ruta de la Seda (NRS). El *Cinturón* se refiere a la principal ruta terrestre (en inglés SREB), un área de cooperación económica que incluye a China, Asia occidental y los países europeos. El término *Ruta* se refiere también a la ruta marítima (MSR). El NSR no solo es importante para el comercio y la conectividad regional, sino también para comprender la dinámica del nuevo mundo multipolar que está surgiendo actualmente. Hasta ahora, la dinámica mundial ha estado dominada durante mucho tiempo por los poderes occidentales. China se ha beneficiado del entorno pacífico y la hegemonía de los Estados Unidos en el mundo para su propio crecimiento económico. Aun así, los acontecimientos recientes como la crisis de 2008 y la elección del presidente Trump, y su consecuente retirada de la política mundial han marcado un punto de inflexión en la gobernanza global. La Nueva Ruta de la Seda puede considerarse como la respuesta de China a esta débil recuperación de la economía global y la demanda de una mayor globalización inclusiva como una contribución a la gobernanza económica mundial. Centrándonos en un caso particular, el Corredor Económico China-Pakistán (CPEC), veremos la dificultad involucrada en un proyecto de estas dimensiones, así como los diferentes actores involucrados, tanto en crítica como en cooperación.

[CAT] Aquest article cobreix alguns dels punts clau més importants per aprofundir en la iniciativa

geopolítica coneguda en xinès com "一帶 一路 [yídài yílù]", traduïda com "Iniciativa del Cinturó i la Ruta de la Seda" abreujada com Nova Ruta de la Seda (NRS). El Cinturó es refereix a la principal ruta terrestre (en anglès SREB), una àrea de cooperació econòmica que inclou la Xina, Àsia occidental i els països europeus. El terme Ruta es refereix també a la ruta marítima (MSR). El NSR no només és important per al comerç i la connectivitat regional, sinó també per comprendre la dinàmica del nou món multipolar que està sorgint actualment. Fins ara, la dinàmica mundial ha estat dominada durant molt de temps pels poders occidentals. Xina s'ha beneficiat de l'entorn pacífic i l'hegemonia dels Estats Units en el món per al seu propi creixement econòmic. Tot i així, els esdeveniments recents com la crisi de 2008 i l'elecció del president Trump, i la retirada de la política mundial han marcat un punt d'inflexió en la governança global. La Nova Ruta de la Seda pot considerar-se com la resposta de la Xina a aquesta feble recuperació de l'economia global i la demanda d'una major globalització inclusiva com una contribució a la governança econòmica mundial. Centrant-nos en un cas particular, el Corredor Econòmic Xina-Pakistan (CPEC), veurem la dificultat involucrada en un projecte d'aquestes dimensions, així com els diferents actors involucrats, tant en crítica com en cooperació.

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1. INTRODUCTION

In this final project my aim is to take a deeper insight into one of the most important current topics in China's foreign relations and geopolitics, the initiative known in Chinese as "一带一路 [yídài yīlù]". Firstly this was referred to as "One Belt One Road" (OBOR) in English; however this strategy wants to involve more than one route, therefore it should be translated as "Belt & Road initiative" or BRI (LIIA, 2016). This project was initiated by President Xi Jinping in 2013. The Belt and Road strategy includes two major projects: on the one hand, the Silk Route Economic Belt (SREB), and on the other hand, the 21st-century Maritime Silk Route (MSR). These routes may have side-branches along the way because the main objective is to build trade communications between China and countries in Central Asia, Europe and the African continent.

This ambitious project will involve almost 65 countries, in which China has planned to invest around one trillion yuan (around 160 billion US dollars) in various infrastructure projects. (PwC's, 2016)

This is the object of my study: covering some of the most important key points to understand which developments are taking place and the implications that this connectivity plan has for the rest of the countries as well as internationally. My study has a special focus not only on economic and geographic advances, but also in their links towards something bigger. In addition, and in order to offer a more detailed view I will explore a particular case among the proposed new routes, the China-Pakistan Economic Corridor (CPEC).

My goals with this study are first, achieving a better understanding of one of the most relevant initiatives of the 21st century and second to comprehend China's role in it by analysing the country's motivation behind its stance towards the other countries.

What motivated me to choose this topic was, apart from the fact that it's a very interesting one, my personal belief that we're all affected by it. With this I mean that, since the BRI plans to involve some of the most relevant international actors of our time (China, the United States, Japan, South Korea and Russia mainly), the decisions taken, or overall, what will be set and how, will have a direct or an indirect effect in our lives. Also, I would like to shed additional light around the process and the position of the affected countries.

The main questions of this paper are: What does the "Belt and Road" Initiative include? Which countries are involved? How large is the Belt and Road initiative and where does its funding come from? What are likely to be the real objectives behind the Initiative? How is the CPEC going to affect Pakistan and India relations?

My hypothesis are as follows: first, far beyond the myth in the name of the initiative the BRI pursues multifaceted economic and political goals; and second, I believe the Belt and Road initiative is not only important for trade and regional connectivity, but also for understanding the dynamics of the new Multi-polar world currently emerging. Analyzing China's objectives and the answer that Chinese plans are receiving among the international community is of the utmost importance for the future of international relations at a world scale.

2. SOURCES AND METHODOLOGY

The purpose of this section is to present the methodology and sources used to analyse the geopolitical challenges of the Belt and Road initiative.

To begin with, in this essay some expressions will be referred with their initial letters in order to economize space. Thus the Belt and Road Initiative will be BRI, the People Republic of China will be PRC and the China-Pakistan Economic Corridor will appear as CPEC. Also, Harvard is the reference system used and all the used materials are in the bibliography section available at the end of the document. However, I'll be using footnotes occasionally in order to make certain explanations or to expose some issues more clearly.

Second nowadays all states are strongly interdependent in an extremely complex international system. Indeed, the BRI is a hot topic in which states face common global issues with regard to international trade and political security worldwide, which inevitably require collective and cohesive global solutions. For this it is necessary not only to understand the BRI's historic framework but also to introduce a geographical view, which offers a much clearer perspective on its current political course and the global implications. Also, an historic method is required in order to value stabilities and instabilities of political regions that allow the adoption of policies and strategies capable of managing the development of the initiative.

The thesis is structured in four broad parts. The first and second characterize the Belt and Road Initiative and the China-Pakistan Economic Corridor, which constitute the central investigations of this essay. Along with them there are some internal subsections that expose major problems on these topics, such as the connectivity of BRI, or the challenges that posed the CPEC in the region. This structure allows to present the more relevant information in the project and to take different perspectives from the literature analysed. Third and fourth a personal evaluation and the conclusions will be presented, offering an overview of the above mentioned materials and further discussion of the issues examined.

Finally, this thesis relies on data from proprietary and publicly available sources both in English and Chinese. To date, BRI has been steadily expanding in both academic research papers and the mass media, which have nourished this project. Taking the perspective of different articles and other publications not only provides background information but also the examination of the projects and their associated trade, financial and political issues. However, although these publications enrich the understanding of the MSRI and SREB, the scholarly coverage so far has some limitations. For example the information contained in this paper may differ from previous press releases and external data sources, as data is constantly

updated. Also, there are few exhaustive analyses of the initiative. Many articles are mostly descriptive rather than scholarly investigations, and tend to use academic concepts from economy, foreign policy analysis and international relations. Most works undertake comprehensive analyses of the geopolitical meaning of the MSRI and SREB. Therefore it is clear that the politics between China and surrounding countries will be intimately intertwined and will produce effects at the global, regional, sub-regional, national and sub-national levels. (JOHNSON, 2016)

3. THE BELT AND ROAD INITIATIVE

3.1. Definition

The Belt and Road Initiative could be defined as a development strategy and framework, which focuses on a massive development of infrastructures promoting economic cooperation among countries along the proposed routes. The strategy underlines China's attempt to play a bigger role in global affairs, and implies a desired win-win strategy in the new international dynamics of the PRC. This plan originally uses in using China's huge economic leverage to invest abroad allowing for the export of strong infrastructure development to other world regions as well.

3.2. Historical background

3.2.1. The Silk Road Route

The Belt and Road Initiative originates from the Silk Road, which is the name of the route that connected ancient China with Central Asia, Western Asia and the European continent. It was already open in the second century AC and was the fundamental trade route, starting in China and connecting Asia, Africa and Europe. The term "Silk Road" or "*die Seidenstrasse*" in German was coined by German geographer Ferdinand von Richthofen in the late nineteenth century. (CHRISTIAN, 2000) This route provided a thoroughfare for goods and ideas between China and the other cultures of Central Asia; India and Persia. The route began in Chang'an (present-day Xi'an, capital of the Shaanxi province) and crossed Gansu and Xinjiang provinces to Central Asia, West Asia until the shores of the Mediterranean Sea. The direct exchange of goods, such as textiles, metalware, and ceramics, inspired the Tang Dynasty (618 - 907), which it is known for being one of the most prosperous dynasties in the history of China. On the other hand a web of maritime routes connected Chinese seaports like Guangzhou with the south of India, the Persian Gulf, and the Eastern coast of Africa. (COLBURN, 2009)

3.2.2. An International Approach to China

In 1978 China started opening up under Deng Xiaoping's reforms and acceded to the global integration scenario. The economic development has been a core objective for the Chinese government since then, joining the World Trade Organization (WTO) in 2001 and soon learning of the usefulness of the institutions that support the new globalized economic order. From 1978 to 2003 China's per capita income grew from 379 yuan to 9101 yuan. (LIU, 2006) According to some analysts, China's great economic push could overshadow the current

order. In other words, "*geoeconomic power tends to become geopolitical power*" and we can take the last century's as a proof. (GOLDEN, 2017:1).

Up until now, the world dynamics have been long dominated by Western powers. We can discover long-term regularities in the development of economic development and geographical patterns, known as global integration cycles. This model highlights the fact that an integration is done achieved around a principal power. When applied to the object of study the leader in the global scenario may be discerned. (KOLOSOV, 2017) First, in the 19th century it was the United Kingdom which headed to the expansion of the British empire. This period is better known as *PaxBritannica*, the first global integration cycle that lasted until 1914. Its end involved the two world wars with two decades in between. Later, after the Second World War the world entered in a new cycle of global integration led by the United States. The U.S. leveraged its combination of military, financial and economic strength to led global integration, building a new liberal global scenario. This phenomenon is known as the *PaxAmericana*. This system included the creation of security and economic institutions such as the United Nations, the North Atlantic Treaty Organization, the World Bank, the International Monetary Fund and the World Trade Organization. Furthermore, the U.S also built a framework of alliances in Europe and East Asia. The postwar international order was also stressed by America's *soft power*, its ideological and cultural appeal, projecting its liberal values abroad by promoting democracy and human rights. (ZHU, 2016)

The fear of changes in the established order has led other powers to launch geopolitical initiatives in the region. The interpretation of Münkler states in that rivalries between old and new global powers do not have to result in direct wars between the competitors, but often in conflicts in the periphery of the respective global system. (MÜNKLER, 2005). This interpretation is highly relevant for the current global situation, as the world order is shifting from a unipolar to a multipolar one. This can be seen in the U.S attempts to squeeze the development of China in South-East Asia. The rapid economic power of China raised "*increasing wariness, fear, and suspicion from the world, particularly from the United States*". (GUO, 2006:2). In that moment we also find a swift in international power due to the collapse of the U.S.S.R. and the Tiananmen crisis. The Chinese answer was starting to promote the idea of "peaceful development" (in Chinese *heping fazhan* 和平发展) to reassure that there was no "China Threat" to peace and stability in the region and the world. Also, the new policy emphasized economic development or the deep-rooted idea in the inicial plan by the open-up policy by Deng Xiaoping back in 1978. Actually, China has beneficiated of the peaceful environment and the U.S. hegemony in the world for its own economy growth. Chinese

participation in foreign trade and investment has been crucial for its development and the pursuit of economic goals has resulted in Chinese foreign policy aiming at improve relations with the rest of the countries. Therefore, social and political stability has been crucial for development. (LI, 2006)

3.2.3. A New Era of Globalisation

Since the 2008 global economic crisis, there has been a clear tendency to propose new forms of mega-regional Free-Trade Agreements between two or more continents and countries. For example, during the Obama administration, the U.S turned clearly towards Asia with the Trans-Pacific Partnership, in order to maintain US's hegemony and strengthen its existence and dominance in the Asian-Pacific region based on its own theory of the "China Threat". The TPP was a free trade agreement that linked a number of Asia-Pacific countries and the United States but left China out. In 2012, the U.S. proposed the "Asian-Pacific Rebalancing Strategy", which aimed at reducing the increasing influence of China through military, political and economic ways to strengthen American intervention in Asian-Pacific affairs.

In 2013, during various state visits to Kazakhstan and Indonesia, the People's Republic of China's current president, Xi Jinping, announced the Silk Route Economic Belt (SREB) and the 21st-century Maritime Silk Route (MSR). Both were made a priority in the foreign policy of the Chinese Communist Party. These two projects were later explained by the National Development and Reform Commission (NDRC), which issued official information in the document : "Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road", released in 2015. According to the Chinese government, this plan *"can help promote the economic prosperity of the countries along the Belt and Road and regional economic cooperation, strengthen exchanges and mutual learning between different civilizations, and promote world peace and development."* (NDRC, 2015:1). The different routes were aimed at opening *"several trade and cultural exchange routes that brought together the main civilizations of Asia, Europe and Africa, collectively called the Silk Road for later generations"*. (NDRC, 2015:1)

Therefore the "Belt and Road" can be regarded as a China's response to the weak recovery of the global economy and the American policy in the Asia-Pacific region, and represents China's demand for inclusive globalization as a contribution to global economic governance. China also faces the problem of insufficient demand -and consequent slowdown of GDP, as can be seen in figure 1- for its products and limited prospects for profitable domestic investment. There is also a desire to make greater use of external economic ties to seeking new markets and attractive investment opportunities abroad to ease overproduction. (Kolosov, 2016)

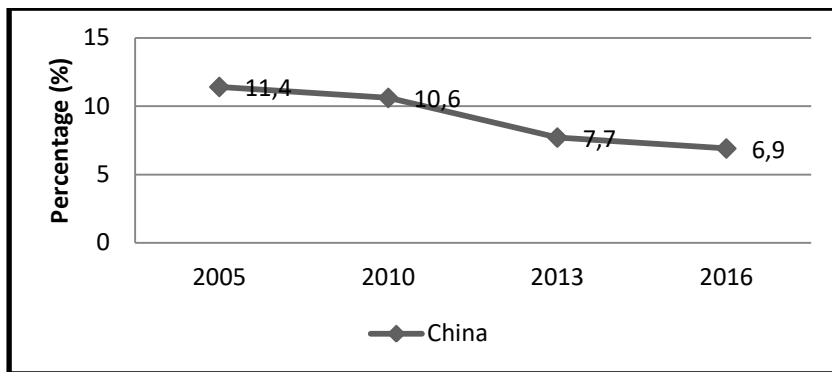


Figure 1. China's GDP annual growth rate.

Sources: Adapted from *China Statistical Yearbook 2016*. Beijing: China Statistics Press, 2016.

In the 2016 United States elections Donald Trump was elected president, setting back the TPP and making clear his intention to adopt major protectionist trade policies and immigration restrictions. The "America First" policy has caused uneasiness about the future role of the US in global governance. (GOLDEN, 2017)

In the Belt Road Forum (BRF) organized in Beijing in mid-May, 2017, the Chinese authorities provided a more detailed account of the plan and stressed the importance in building back the ancient silk routes that "*embody the spirit of peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit.*" (XINHUA, 2017:1) To understand BRI, as Xi Jinping said, we must think of it as a new model of cooperation in a new economic globalization system.

Nowadays globalization problems signal that the current round of economic globalization, after 40 years of development, is ready for a major turning point. It is from here where the BRI is born, which is China's main plan. The Belt and Road Initiative is aimed to actively develop economic cooperation and partnership between China and other countries, optimize resource-deploying, strengthen market-integrating, and promote the global to carry out more comprehensive and in-depth regional cooperation. China has taken a clear position to defend globalization and boost new multilateralism, confirmed by President Xi's speech in 19th National Congress of the Communist Party of China (CPC) (XINHUA B, 2017:1):

This new era will be an era of building on past successes to further advance our cause, and of continuing in a new historical context to strive for the success of socialism with Chinese characteristics. It will be an era of securing a decisive victory in building a moderately prosperous society in all respects, and of moving on to all-out efforts to build a great modern socialist country. It will be an era for the Chinese people of all ethnic groups to work together and work hard to create a better life for themselves and ultimately achieve common prosperity for everyone. It will be an era for all of us, the sons and daughters of the Chinese nation, to strive

with one heart to realize the Chinese Dream of national rejuvenation. It will be an era that sees China moving closer to center stage and making greater contributions to mankind."

Xi Jinping's dream of "national rejuvenation" seeks the consolidation of the nation's wealth and military powers, the enhancement of the legitimacy of the Chinese Communist Party rule, and the taking of central stage in world affairs. In order to achieve its goals the Chinese government has undertaken institution-building activities in both national and international levels in order to influence the global economic governance. As discussed in Xi's speech, China is prepared to lead an alternative to the existing Western model, which would be a new model in the 21st century, a Pax Sinica.

3.3. Basic Concepts

The Eurasia region has a great importance in the present century and could imply a change in the existing hegemonic world order. "*Eurasia accounts for 75 percent of the world's population, 60 percent of its GNP, and 75 percent of its energy resources. Collectively, Eurasia's potential power overshadows even America's*" (BRZEZINKSI, 1997:1).

In the past there have been other countries interested in starting a project similar to the BRI. Countries have developed their own strategic ideas and these plans provide a reference for our understanding of the new Chinese vision. In 1997 the Japanese government proposed a "Silk Road Diplomacy" idea which aimed to strengthen Japan's contacts in Central Asia. In 2011 the United States launched an initiative "the New Silk Road" in order to connect Afghanistan and Central Asia, which aimed to boost its potential as a transit area between Europe and East Asia. (HE, 2013:2) None of these had made much progress, although their mere existence shows that there is a need to connect the East and West. Some countries in Central Asia are far from international markets and need to strengthen each other's economic cooperation in order to effectively enter the international market. However none of these projects are assimilated to the BRI according to magnitude and concept. The Chinese version of the new Silk Road plan is supposed to be different from the previous American and Japanese Silk Road programs, both of which have made little progress. China's idea is to design a non-exclusive platform for cooperation and regional integration and does not intend to seek dominance of regional affairs. (HE, 2013:1)

The B&R Initiative embraces an area that is home to about 70 per cent of the world’s population, produces about 55 per cent of global GDP and has about 75 per cent of known energy reserves.



Figure 2. Terrestrial and Maritime Silk Proposed Roads
 Source: Lowy Institute, march 2017.

3.3.1. The Belt

The Belt refers to the Silk Road Economic Belt (SREB), an economic cooperation area including China and West Asia and European countries. The initiative calls for the integration of the region into a cohesive economic area through building infrastructures, increasing cultural exchanges, and broadening trade. The North Belt goes through Central Asia, and Russia to Europe. The Central belt goes through Central Asia and West Asia to the Persian Gulf and the Mediterranean. The South Belt links China with Southeast Asia, South Asia, and the Indian Ocean. Therefore, part from the North Belt, which is largely analogous to the historical Silk Road, other areas to be included in the extension of this ‘belt’ are South Asia and Southeast Asia. The Belt connects countries such as Kazakhstan, Ukraine, Russia, Germany, Italy, etc. These countries are rich in resources of minerals, energy, land tourism, etc and some are world industrial powers as well . (DU, 2015)

3.3.2. The Road

The term *Road* refers also to the 21st Century Maritime Silk Road (MSR). This is a complementary action plan, aimed at investing and fostering collaboration in Southeast Asia, Oceania, and North Africa, through several contiguous bodies of water – the South China Sea, the South Pacific Ocean, and the wider Indian Ocean area. It connects ASEAN (the

Association of Southeast Asian Nations), South Asia, West Asia, North Africa and Europe. Nowadays, the Road has become a great waterway for maritime exchanges between China and other countries such as Vietnam, Singapore, Kenya, Egypt, etc. (DU, 2015)

3.4. The Silk Road Fund

This section will explore the existing financing measures for the development of the BRI. Given the lack of development in Eurasia, the initiative of the Belt and Road is considered a solution to build infrastructures, economic connectivity and regional integration. However, to achieve this very large investments are needed . To sustain the project ADB'S estimations lie around \$ 8 trillion in national infrastructure and \$ 290 trillion in regional infrastructure , just to keep pace with expected needs. (BANYAN, 2013) As part of the Belt and Road Initiative, the Chinese government launched the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund (SRF).

3.4.1. The Asian Infrastructure Investment Bank

In 2013 during a state visit in Jakarta (Indonesia) and in order to celebrate the flourishing bilateral trade relationship, Xi Jinping announced a new proposal, the creation of the Asian Infrastructure Bank. According to Xi, the bank would be open to other Asian governments to participate, and it "would seek to co-operate rather than compete with other sources of funds" (BANYAN, 2013). By other sources we can understand a clear reference to the Asian Development Bank (ADB) of which China is a member along with most Asian countries, America and most European countries as well . By the creation of an alternative investment bank, China would not only help some countries that did not have enough resources but also have a greater influence in this bank's decision process.(BANYAN, 2013)

In 2014 the AIIB was officially launched at a ceremony in Beijing. On March 12, 2015 the bank was established multilaterally with the incorporation in the United Kingdom, followed by other European countries such as Germany, France and Italy as founding members. The bank obtained global status and, despite the presence of multiple countries, the voting ratio of China and its central position allowed the government to use the bank as a tool to promote BRI. Finally, on 16th January 2016 the AIIB started being operable with a capital of US\$ 100bn. (GABUSI, 2017).

The bank tends to follow a modus operandi based in its core values (as stated in the Annual Report and Accounts 2016), which are "lean, clean and green". Lean references to the "*small and experienced management team, a core of highly motivated, skilled and dedicated staff, and a non-*

resident Board of Directors"(AIIB, 2016:4). Clean references to the measures taken by the bank in order to avoid corruption. Finally, the bank is committed to financing infrastructure that is environmentally friendly and socially sustainable and "green". (AIIB, 2016)

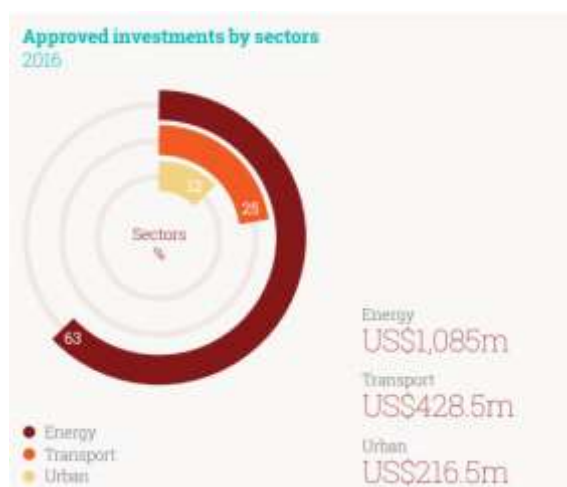


Figure 3 Approved investment by sectors.

Source: Annual Report and Accounts 2016. Asian Infrastructure Investment Bank.

As displayed in the Figure 2, the Bank main projects have been in energy, transport and urban sectors, chosen as a priority.

Figure 4. Loans Approved by the Asian Infrastructure Investment Bank

COUNTRY	PROJECT	SECTOR	Project cost (US\$)	AIIB funding (US\$)	COFINANCING INSTITUTIONS ¹	APPROVED
Indonesia	Dam Operational Improvement and Safety - Phase II	Multisector	250 millions	125 millions	WB	March 2017
Indonesia	Regional Infrastructure Development Fund	Multisector	200 millions	100 millions	WB	March 2017
Bangladesh	Bangladesh Natural Gas Infrastructure and Efficiency Improvement	Energy	227 millions	60 millions	ADB	March 2017
Bangladesh	Distribution System and Expansion	Energy	262.3 million	165 million	ADB	June, 2016
Tajikistan	Dushanbe-Uzbekistan Border Road Improvement	Transport	105.9 million	27.5 million	EBRD	June 2016
Indonesia	National Slum Upgrading	Multisector	1.7 billion	216.5 million	WB	June 2016

¹ ADB, Asian Development Bank; EBRD, European Bank of Reconstruction and Development; EIB, European Investment Bank; IFC, International Finance Corporation; OGLG, Oman Global Logistic Group; SEZAD, Special Economic Zone at Duqm; WB, World Bank.

Pakistan	National motorway M-4 (Shorkot-Khanewal Section)	Transport	273 million	100million	ADB	June 2016
Pakistan	Tarbela 5 Hydropower Extension	Energy	823.5 million	300 million	WB	September 2016
Myanmar	Myingyan Power Plant	Energy	312 million	20 million	IFC, ADB and certain commercial lenders	September 2016
Oman	Duqm Port Commercial Terminal and Operational Zone Development	Transport	353 million	265 million	SEZAD	December 2016
Oman	Railway System Preparation	Transport	360million	36million	OGLG	December 2016
Azerbaijan	Trans-Anatolian Natural Gas Pipeline	Energy	8.6 billion	600 million	W.B.	December 2016

Source: Based on "Annual Report and Accounts 2016" (Asian Infrastructure Investment Bank) and with Gabusi (2017)

If we take a close look to these projects, we can find out two main trends. First, in analyzing the activity of the bank we can see how the main beneficiaries of the year 2016 and 2017 have been countries based in Eurasia. We can see that all 12 loans approved by the AIIB involve seven countries, all part of BRI in 12 projects that can be all related to one of the six BRI corridors. Second, apart from the energy distribution system in Bangladesh, all projects are co-financed by other banks, such as WB or EIB, ADB. This interest by other Western banks shows that these projects were not dominated only by the interests of China, but were based on international standards. However, trade relations between China and these seven countries have grown at a higher rate than China's trade with the rest of the world (GABUSI, 2017:33)

3.4.2. The Silk Road Fund

To finance the BRI, China has created the Silk Road Fund (SRF) which is a state-owned investment fund established in December 29th, 2014. It is an economic development initiative that aims to increase investments along the Belt and Road corridors. The Chinese government made in the SRF an initial investment of US\$ 40 billion. The main stakeholders are the State Administration of Foreign Exchange, China Investment Corporation, China Development Bank and Export-Import Bank of China along with other corporations. To date, the fund has signed various agreements or Memorandum's of Understanding (MoU) with other countries. In 2015, China Three Gorges Corporation and the Private Power &

Infrastructure Board of Pakistan signed a memorandum of cooperation. Later came other agreements with Russia and Kazakhstan and Saudi Arabia in 2016. (SRF, 2018)

3.5. Belt and Road's significance to China

The B&R Initiative has been launched at a time when Chinese foreign policy has become more assertive. In words of Nadège Rolland, an analyst at the Think Tank National Bureau for Asian Research: *"It is not an economic project, it is a geopolitical project – and it is very strategic"*. This means that the BRI has to be interpreted as a geopolitical plan rather than a purely economic one. (JOHNSON, 2016). One of the unstated purposes of China's entire Silk Road program is to buy political goodwill from countries along the road. President Xi Jin Ping said that China's neighbours had *"extremely significant strategic value"* at the Peripheral Diplomacy Work Conference. The will of China is to improve relations with its neighbours, strengthen economic ties and security cooperation. *"Maintaining stability in China's neighbourhood is the key objective of peripheral diplomacy. We must encourage and participate in the process of regional economic integration, speed up the process of building up infrastructure and connectivity. We must build the Silk Road Economic Belt and 21st Century Maritime Silk Road, creating a new regional economic order."* (XINHUA, 2013). The BRI should be regarded therefore as a road with geo-pivotal functions of linking and radiating in space. This section will cover its high geostrategic value and its strategic situation which may have an important impact on China's economic and security interests, mainly for three reasons (ZHANG & LIU & CAI, 2015): First, because it is about guaranteeing the national security and stability of the west region. In this sense, China feared that the creation of independent states closer to its Western border could bring the Uighur population of the Xinjiang region to support separatist tendencies and claim independence from China, considerireligious, ethnic and cultural affinities with Central Asian populations. Second, to improve relations with border states and to develop favorable economic and commercial relations. China has developed bilateral relations with the countries of Kazakhstan, Kyrgyzstan and Tajikistan. China needs to import from these countries raw materials , such as energy, iron, and other metals and minerals. On the other hand, China complements the Central Asian economies with consumer goods and finished products. Third, to ensure the transportation of oil and gas and thus strengthen its current dependence on coal, as China is an oil importing country. (ZHANG & LIU & CAI, 2015)

The BRI will support the carefully chosen strategic points which will endow China to create a stronger strategic position and improve China's external security environment therefore, also expanding its interests and influence towards outside its borders (LI JUAN, 2016)

3.5.1. Connectivity

In total, the “Belt and Road Initiative” covers 64 countries in Southeast, South, Central and West Asia and Central and East Europe. Through convenient trade cooperation and investment facilitation measures, it will promote economic development between China and the countries along the Belt and Road. We should see the Belt and Road Initiative as a kind of network, consisting of railways, highways, airways, and oil and gas pipelines. If we take a close look to the SREB and MSR we can see that, if brought into reality, the different Silk Roads would boost China’s trade with effectively the whole Eurasian continent. China's maritime transport system relies heavily on four oceanic routes and numerous other maritime strategic routes. The transport of goods to the Middle East, Africa and Western Europe depends heavily on the Straits of Malacca, Hormuz, Mandez and the Suez Canal; the access to Australia and South-East Asia Transport of goods relies heavily on the Bashi Strait, and the Lombok Strait; the transport of goods to North America and Latin America depends heavily on the Panama Canal. (DU, 2015) If we consider for instance China's imports of oil, the dependence is enormous . About ninety percent of China's trans-shipment of goods needs to be completed by sea. The transport route of oil is unique and relies on ocean transportation through the Indian Ocean and the Strait of Malacca. Furthermore, about 70 percent of oil comes from the Middle East and Africa, whose political situation is very unstable. The BRI offers a faster and more secure way to reduce the transportation of goods and oil by the opening of new land passages in the Eurasia which can connect to the Middle East, therefore avoiding the dependence on Strait of Malacca. (GAUTAM, 2016) From the perspective of ensuring economic security, based on respecting sovereignty and security concerns of relevant nations, the “Belt and Road Initiative” will improve the connectivity of national infrastructure construction plans and technical standard systems, will push forward the construction of international trunk passageways, will build a new Eurasian Land Bridge and will develop China-Mongolia-Russia, China-Central Asia-West Asia and China-Indochina Peninsula economic corridors. (LIU & DUNFORD, 2016)

3.5.2. Strategic base

The Silk Road economic belt is regarded as the most important action of China towards neighbouring countries, first Central Asia. The term "central asia" basically encloses the five republics of Kazakhstan, Kyrgystan, Tajikistan, Turkmenistan and Uzbekistan. Although these countries were in the past part the Soviet Union, nowadays they have very different foreign policies. This is an important geostrategic point in terms of energy resources and trade. In recent years, China has invested in the region and has become the main trading partner of these republics. Central Asia has become a must for China to arrive in Europe via land and therefore has become a commercial throat and a land bridge connecting the Middle East, East Asia, South Asia, Russia, the Caucasus and Europe. (ZHANG & LIU & CAI, 2015) Central Asia's "heartland" is not only sparsely populated but also rich in resources. To some extent, it plays a key role as China's strategic buffer zone before Russia. Given the chaos in the Middle East and the fact that the first Eurasian land bridge was completely ruled by Russia, Central Asia has become a must for China to reach Europe via land. (CAI, 2017)

The objective is to strengthen economic cooperation between Europe and Asia and to build a new model of global governance. Since 2009, when the pipeline came operational, China has managed to secure enough gas by expanding the Sino- Central Asian gas pipeline. The Kazakh-China pipeline will be expanded to an export capacity of 400,000 barrels per day. (ZHANG & LIU & CAI, 2015)

The South China Sea is the first strategic pivot of China's 21st Century Maritime Silk Road. The important geopolitical position of the South China Sea is determined by its geographical location. For China, the South China Sea is not only a gateway to China's southbound and westbound routes but also a strategic defensive outpost in southeastern China and a maritime barrier in southern China, gaining a dominance over the South China Sea and facilitating China's strategic defense in this area. The control of this maritime space will enable China to have direct or indirect control over most of the sea lanes, from the Korean Peninsula to the the Nansha Islands, from the Straits of Malacca to Japan, from Singapore to Hong Kong, from Guangdong to Manila, and even from East Asia to West Asia, Africa and Europe. (ZHU, 2016).

3.5.3. Development

Due to the advance of maritime transportation and the prosperity of marine trade, the Western regions of China, located deep inland, have remained not really well connected and lag behind the developed and economically powerful Eastern cities, which are grouped

under the umbrella of the Special Economic Zones. (BUSTELO, 1996:51) Since the reform in 1978 one of the measures taken in order to open up the country's' economy was to establish Special Economic Zones (SEZ). These new zones were based in the Eastern China coast, and adopted foreign technology and investment to foster their e export orientation. Contrarily, the western regions of China are located deep inland lacking good connectivity . (CAI, 2017) Their economic development level is lower compared to mainland China. In 2013, for instance, per capita income in Western provinces such as Gansu, Guizhou, Qinghai and Xinjiang was only between a third and a half of that in Eastern provinces such as Guangdong, Fujian and Zhejiang, and only a quarter of that in Shanghai and Beijing. (FERDINAND, 2016) The BRI is China's main strategy to help the Western regions to achieve development. From the PRC view, it will provide better conditions of transportation and logistics and there will be a new economic growth poles formed through the introduction of industries and population. (LI JUAN, 2016)

There have been attempts to open the Western part of the country, such as the "Western Development Initiative" presented by the PRC in January 2000. It was an ambitious development for the autonomous regions of Xinjiang, Ningxia, Guangxi, Tibet and Inner Mongolia, the provinces of Shaanxi, Gansu, Qinghai, Sichuan, Yunnan and Guizhou, as well as the city of Chongqing. The main objective was to reduce the economic imbalance between Western China and the central and coastal areas. (ZHU, 2016) However by 2015 it was estimated that the West would need 30-50 years to catch up with the rest of China. Among its many objectives, SREB is proposed as a measure to promote the development of the backward Western Chinese provinces. (LI JUAN, 2016)

3.5.4. The Internationalisation of Renminbi (RMB)

The Renminbi (RMB) is the national currency in China. Until few years ago, RMB was only valid for national's internal trade, while the international transactions were conducted in foreign currency, specially US dollars. Over the years, China's dramatic growth in international trade has made this country the second largest economy in the world, as well as the largest exporter. This economic growth expected to bring to the international table enough strength to make the Renminbi a global reserve currency. The Belt and Road Initiative and the RMB internationalization are China's two major national development strategies. Since both can complemented each other, we should take a careful and deep approach to Renminbi internationalisation and see its links to BRI. (R.U.C., 2017)

According to Bowles and Wang in their 2013 study for the *Renminbi internalization: A Journey to Where*, in recent history, there have been two main contacts between RMB and

internationalization. The first was the Asian financial crisis in 1997, when the People's Bank of China (PBOC) signed bilateral exchange agreements, the "Chiang Mai Initiative", with other countries in the region (Thailand, Japan, South Korea, Malaysia, Philippines and Indonesia). This enabled them an easier access to foreign currency. Later, due to the Global Financial Crisis in 2007, more bilateral currency swap agreements were signed in order to provide an answer to the dollar's crisis, which was mainly linked to the United States and which fluctuates as a national currency. The agreements facilitated the RMB to continue to engage in trade and provide sources of currency reserves. (BOWLES, 2013)

The PBOC has led the groundwork necessary to achieve internationalization in the following three steps. First, the setting of RMB as a global trade currency. Considering China's weight in world exports, more and more businesses were accustomed to taking the currency into account and using it for payments and receipts for goods and services. Second, RMB as a global investment currency, set the facilities to become more freely invested and converted into other currencies. And, third, the RMB as a global reserve currency facilitated catching up with other currencies such as the US dollar. (BOWLES, 2013) Nowadays the Renminbi is the sixth most common currency in world trade and is used in almost a quarter of all transactions across China's borders. (LOVE & CHEN, 2017)

In 2015 China joined the European Bank for Reconstruction and Development (EBRD) and founded the New Development Bank (NDB). (LOVE& CHEN, 2017) Moreover, on November 30, 2015, the International Monetary Fund (IMF) approved the inclusion of the RMB in its Special Drawing Rights (SDR) basket of currencies which effectively took place on the 1st October of 2016.

While there is more progress to be made in its internationalization, this inclusion positioned RMB among other elite global currencies, like the U.S. Dollar, the British Pound, the Euro and Japanese Yen. As the Director Siddhart Tiwari has stated, this " *reflects China's expanding role in global trade and the substantial increase in the international use and trading of the renminbi.*" (IMF, 2016)

According to the "RMB Internalization Report of 2017" by the Renmin University of China, both foreign direct investment (FDI) and outbound direct investment (ODI) are important pillars of the development of China's economy. However, the ODI has to be seen as a keen strategy to promote RMB internationalization. ODI is an strategy that allows the national currency to expand outside the national scope allowing the growth of trade volume of Chinese multinational companies. Also, the ODI promotes the internationalization of

financial institutions, which will develop cross-border business and inject investment into the RMB offshore market. (Renmin University of China, 2017:30)

Partly thanks to the global implications of the BRI, there is a significant growth in trade between China and another emerging economies that share currencies too volatile to serve the same function. Therefore, RMB is an alternative for trade settlement, encouraging a robust offshore environment and, more recently, liberalizing access to onshore RMB accounts. (LOVE & CHEN, 2017) Also, the BRI provides many opportunities to China in spreading the use of RMB in trade, transportations and industry. China's financial sector becomes more market-based and resilient to external forces. Thanks to the process undertaking in liberalizing and internationalizing its currency the Chinese currency has been increasingly used in loans and infrastructure. Among the 101 countries that use RMB, 57 now use the RMB for at least 10% of their trade with China. (LOVE & CHEN, 2017)

3.6. Involvement of other countries

We have noted how the Belt and Road initiative proposed by China is a large project taking into account different neighbour countries. Six economic corridors and one maritime route have been proposed under the BRI:

Figure 5. Summary of BRI Economic Corridors

Corridor	Partners	Example Projects
Bangladesh-China-India-Myanmar Economic Corridor	Bangladesh, India, Myanmar	<ul style="list-style-type: none"> • China-Myanmar crude oil and liquified natural gas (LNG) pipeline • Pagma Bridge (Bangladesh) • Tunnel construction under Karnaphuli River (Bangladesh)
China-Central Asia-West Africa Economic Corridor	Iran, Kazakhstan, Kyrgyzstan, Kuwait, Qatar, Saudi Arabia, Tajikistan, Turkey, Uzbekistan	<ul style="list-style-type: none"> • China-Kazakhstan passenger train • Manas airport modernization (Kyrgyzstan) • Turkey east-west high-speed rail
China-Indochina Peninsula Economic Corridor	Cambodia, Laos, Thailand, Vietnam	<ul style="list-style-type: none"> • China-Laos Railway • Upgrade of Lancang-Mekong ship route
China-Mongolia-Russia Economic Corridor	Mongolia, Russia	<ul style="list-style-type: none"> • Altai LNG pipeline (linking Xinjiang and Siberia) • Altanbulag-Ulaanbaatar-Zamiin-Uud highway
China-Pakistan Economic Corridor	Pakistan	<ul style="list-style-type: none"> • Gwadar free zone development • Karakoram Highway, Phase II (Thakot-Havelian) • Peshawar-Karachi Motorway

New Eurasian Land Bridge Economic Corridor	Belarus, Bulgaria, Czech Republic, Greece, Hungary, Kazakhstan, Poland, Russia, Serbia, Slovakia	<ul style="list-style-type: none"> • China-Europe freight trains (39 routes linking China with 9 European countries) • Hungary-Serbia railway • China-Belarus Industrial Park • China-Kazakhstan Khorgos International Border Cooperation Center • Port of Pireaus (Greece)
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Source: "Chinese Perspectives on the Belt and Road Strategic Rationales, Risks, and Implications" Wuthnow (2017)

3.6.1. Central Asia and Russia

The first partner contact was in 2001 with the foundation of the Shanghai Cooperation Organization (SCO), a negotiation group formed by China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan, later on Uzbekistan was also added. Afghanistan, Belarus, Iran and Mongolia maintain the status of observer countries, while Azerbaijan, Armenia, Cambodia, Nepal, Turkey and Sri Lanka are associated States. (ROCHA, 2016)

China is today's the largest trade partner of every Asian country. The effects of the Asian Infrastructure Investment Bank loans and the BRI place China at the center of the connectivity network. However, it must be taken into account that there is another power, Russia, which also has great influence in the region. (ZHANG, 2015)

At first, Russia held competing interests in the region and saw the Belt and Road Initiative as China's replacing Russia's role in the region. At that time Russia had its own integration initiative, the Eurasian Economic Union (EAEU), aimed at coordinating economic policies for unimpeded trade and investment. However, Russia's need for modernization and long-term development made the Belt and Road Initiative a valuable contribution to the Kremlin's interest and its "Turn to East" policy. (ROCHA, 2016)

The construction of the new Silk Road Economic Belt will lead China and Russia to cooperate with major projects in the fields of oil and natural gas extraction oil pipelines, joint-stock refineries, transportation and other resources, energy and infrastructure construction, while the Maritime Silk Road will provide resources for Russia. (DU, 2015)

In May 2015 Russia accepted China's role in Central Asia while China would treat the EAEU as an equal negotiating party. "Competition is the engine of all sectors, both the economy and politics. So, in my opinion, there are neither contradictions nor tragedies. We have competition in some [sectors] and cooperation in others. At present we have more points of contact in cooperation with China." said Putin in response to China's ambitious

advancement for “Silk Road Economic Belt” strategy in Central Asia. (BIN, 2014) Cooperation with Russia not only helps China to obtain resources and expand markets, but also ensures a basic stability in the global strategic pattern (big triangle) while confronting the strategic risk posed by the United States.

3.6.2. Europe

Before BRI, in 1992., the European Union had launched several projects under its Transport Corridor Europe-Caucasus-Asia initiative. China’s BRI corridors are to reach Europe through two railway corridors under the Silk Road Economic Belt and the Maritime Silk Road. The New Eurasian Land Bridge, running from Western China to Western Russia and Europe and the Baltic region through Kazakhstan. (WUTHNOW, 2017) Europe is currently the largest and most developed market in the world. The Asian Infrastructure Investment Bank was warmly welcomed by many European countries that joined as founding members. China’s BRI corridors are assumed to reach Europe through two railway corridors under the Silk Road Economic Belt and the Maritime Silk Road. The BRI corridor will have its main European hubs in Germany, Poland and the Czech Republic. However, as recent events such as the global financial crisis, have hit the European economies or the election of U.S President Trump and the rise in protectionism measures, have made clear to Europe the need for an ally in safeguarding multilateral trade regimes. (LIU, 2018) Taking that into account, we expect that railway trade with China would boost the competitive advantage of the industries located nearby, and also lower railway cost, increasing therefore trade volumes (GABUSI, 2017)

3.6.3. Africa

The Belt and Road Initiative is the first integration plan seeking to integrate the African continent. China is the main investor and source of aid in Africa and has promoted China’s BRI as a connectivity project offering funding to those African countries without access to Western international funding institutions. For example, port investment plans have been proposed in West African countries such as Congo, Gabon, Ghana and Nigeria, as well as from North, East and South Africa (Egypt, Tunisia, Kenya, Tanzania and South Africa, among others). (ROCHA, 2016) Africa is still a rich territory with industrial development needs. China is interested in Africa's mineral and raw material supplies. Some have pointed that this China-Africa relationship of exchange of raw materials for investment resources is a

new way of colonialism. However, China is offering Africa a brand of scholarships in order to train its population, inviting Africans to Chinese universities. Also, three-quarters of the workers are local. China also favours loans to cover the African infrastructure deficits. (BRÄUTIGAM, 2018)

3.6.4. East Asia

The Pacific Ocean is strongly influenced by the presence of the U.S and Japan. China and Japan have maintained frictions because of the Senkaku-Diaoyu Islands and the region in general, where they dispute the hegemony. (BLANCHARD, 2006) These islands are a potentially strong source of oil. The Japanese have continuously strengthened their maritime security cooperation and all-round strategic cooperation with the United States.(DU, 2014) and want to preserve their leadership in East Asia, both political and economic . The East China Sea remains a point of friction between the two countries. However since Trump's came into office in 2016, the US have carried out less interventionist policies and have even withdrawn from the Trans-Pacific Partnership, which was aimed at containing China expansion. The rest of countries in the region joined the BRI and therefore left Japan isolated in the South-east region. (RILEY, 2017)

In 2017 Abe's decided to join the BRI. This represents a change in the worn-out policy between the two countries. During the last years Japan has been losing weight in the region; hence, a pact of this caliber would help the Japanese economy. Tokyo's new position on the BRI includes loans through government-backed financial institutions to promote cooperation among Japanese and Chinese private companies in the fields of energy and logistics. (SANO, 2018)

4. THE CHINA-PAKISTAN ECONOMIC CORRIDOR

The China-Pakistan Economic Corridor (CPEC) is a project that forms part of China’s efforts to strengthen its trade and commerce connectivity with different regions of the world.

According to the Official Website of the CPEC, the "China-Pakistan Economic Corridor is a framework of regional connectivity. CPEC will not only benefit China and Pakistan but will have positive impact on Iran, Afghanistan, India, Central Asian Republic, and the region" as well. (CPEC, 2017) Basically, China and Pakistan have a project in common: the construction of a new trade channel that will connect the two countries and strengthen commerce and economic cooperation among them. This corridor is the centrepiece of China’s One Belt One Road; that is, a Chinese global vision of infrastructure connectivity of the country with the rest of the world.

The CPEC is a large project that will imply the construction of highway and railway links running through most part of Pakistan. It will start from Gwadar, a port city in the province of Balochistan, and pass through other parts of the Sindh, Punjab, Khyber Pakhtunkhwa provinces until arriving to the country's capital Islamabad. The current capital of Pakistan is in the Northern province and very close to western China, where the railway line will follow to Gilgit and Baltistan and then through the Khunjrab Pass will culminate in Kashgar, a Chinese city in the Xinjiang. The whole project is expected to be completed by 2030, whereas related short-term projects including motorways and energy projects are to be finished by 2017-2018. (SIAL, 2014)

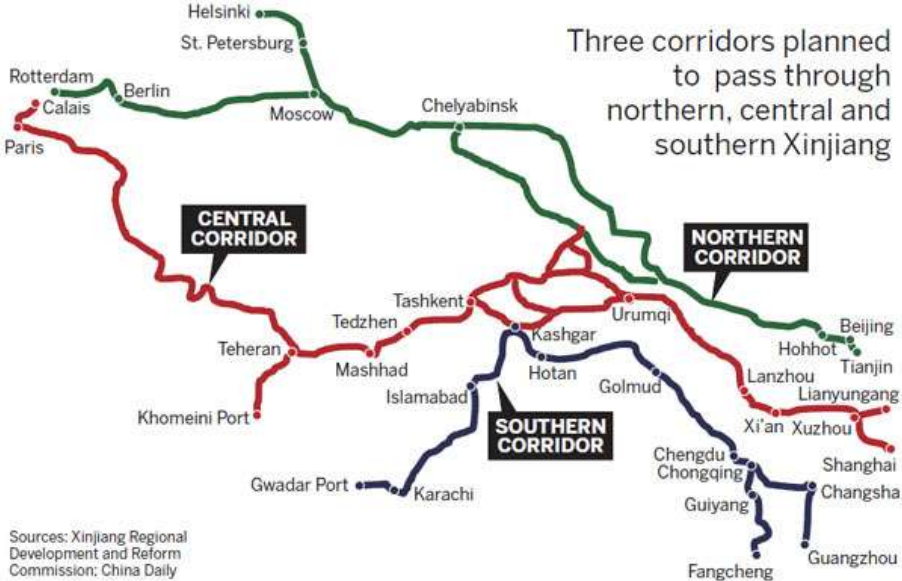


Figure 6. The China-Pakistan Economic Corridor
Source: Jia Cui (2014)

Initially, these infrastructure projects required an investment of \$34 billion. However, China later approved additional financing for \$46 billion for Independent Power Projects (IPPs) in 2015. In April 2017 the figure went up to \$62 billion, to include the establishment of industrial zones. (SIDDIQUI, 2017)

The importance of Gwadar relies on its situation as a seaport in the south of Pakistan. It will not only serve as a trade nerve but also as an energy corridor since it is located near the Strait of Hormuz, which channels about one third of the world's oil trade. Basically, by using Gwadar, China ensures a much shorter, cheaper and safer route than the current one through the straits of Malacca to China's Eastern sea. After the oil has reached Shanghai or the Chinese East Coast, it has to be transported thousands of miles in land to Western China. Using Gwadar instead would reduce the distance and possibly costs as well. (SIAL, 2014)

4.1. China-Pakistan Relations: Antecedents

The modern relations between Pakistan and China started in 1951, when Pakistan became one of the first countries that recognized the People's Republic of China. From that moment, the two countries developed friendly relations and set up mutual cooperation objectives. In January 1963, both signed their first bilateral long-term trade agreement. Between 1950s and 1960s Pakistan was a member of the Central Treaty Organisation (CENTO) and the South East Asian Treaty Organisation (SEATO). However Pakistan maintained its friendly relations with the People's Republic of China and played a role as a "bridge state" between the U.S and China from 1969 to 1971. With joint efforts from both sides, Sino-Pakistani economic and trade cooperation has seen good progress. Especially since the 1990s, bilateral trade volume has witnessed relatively fast growth. (CHINA DAILY, 2006)

4.2. Pakistan

In Pakistan there is a clear consensus among most political parties in keeping good relations with China. From Pakistan's point of view, China is a friend in bilateral relations involving military and economic cooperation or geostrategic issues. (SIAL, 2014)

If we take a closer look to Pakistan's foreign trade we can see that China is the main country in imports. However, while looking at Pakistan's exports, the main country is the USA. The CPEC is supposed to strengthen Pakistan's foreign trade in favor of rising exports to China. (KHALID, 2015)

Furthermore, the new project would set sub-regional economic corridors along with short and long-term investments, employment opportunities and tourism. (Pakistan-China Institute, 2017)

The establishment of industrial zones would imply great economic, political and strategic advantages for other regions in Pakistan. For example, the SEZs in the Pakistani ports of Gwadar and Kashgar and the rail and road connectivity between the two. The economic shortages that Pakistan has faced the last years would be reduced by these major projects. (SIDDIQUI, 2017)

The Pakistan's position is to stress the importance of the new economic region. While China is projecting outside the country its new OBOR initiative, this might mean Pakistan is aiming to become one of its centers and take advantage of the benefits afforded by CPEC. (JIA, 2014)

4.3. Chinese Expectations

Within the China-Pakistan Economic Corridor it is clear that China's position is very serious about accomplishing its aims and accessing the Eurasia region. On the economic front, China is the biggest beneficiary, and for the Chinese, the relationship has a geo-strategic significance.

Firstly, China wants to expand its influence. OBOR not only will enable China to exert greater regional influence, but boost its trade. In terms of the current Yuan's usage this will also allow the Yuan to expand as an international reserve currency.

Furthermore, China currently depends on maritime trade while the CPEC initiative seeks to change that geographical advantage to China's favor. The CPEC ensures a perfect way to unify the economy and trade routes of Europe through Middle-East and Asia, and make China independent from maritime constraints. The corridor through Gwadar gives a shorter access to the Middle East and Africa. CPEC will make Pakistan the most reliable, cost-effective, and fastest route for carrying out trade with China. Once CPEC becomes fully operational, Pakistan will unofficially become China's most important gateway to the rest of the world. (JIA, 2014)

Secondly, the CPEC it's the perfect course of action to correct regional disparities in China. The Eastern and Southern regions of China have lagged behind in terms of growth. The corridor also promises to open up remote, landlocked Xinjiang, and create incentives for both state and private enterprises to expand economic activity and jobs in this under-

developed region. In sum, these regions will be now better connected to the world. (DEVONSHIRE, 2017)

4.4. Challenges

Pakistan and China are both facing a number of political, economic and social crises.

To start with, in China the region of Kashgar is located in the centre of the Xinjiang region. Xinjiang is one of the five autonomous regions of the PRC and, together with the Tibet, it is the only territory of the country in which the Chinese do not constitute the majority. The majority group is formed by the Uyghurs, one of the 55 ethnic groups officially recognized by the Chinese State. Most Uyghurs are Muslim and Islam is an important part of their life and identity. Their language is related to Turkish, and they regard themselves as culturally and ethnically close to Central Asian nations. (BBC, 2014) In this region there is a growing risk of the spread of extremist Islamist movements. In the approach of the Chinese authorities the limited development of Xinjiang is clearly a centrifugal force that strengthens the Uyghur separatism with recent upsurges in violence. China has combined this intense political and cultural repression with the major socio-economic development plans, with the clear expectation that the prosperity and transformation of the region will dilute the Uyghur resistance and strengthen the integration of Xinjiang with the rest of the PRC. (ZHU, 2016)

On the other hand, between Gwadar and Kashgar, the corridor passes through areas controlled by Pakistan's Taliban insurgents such as Pakistan's north-western border with Afghanistan. (AHMAR, 2015).

Pakistan suffers from a lack of internal stability. The successful implementation of CPEC depends on the political situation of a country deep-set in inter-provincial conflicts, with strong opposition in the provinces of Baluchistan, Sindh, and KPK. There is repeated distress raised by the provinces on the massive and unequal distribution of resources, and non-transparent nature of the government's actions on CPEC. (KHAN, 2016)

Involving CPEC, every region is fighting to obtain the maximum benefits. Baluchistan lacks in development and infrastructure, and also lacks of security for being home of a several number of uprising forces. The Sindh, KPK and Gilgit Baltistan are facing a lack of basic infrastructures. (HUNT, 2017)

On the security front, Pakistan not only lacks unity among provinces, but is also facing an insurgency in the Baluchistan province, where the port of Gwadar is located. It is hoped

that CPEC will boost development in the region, and will eventually help in quelling insurgency. (BBC, 2015)

4.5. The CPEC and its implications for India

India has repeatedly boycotted the Belt and Road initiative along with the CPEC plan, raising objections to the corridor's route. In the past, both India and Pakistan were involved in wars to dispute these territories. Currently, the new Chinese OBOR project is threatening peace in the region. (ROQUE, 2008)



Figure 7 Proposed China-Pakistan economic corridor
Source: *BBC News, Asia*. 22nd April, 2015.

The CPEC plan runs through the territory of Gilgit-Baltistan (which has been under Pakistani control since 1947 but it is claimed by India) and the Kashmir, occupied by India, and therefore, is seen as trespassing India's sovereignty and territorial integrity. Furthermore, if the CPEC along with other Chinese projects become a reality, which also involves other countries, India would be surrounded by Chinese dominance and lose importance in the Indian Ocean. This is called "string pearls" a geopolitical theory claiming that China would surround India by the ocean. This means India not only risks isolation but also has much to lose out in terms of economic power. To mitigate the damage, India should build ties with other countries and increase its spending on infrastructure. (ARPI, 2017)

However, India and Pakistan adhered as formal members to the SCO in 2017. With the entry of India and Pakistan the organization takes an important step in its quest to stabilize the current conflicts in the region.

The member among this organisation would benefit from the free trade with China that Xi Jinping offered. India's inclusion in the SCO organisation might be a shift in India's foreign policy and benefit from the deal with China. (CASEY, 2017)

5. PERSONAL EVALUATION

In this section some of the recent concerns about the geopolitical aspects of the initiative will be reviewed. There are many more concrete objectives, not purely economic, behind the BRI. Among all, there is little doubt that the main objective of the initiative is helping China to achieve geopolitical goals by economically binding China's neighbouring countries closer.

From my point of view, I believe that China has followed a very well thought route since the beginning of the reforms in 1978, with a greater view for international projection. Hu's speech at the Beijing Globe Forum of Fortune in 2005, made it clear that China's intentions for the coming years were to achieve a greater economic return, comparable to the United States and Europe. Later, during the 60th anniversary of the World Anti-Fascist War Victory, China stressed that had no interest in *"using force or attempting to use force, in order to realize one's own country's interests will only result in failure, and does not conform with the trend of human history, which is conducive to each other's interests"* (LI, 2006: 145) Ten years after, the new president discourse still follows this ideological line. Xi Jinping's speech during "the 70th anniversary of the World Anti-Fascist War Victory" in 2015 looks a lot like what was done ten years ago by PRC President Hu Jintao:

"In the interest of peace, China will remain committed to peaceful development. We Chinese love peace. No matter how much stronger it may become, China will never seek hegemony or expansion. It will never inflict its past suffering on any other nation. The Chinese people are resolved to pursue friendly relations with all other countries, uphold the outcomes of the Chinese People's War of Resistance Against Japanese Aggression and the World Anti-Fascist War, and make greater contribution to mankind."

Xi Jinping speech at the 70th anniversary of the World anti-fascist war victory.

In general terms, China is interested in this idea of *peaceful* development. From a realistic approach this is in response of the enormous surface in its economic integration plan, where peace is needed in order to secure China's huge investments in Eurasia and Africa. However, if we take a close look to the actions done to date, we can see a failure in reducing some of the hazards that threaten the BRI, such as terrorism, separatism and extremism, which we've already seen in some of the key places in where the BRI is to be developed. The measures proposed do not answer well at the bottom-line problems which appear in different situations. For instance, in the Xinjiang province the chinese perspective is to focus on economic development as the main solution that will eradicate "poverty" and by that, the "root cause" of extremism in the region. (WUTHNOW, 2017) Also, there are few territorial

tensions among other major countries such as India, and also in the South China Sea. Although the BRI's optimistic approach by claiming the "integration" and "cooperation" idea, the plan is far from being an alleviation to solve these disputes and strengthen the idea that China is not willing to sacrifice its own territorial claims. (ZHANG, 2015)

The BRI has also been announced as the "Marshall Plan" of China by many analysts. Indeed, both plans share some similarities for example, in exporting the country's capital to other countries. This plan not only will help ease the Chinese overcapacity to the underdeveloped regions, but also boost its economic power towards diplomatic and strategic objectives and consolidating China's position in Eurasia. (TIEZZI, 2014). However the CPC's official line avoids a direct discussion of the BRI'S strategic benefits and security risks, which helps in reducing suspicions of China's intentions among other major countries. (WUTHNOW,2017).

The BRI is different from the Marshall Plan in motivation, challenges, and potential impact. First, we should note down the ideological difference in the China's behaviour given the historical background. China might not follow the same steps as U.S. or Great Britain to become a geopolitical power. Second, there are many challenges to face in order to achieve their goals. The BRI is an initiative that encompasses many territories inside and outside China, so cultural and structural factors must be taken into account, for example, in cooperation with Xinjiang province and Central Asia, birthplace of the notorious religious extremists in recent years, or the territorial conflicts China in the South China Sea. (WUTHNOW,2017).

This last point arouses another problem, which is that some great powers may feel threatened in their interests and hegemony, like the US. Previously, we have seen the US's strategy to strengthen its presence in the Asia Pacific area with the "Pivot to Asia" plan. (FORD, 2017) This plan aroused tension with China, which felt itself surrounded. At first, this policy was excused in the growing importance of the area as an economic focus, the U.S. component. I had a lot of military weight. It was clear that more and more seemed a policy of military restraint. (WUTHNOW, 2017) Therefore the BRI could be an answer of non-confrontational strategy with the U.S.

Unlike the U.S with Marshall plan, China does not plan to leave out some countries as the U.S did with the communist countries. The initiative is open to all countries who are interested in development, regardless of their regime types. (CHEN, 2014) But China's relation with some Middle Eastern countries awakens fears. Its non-positioning in front of other countries which may have democratic problems is heavily criticized. It may seem that

China doesn't pay attention to social problems as long as they can benefit economically. (GABUSI, 2016) This non-intervention in part of the world social problems and conflicts creates a more non-trust of the Chinese values in front of western countries. Historically, the Taiwan issue and the Tiananmen Square protests of 1989 its recent in the international community and shows the major politic issues that China still have. (BRÄUTIGAM, 2018)

Similarly, another trouble with the Belt and Road Initiative is the silence involving the main structural challenges that will need to be addressed if it intends to truly succeed. (CAI, 2017)

China is gradually emerging as a global investor. (KOLOSOV, 2017) Such a huge project could derivate to economic threatens with overseas loans, including political instability and the economic viability of many projects, which include credit risk, poor governance and corruption. The main concern includes that the political goals behind could drive some countries in taking advantage of BRI and sign up to with no intention of repaying the loans. For most Asian countries, the interest in BRI is motivated by a practical recognition of its relevance for advancing their own economic goals, be it promoting foreign investment or building infrastructure. The lack of political trust between China and some BRI countries, as well as instability and security threats in others, are considerable obstacles. The common tendency between Chinese analysts often fail to consider the linkages between regional integration and conflict and facilitating international crime. (CAI, 2017)

In my view, these different aspects inevitably lead the current situation to a demand for a more stable plan. In pursuance of risk's reduction and working towards a potential strategic planning, the implementation of projects can help expand regional influence and also preserving cooperation. On the other hand, despite an optimistic official narrative, Chinese strategists should note the cultural differences among the BRI's countries and how the initiative is perceived among the regions. Also, this Initiative is ambitious enough to deserve a higher dialogue between the major actors like Europe, where the road is meant to end. I firmly believe Europe could play a great role in the US-China mediation among other countries in Central Asia, since it's the most developed part in action. It is clear that Europe can only benefit of multilateral trade, so that makes multilateralism a priority to prevail against closed and competing initiatives towards like US's measures. Only along those common avenues will China be able to build long-lasting cooperation, bridging gaps for mutual benefits.

6. CONCLUSIONS

Throughout this work we have been able to see clearly what China is proposing with the Belt and Road Initiative. This is a project committed to leading a new phase of globalization, with bilateral treaties promoted by economic development. We have also seen different methods of applying this initiative. China bets on its interests but also attempts to meet those of others. It is clear that the country needs to look for new horizons, be it in trade or regional agreements. So far, the Belt and Road Initiative is still in formation and therefore a promise for the rest of the geographical areas where it is projected. However, the BRI turns out to be an initiative of change offered by China designed in the long term. This Initiative is an open and flexible cooperation and integration proposal that seeks to be implemented globally in a political context of non-intervention in the internal affairs of the different region and the countries that comprise it, in accordance with the principles of China's foreign policy.

Undoubtedly, the success of the BRI can bring prestige to China, increasing its economic power, and with it, its political influence. The Chinese economy will benefit in all its areas, in sectors such as construction, manufacturing, services, banking, etc. China and its companies will be able to make the transition from exporting low value-added products to products with higher added value, through high-tech investment projects, including high-speed trains, as well as nuclear plants. In this way, and in turn, the industrial and service sectors will be favored and expanded. China will thus be able to consolidate its position as a regional power not only in East Asia, but throughout Asia, in Africa and even Europe, strengthening its position as an actor of global relevance.

However, the challenges that China must face to achieve the success of its BRI project are multiple. Among them, we can mention the economic issue, which is key to the project. In that sense, the regional conflicts problem must be solved in the medium term, if it is desired to maintain sustained economic growth. Also, internal and external security issues are extremely important. Maintaining the social peace of China is essential in that regard. Therefore, the BRI is a reflection of China's ability to define its foreign policy principles and standards in international cooperation while being recognized as legitimate in the eyes of other countries.

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