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## All Infrastructure Projects Lead to Beijing : How the Belt and Road Initiative Has Influenced China's Regional Policy

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**ALL INFRASTRUCTURE PROJECTS LEAD TO BEIJING: HOW THE BELT AND  
ROAD INITIATIVE HAS INFLUENCED CHINA'S REGIONAL POLICY**

A thesis submitted in partial fulfillment  
of the requirements for the degree of  
Master of Arts

By

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**B.A., Wright State University, 2015**

**2022**

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## ABSTRACT

Grof, Katherine. M.A., International and Comparative Politics Graduate Program, School of Social Sciences and International Studies, Wright State University, 2022. All Infrastructure Projects Lead to Beijing: How the Belt and Road Initiative has Influenced China's Regional Policy

What are Beijing's intentions behind the Belt and Road Initiative (BRI)? China's foreign policy efforts between 2010 and 2017 are analyzed by comparing five indicators to BRI project spending to understand the goals driving the initiative. Five indicators are used to compare how China's interest between Belt participants and Road participants: image building, economic volatility, public opinion, energy resources, and geostrategic location. These indicators are applied to four case study BRI participants to rate China's interest and then compare that to overall BRI project spending. The four case studies are Kazakhstan and Kyrgyzstan from the Belt portion of BRI and Vietnam and Sri Lanka from the Road portion.

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## **List of Acronyms**

AIIB: Asian Infrastructure Investment Bank

BRI: Belt and Road Initiative

CC: Confucius Classroom

CCG: Chinese Coast Guard

CCP: Chinese Communist Party

CI: Confucius Institute

CNPC: China National Petroleum Corporation

EEU: Eurasian Economic Union

EEZ: Economic Exclusive Zone

EVN: Electricity of Vietnam

EXIM: Export-Import Bank of China

FDI: Foreign Direct Investment

FONOPS: Freedom of Navigation Operations

GDI: Global Development Initiative

GDP: Gross Domestic Product

MLO: Multilateral Organization

MOU: Memorandum of Understanding

OBOR: One Belt One Road

PCA: Permanent Court of Arbitration

PLA: People's Liberation Army

SCS: South China Sea

SCO: Shanghai Cooperation Organization

SOE: State-Owned Enterprise

UN: United Nations

UNCLOS: United Nations Convention on the Law of the Sea

US: United States

VCP: Vietnamese Communist Party

VPN: Vietnamese People's Navy

WTO: World Trade Organization

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## **Chapter One: Introduction and Literature Review**

### *1.1 Belt and Road Initiative Background*

As China expands its influence past its borders, its intentions on how it will use this influence remains unclear. One of these facets of expanding Chinese influence is a series of development loans and infrastructure projects labeled as the Belt and Road Initiative (BRI). BRI was unveiled in 2013 by General Secretary Xi Jinping in back-to-back speeches, one in Kazakhstan about an economic belt along the historical silk road, and one in Indonesia about a 21st Century Maritime Road (Yu 2017). Together, these “belt” and “road” concepts became known as the Belt and Road Initiative (BRI), also called One Belt One Road. BRI is a series of infrastructure projects and loans being invested into developing nations in the form of roads, railroads, and seaports (World Bank 2019). Some examples of BRI infrastructure projects to date include the Hambantota port in Sri Lanka and the Kunming-Kolkata High Speed Rail (World Bank 2019).

Some states that take on BRI infrastructure loans are unable to pay them back. For example, Sri Lanka was unable to pay back the BRI loans for the Hambantota port, valued at \$1.1 billion, and renegotiated the deal to give China a 99-year lease on the port (Rossi 2019). The Hambantota port happens to be positioned along the world’s busiest shipping lane (Blanchard and Flint 2017). This has raised concerns regarding the true intent of the BRI and has been called debt trap diplomacy (Deng 2018; Rossi 2019). BRI loans and investments do not come with the same “strings attached” as the loans and investments from Western institutions such as the International Monetary Fund (Karmazin 2019). These loans may be incredibly attractive to state leaders who wish to bring in more development without the transparency requirements of International Monetary Fund loans.

In addition to BRI being a facet of expanding Chinese influence abroad, it is also one of General Secretary Xi Jinping's major policies. Former Chinese leader Deng Xiaoping's policy of Reform and Opening Up is hailed today as the cornerstone of the successful modern Chinese economy (Jacques 2009; Ma and Adams 2014). For Xi's policies to be remembered like the Reform and Opening Up policy, the BRI needs to be successful and influential (Economy 2018). As part of this image building, Xi is increasing Chinese financial commitments to show that China is a global leader and will no longer focus on biding its time as it did under former Chinese leaders (Nathan and Scobell 2012).

Domestic BRI related investments are focused in the unstable western provinces, drawing theories that BRI is being used to bring stability to this region. Nathan and Scobell highlight how the Mongolian ethnic minority occasionally protested the Han Chinese settlers in Inner Mongolia, but these protests received little support from Mongolia, a state heavily dependent on China for trade (2012). Protests in Tibet and Xinjiang have on occasion turned violent (Economy 2018; Jacques 2009). Tibetans and Uighurs in China have support from neighboring states, unlike the Mongolians in Inner Mongolia (Jacques 2009). Following the logic behind the lack of violence in Inner Mongolia, expanding Chinese influence into neighboring states may help to quell the protests (Blanchard and Flint 2017; Grace 2019).

Under BRI, State-Owned Enterprises (SOE) are responsible for taking on high risk investments, despite the concerns for the lack of clear economic rationale behind the BRI investments (Economy 2018). Even though Sri Lanka was unable to pay back the Hambantota Port loan and the cost of the port falls on to China, China did benefit from sending its workers and construction companies to build it as well gaining strategic access to a critical global

shipping lane. China's BRI could be a tool for furthering China's strategic goals or for expanding China's market and resource access, which will solidify Xi's image and bring prosperity.

What is the intention behind BRI? Is BRI a strategic initiative, an image building initiative, or an economic development initiative? Is BRI a strategic initiative, intended to secure China's border between Xinjiang and Central Asia and establish potential military bases? Or is BRI an image building initiative, intended to soften China's image and promote China as an alternative to Western institutions? Perhaps, BRI is simply an economic initiative, intended to connect Chinese domestic markets to foreign markets and increase productivity via infrastructure investments. Five indicators will be used to explore and then judge the intentions behind BRI. These indicators are geostrategic location, minerals and energy resources, economic volatility, public opinion, and image building.

- If BRI is a strategic initiative, then geostrategic location and energy resources are expected to be the primary indicators.
- If BRI is a public relations initiative, then public opinion and image building are expected to be the primary indicators.
- If BRI is an economic development initiative, then economic volatility in addition to energy and minerals are expected to be the primary indicators.

### *1.2 Realism and Liberalism*

There are two major schools of thought in international relations theory, realism and liberalism. Realism, as outlined by Morgenthau, has five basic assumptions. First, the world is anarchic with no clear order (Morgenthau 1948). Second, all states possess offensive capabilities to harm or destroy another state (Morgenthau 1948). Third, states cannot be certain of each

other's intentions (Morgenthau 1948). The fourth and fifth assumptions are that all states are motivated to survive and think strategically about all possible options (Mearsheimer 1994). Neorealism uses realist assumptions but instead suggests states in the anarchic world order will balance against rising powers (Walt 1998), which is also known as balance of power theory. Deterrence theory is a theory that preventing a first strike from an adversarial state by guaranteeing an equal in power or more powerful retaliation, which originated during the Cold War at a time of a deathly arms race (Kroenig 2018).

Walt describes liberalism as a broad set of theories that argued economic interdependence deters war among states, democratic states are inherently peaceful, and international institutions help to deter selfish state behavior in exchange for mutual gains (1998). The liberal economic interdependence theory is a liberalist theory that states that states do not go to war with one another if they have large amounts of trade between each other (Hirst 2001). If BRI is viewed from a realist standpoint, it may be seen as a method of securing global power and balancing against other powers in the region. The string of pearls theory sees BRI as a method of China securing key security assets and acquiring naval ports for power projection along the world's major trading route (Blanchard and Flint 2017). From the liberalism standpoint, BRI is spreading influence, cooperation, and diplomacy through economic interdependence. This economic interdependence gives China a way to influence the decision making of other states without resorting to conventional hard power means, such as military interventions.

The BRI is the economic expansion of China's rise, which some regard as a threat (Allison 2017) and others regard as an opportunity (Wang and Zheng 2008). Some of the literature on BRI praises it for being a win-win solution to the development problems of Central Asia and Southeast Asia, as these states have the mineral resources China needs and China has

the economic capacity for large development investments and loans (Nordin and Weissman 2018). Some resource rich states, such as those in Central Asia, have large deposits of natural gas and oil that are untapped with very little state or economic capacity to extract these resources (Chalwa 2018). Through the BRI, these resources can be extracted and piped towards the Gwadar Port in Pakistan for global consumption instead of traveling via pipeline overland through Russia, which is a much longer and costlier route (Chalwa 2018). It is hailed as a massive economic achievement that will lift millions out of poverty and spur development (He 2017). This falls in line with liberalism viewpoint because BRI may bring peace and diplomacy to the region through greater trade and economic interdependence.

Some scholars see BRI as a geopolitical grand strategy to undermine western interests and world order, as highlighted with the string of pearls theory (Blanchard and Flint 2017; Brewster 2016). The “pearls” of this theory are the shipping ports China is helping to build and the “string” refers to how the ports are dotted across the Indian Ocean (Brewster 2016). The string of pearls theory is based on the principles from Mahan’s most influential work, *The Influence of Sea Power Upon History, 1660-1783* (Brewster 2016; Yoshihara and Holmes 2010). In Mahan’s strategic thought, strong naval capacity directly correlates to strong economic capacity as a strong navy is required to defend shipping routes and interstate disputes can be resolved through shows of power (Brewster 2016; Yoshihara and Holmes 2010). As Brewster points out, some Chinese and Indian strategists falsely understand Mahan’s strategic thought as a zero-sum game, which fuels the sense of alarm behind the string of pearls theory (Brewster 2016). This follows the realism viewpoint because BRI is viewed as another method of projecting hard power and securing military influence.



Recently, some scholars have attempted to employ the concept of the Thucydides' Trap to China (Allison 2017). The Thucydides Trap portends the trend of two dominant powers, a powerful state and a rising in power state, will inevitably confront each other, which usually ends in war. China has had an incredible rise and has the second largest economy in the world after the United States (US) (Allison 2017). It has been noted that the BRI was announced after Washington announced its "Pivot Towards Asia" and that BRI is a response to the US encroaching on Beijing's backyard (Rolland 2017). The US and Japan prevent Beijing from expanding eastward (Ferdinand 2016). However, China's western provinces with minority populations struggle to compete with the more populous eastern provinces for development and business (Ferdinand 2016). Expanding westward towards resource rich Central Asia gives Beijing an opportunity to bring business and development to these western provinces as well as a chance to expand Beijing's influence and economic growth into a region where there is little US influence and weak Russian influence (Ferdinand 2016).

### *1.3 Hard Power and Soft Power*

There are a few ways a state can exert its influence and it can use this influence to coerce or persuade another state to do something. Nye coined the terms hard power and soft power to describe the ways a state can use its influence to coerce or persuade another state (2004). Hard power describes the ability to coerce another state into taking a desired action, usually through military force or economic sanctions (Nye 2004). Soft power describes the ability to persuade another state into taking a desired action and a state's soft power comes from its culture, political values, and foreign policies (Nye 2004). Smart power is the strategic combination of hard power and soft power (Nossel 2004).

#### *1.4 Deterrence and Coercive Diplomacy*

Coercive diplomacy, as defined by Alexander George, is a defensive strategy to persuade a target to stop or reverse an ongoing action (George and Simmons 1994). Deterrence differs from coercive diplomacy by persuading a target not to initiate the action in the first place, while coercive diplomacy occurs in response to an ongoing action (George and Simmons 1994, Zhang 2019). George defines three styles of coercive diplomacy: persuading a target to stop short of a goal, persuading a target to undo an action, and persuading a target to make changes at the government level (George and Simmons 1994). However, the effectiveness of coercive diplomacy begins to weaken over time if a state uses constant military threats and demonstrations (George and Simmons 1994). Up until 2012, a year before the announcement of BRI, China had used covert coercive economic diplomacy to achieve its foreign policy goals without damaging its international image (Yağci 2018). While coercive diplomacy can be a useful element in foreign policy, states must be careful not to overuse it or to depend on it. Coercive diplomacy also can lose its effectiveness when a geopolitical alliance does not have strong unity (Christensen 2011). If too many military threats or demonstrations wear down the effectiveness of coercive diplomacy, then other methods of making a target state change its behavior must be considered (Zhang 2019). Coercive diplomacy is a tool in the toolbox of interstate diplomacy, but as highlighted, it comes with usage limitations. A state looking to expand its influence and secure its policy goals without coming into conflict with other regional and global powers may consider other diplomacy tools because of the limitations coercive diplomacy has.

### *1.5 Economic Statecraft*

While coercive diplomacy focuses on the threat of use of military force, economic statecraft is the intentional economic manipulation by a state to achieve a strategic goal (Norris 2016). Nye highlights how war and conflict drive away investors and trade flows (Nye 2004). Cooperation is critical to benefitting from the globalized economy (Nye 2004). It is best to play nice in order to keep access to the global market, and in the case of China, enjoy continued economic growth (Norris 2016). Even though there are global institutions dedicated to trade and negotiations and all states benefit from globalized trade, Shan claims the World Trade Organization (WTO) agreements infringe on Chinese sovereignty and thus are inherently unequal (2008). The problem from a Chinese view is how to maintain trade flows and economic growth in a globalized economy without losing sovereignty. Beijing needs to cooperate in global markets even though it is seen as giving up some sovereignty. Instead of using global institutions as an avenue for trade, Beijing can secure its own trade flows and market access and thus safeguard its sovereignty. Beijing can use economic statecraft to pressure a target state to achieve its strategic goals and if this pressure takes place outside of global institutional avenues, such as WTO, then Beijing does not need to worry about international backlash.

### *1.6 Geopolitics and Geo-economics*

Geopolitics is foreign policy that focuses mainly on the geographical variables of power, such as territory, natural resources, military capabilities, population, and such (Blackwill and Harris 2016). Geopolitics and geo-economics both focus on how a state builds and expands its power, but geo-economics focuses on the economic variables (Blackwill and Harris 2016). These concepts make up the overall grand strategy of a state and how it interacts with other states on

the global stage. As noted previously, the credibility of a state's military pressure or threat can erode over time if too many military threats are made or too many military demonstrations are conducted. Zhang notes Beijing used military coercion up until 2000, stopped, and then resumed using coercion again in 2007 but not always military coercion (2019). Increased US counterterrorism activities in Southeast Asia caused an avoidance of military coercion in 2000-2007 as US involvement in the region raised the geopolitical cost of military coercion, and economic cost of coercion at the time was also high (Zhang 2019). The post-2007 instances of coercion were because the economic cost was not high but geopolitical cost was (Zhang 2019). The Chinese economy managed the 2007 global economic recession well and as a result, the economic costs of coercion were low as the Chinese market had expanded to a point where one state's economic retaliation did not pose much detrimental value (Zhang 2019).

### *1.7 Research Design*

To understand Beijing's intended goals of BRI, a case study of four BRI states will be examined. Indicators of Beijing's interest in these four states will be compared between 2010-2017, which is a period of four years prior to the announcement of BRI and four years afterwards. 2017 is the year that most recent BRI data is available. Five indicators will be considered: economic volatility, public opinion, location, image building, and mineral deposits.

The four BRI states for the case study are Kazakhstan, Kyrgyzstan, Sri Lanka, and Vietnam. Kazakhstan and Kyrgyzstan represent the "Belt" of BRI and have received the most investment and state visits out of all the BRI states in Central Asia. Sri Lanka and Vietnam represent the "Road" of BRI. Sri Lanka has received a large amount of investment, which demands attention in the scope of BRI and its aims. Vietnam has historically had poor relations

with China so whether BRI has any kind of impact on relations will be an interesting development. Data on economic volatility, public opinion, and mineral deposits will be collected from World Bank, Gallup World Poll, and US Geological Services respectively. The Reconnecting Asia Project, a database sponsored by the Center for Strategic and International Studies (CSIS), will be used for project spending data as it is the most comprehensive source available. Despite the promotion of BRI as a goal partnership, not all BRI projects have openly available information, such as total money spent. When the information is available, it is sometimes through local news sources, government websites, or social media sites, which sometimes need logins. The Reconnecting Asia Project provides the available BRI project spending information already, saving research effort.

Chapters Two and Three will review the case studies and examine the selected indicators for each one. Chapter Two will focus on Kazakhstan and Kyrgyzstan, representing the Silk Road Economic Belt. Chapter Three will focus on Sri Lanka and Vietnam, representing the 21<sup>st</sup> Century Maritime Road. Each of these two chapters will also explore China's interests and BRI efforts in each case study country. Chapter Four will review the five indicators across all four case studies and compare the indicators to BRI project spending. The last chapter, Chapter Five, will review the overall goal of BRI during the years of 2010 to 2017.

## **Chapter Two: The Belt of the Belt and Road Initiative**

### *2.1 Introduction*

The “belt” in the Belt and Road Initiative (BRI) stands for the Silk Road Economic Belt. This economic belt refers to the overland route through Central Asia from Western China and that ends in Europe. To understand Beijing’s intentions behind BRI along the “belt,” this chapter will explore Kazakhstan and Kyrgyzstan, the top two recipients of China’s aid and investment in the Central Asia (Custer et al. 2019).

The purpose of this chapter is to explore the intentions of BRI by examining five indicators. Focusing the chapter on a region versus each selected indicator will provide a better overview of the geostrategic narrative. In this chapter, Central Asia will be explored to understand how Beijing is morphing its strategies and plans for the region during the years 2010-2017. The goal is to understand how Beijing is using BRI in Central Asia.

### *2.2 Geostrategic Location of Kazakhstan and Kyrgyzstan*

Both Kazakhstan and Kyrgyzstan are located in the vicinity of two major powers: China and Russia. Moscow sees Kazakhstan and Kyrgyzstan as within its sphere of influence as former members of the Soviet Bloc. Beijing sees both states as part of its western frontier that can be integrated economically with its western provinces by reviving the ancient Silk Road. To the west of Central Asia is Europe, with large markets and trade, and to the southwest is Afghanistan, a state dealing with instability from the withdrawal of United States (US) forces.

### *2.2.1 Regional Security*

Before the 1990's, Beijing did not invest time and effort to Central Asia, as the region was part of the Soviet Union and historically within Russia's sphere of influence (Pala 2006; Tian 2018). The border between the Central Asian states and China used to be a sealed military zone, with clashes occurring between the Soviet and Chinese armies in 1969 along the Kazakhstani and Chinese border (Higgins 2018). Soviet propaganda disseminated in the Central Asian states portrayed China as an enemy and a threat (Tian 2018; Vakulchuk and Overland 2019).

As Uyghur separatism efforts grew in intensity and violence in the northwestern Xinjiang province, bordering several Central Asian states, Beijing began to consider Central Asia as part of its "backyard" (Hoh 2018; Tian 2018). Kazakhstan and Kyrgyzstan share a border with Xinjiang, China's largest and least secure province. Russia already has major influence in Central Asia, as portions of Central Asia are former Soviet Bloc states, and thus also part of Russia's "backyard" (Tian 2018; Zogg 2019). Multiple global powers are at play in the region, which is important to note when examining how Beijing operates in the region.

### *2.2.2 Shanghai Cooperation Organization*

Since Central Asia borders two global powers, both powers have a vested interest in the stability of the region, maintaining secure borders, and safeguarding transportation routes of energy and mineral resources (Pantucci 2019). To address the mutual security concerns of Russia and China, the Shanghai Cooperation Organization (SCO) was created in 1996, involving Russia, China, and the Central Asian states (Serikkaliyeva, Amirbek, and Batmaz 2018). The

Shanghai Cooperation Organization (SCO) serves as a multilateral partnership for anti-terrorism exercises and coordination efforts (Serikkaliyeva, Amirbek, and Batmaz 2018).

Beijing considers economic growth and improving living conditions as a factor for improving regional stability (Chao 2022; Clarke 2017). For Beijing, the SCO promotes more than just security cooperation. The SCO is also a vehicle for regional development and economic coordination and cooperation (Pantucci 2019). Through the SCO, Beijing can achieve its economic goals in Central Asia without pushback from Moscow (Rolland 2019). Even though Russia is a member of SCO, it is Beijing who provides most of the funding, especially in areas involving development (Serikkaliyeva, Amirbek, and Batmaz 2018). The cooperative nature of the SCO provided a foundation for an easy introduction of BRI into Central Asia. The BRI expanded upon the economic development initiatives already laid out under SCO (Pantucci 2019; Serikkaliyeva, Amirbek, and Batmaz 2018). As the SCO and follow-on BRI projects improve the economic growth and living conditions of Central Asia, Beijing believes these improvements will improve the security and stability of China's Xinjiang province as well (Chao 2022; Clarke 2017).

### *2.2.3 Malacca Dilemma*

Coined by Hu Jintao in 2003, the “Malacca Dilemma” refers to the concerns of a blockade in the Malacca Strait, which could cut off vital trade, disrupt supply chains and the transportation energy resources (Farwa 2018; Lim 2020). Beijing is interested in access to “blockade proof” oil as a potential conflict could cause its access to energy resources to be cut off (Pala 2006). Uninterrupted access to trade and energy resources is a high priority for China, as officials from Chinese publications have noted the importance of maritime trade routes in the



Indian Ocean for energy resources, with 80% of Chinese energy supplies travelling along routes controlled by other states (Clarke 2017; Lim 2020).

Beijing considers Kazakhstan as a source of energy and transportation that can bypass the Malacca Strait (Zogg 2019). Kyrgyzstan has the potential to also be an alternative logistics corridor like Kazakhstan, despite its small size and location. The Turkmenistan-China Gas Pipeline transits through Kyrgyzstan and could provide an alternative economic corridor to mitigate the Malacca Dilemma.

### *2.3 Minerals and Energy Resources*

The location of Kazakhstan and Kyrgyzstan is not the only indicator in Beijing's interest. Kazakhstan and Kyrgyzstan hold mineral and energy resources that should be considered as an indicator for the possible strategic intentions behind BRI. The population and economic production of China continues to increase, minerals and energy resources are needed to ensure the continuation of this growth.

#### *2.3.1 Kazakhstan's Minerals and Energy Resources*

Kazakhstan has large reserves of oil and minerals (Zogg 2019, Vakulchuk and Overland 2019). Kazakhstan ranks 1<sup>st</sup> for uranium production and one of its other most valuable exports is its petroleum and natural gas production (Safirova 2021). Kazakhstan also has large reserves of copper, phosphorite, zinc, and gold (Safirova 2021). Mining and energy resource extraction constitute the largest economic output of Kazakhstan's economy (Safirova 2021). Chinese commercial investment in Kazakhstan is focused in the extractive industries and a handful of

Chinese State-Owned Enterprises (SOE) control almost a quarter of Kazakhstan's oil production (Safirova 2021; Vakulchuk and Overland 2019; Zogg 2019).

Energy cooperation between Kazakhstan and China began in the early 2000's with Chinese SOE's investing in Kazakhstan's energy sector (Álvarez 2015; Zhao et al. 2019; Zogg 2019). Both Kazakhstan and China praise the increasing energy cooperation under BRI as a win-win situation, since Kazakhstan is interested in new development and greater investment in its energy sector and China is interested in meeting its growing energy demands (Zhao et al. 2019).

In 2006, China National Petroleum Corporation (CNPC) built an oil pipeline from Kazakhstan into Xinjiang and in 2009, also built a natural gas pipeline starting in the Caspian Sea crossing Kazakhstan (Álvarez 2015; Zogg 2019). Following the 2008 financial crisis, Beijing became more interested in securing more energy resources and began loans-for-oil agreements, which Kazakhstan benefitted from (Álvarez 2015). Shortly after in 2009, national Chinese banks, such as Export-Import Bank of China (EXIM) and China Development Bank, started working closely with Chinese state commercial actors, like CNPC, in developing and investing in Kazakhstan (Álvarez 2015). With the announcement of BRI, the investment in Kazakhstan has increased (Custer et al. 2019). Kazakhstan only offers a moderate amount of energy security guarantee to China and a low dependence on China (Zhao et al. 2019). This shows that there are some opportunities for greater Chinese investment in the Kazakh energy sector to increase the export of oil and natural gas to China as well as greater energy cooperation in general (Zhao et al. 2019).

### *2.3.2 Kyrgyzstan's Minerals and Energy Resources*

Compared to other Central Asian states, Kyrgyzstan has few reserves of coal and oil (Curtis and Library of Congress 1997). Mercury and gold remain as Kyrgyzstan's top mineral commodities, and other mineral commodities such as copper, natural gas, lime, gypsum, crude petroleum, uranium and silver are exported as well (Renaud 2019; Safirova 2013). Kyrgyzstan also has other mineral resources that remain untapped and seeks to court investors to exploit these resources (Safirova 2013). The primary source of electricity is hydropower, but sometimes imported energy resources are needed to generate electricity when the river levels run low (Curtis and Library of Congress 1997). Even though Kyrgyzstan mines natural gas, coal, and limited amounts of petroleum, it still must import these commodities to sufficiently fuel its energy sector (Curtis and Library of Congress 1997; Renaud 2019). Kazakhstan, Kyrgyzstan, and Uzbekistan all share an aging electric grid, a relic from the Soviet Era when electricity was treated as a public good and shared equally among the Soviet Republics (Duarte 2018). The electrical grid needs updating, as it lacks meters need to measure the energy that Kyrgyzstan is exporting to Kazakhstan and Uzbekistan and properly charge for the exported energy (Duarte 2018). Zhao et al. describes Kyrgyzstan as a low energy guarantee to China and low dependence on China, but Kyrgyzstan's dependence on China is higher than its energy guarantee (2019). Kyrgyzstan does not export any energy resources to China but the Turkmenistan-China gas pipeline passes through Kyrgyzstan, making it part of an alternate energy corridor to the Malacca Strait (Vakulchuk and Overland 2019).

## *2.4 Economic Volatility*

The next indicator to consider in Chinese BRI investment in Kazakhstan and Kyrgyzstan is economic volatility. If the economy is not conducive for business, then high levels of BRI investment would likely not provide economic returns and investment may be difficult.

### *2.4.1 GDP, Debt, and Trade of Kazakhstan and Kyrgyzstan*

Between 2005-2008, non-oil revenue represented 25-27% of Kazakhstan's gross domestic product (GDP); however, non-oil revenue between 2009-2018 represented around 15-18% of Kazakhstan's GDP, with its lowest in 2015 at 12.1% of GDP being non-oil revenue (International Monetary Fund 2020). Oil accounts for a significant chunk of Kazakhstan's overall economic activity. Kazakhstani government officials seek to diversify the economy of Kazakhstan to move away from dependence on oil and mineral extraction as well as to diversify trading partners (Bizhanova 2018; Safirova 2021). Kazakhstan's Nurly Zhol economic policy, announced a year after the BRI announcement, plans to align development goals with the BRI and focuses on economic growth through development and infrastructure construction (Bizhanova 2018). Russia is one of Kazakhstan's top trading partners, but in recent years, trade with China has increased considerably (Safirova 2021). Minerals and energy resources fluctuate in price, which can impact the overall economy within the state. For example, historical lows in the prices of steel, oil, and non-ferrous metals caused the Kazakhstani government to step in and offer tax relief and loans to these struggling companies (Safirova 2021). An increase in government debt in 2015 and a decrease in GDP in 2016 can be attributed to this fluctuation in energy resource price. BRI contribution to the Kazakhstan's economy is not detectable for 2013-2017; however, Kazakhstan continues to seek participation in BRI related projects and initiatives

to diversify its economy away from being dependent on Russian investment and energy resource extraction.

Mineral mining and related production account for over half of the Kyrgyzstan's economy (Renaud 2019). Remittance also accounts for a noticeable chunk of the economy (Tian 2018). Kyrgyzstan has a lot of mineral resources that lie untapped, lacking the investment needed to access them (Renaud 2019; Tian 2018). Courting potential investors to develop the mineral industry is important to Kyrgyzstan to increase the economic output of the state as well as keep skilled labor from leaving (Renaud 2019; Tian 2018). Kyrgyzstan seeks BRI participation to boost foreign investment and increase its economic output. However, reviewing International Monetary Fund and World Bank data from 2010-2017, the GDP of Kyrgyzstan increased but so did external government debt (International Monetary Fund 2020; World Bank 2020). China's EXIM Bank holds 32% of Kyrgyzstan's external debt (Lain 2018; Tian 2018). The overall GDP per capita and total value of both exports and imports remained the same during the same period of time (International Monetary Fund 2020). Unlike Kazakhstan, Kyrgyzstan is in the World Trade Organization (WTO) and no trade barriers with China (International Monetary Fund 2020; Johec and Kyzy 2018). China is Kyrgyzstan's top import partner but exports only a small volume of goods to China (Renaud 2018). Between 2010 and 2017, this dynamic has not changed much, showing that the BRI has increased the amount of foreign direct investment (FDI) and debt in Kyrgyzstan without increasing the overall economic output nor opening new export markets for Kyrgyzstan (Mogilevskii 2019).

#### *2.4.2 Economic Volatility in Kazakhstan and Kyrgyzstan*

The ease of doing business index is an index researched and compiled by the World Bank, covering 11 factors across 190 economies. The goal behind this index is to encourage regulatory competition among economies and provides benchmarks for reform to improve the business climates in each economy. The bank Z-score is compiled by the World Bank and is a calculation of the probability of a country's banking system defaulting, which compares the capitalization and returns of a country's banking system against the volatility of those returns (World Bank 2020). Of the four states selected as case studies for this research, Kazakhstan ranks the highest on the ease of doing business index at 35 out of 190 in 2017 and has the lowest bank Z-score, averaging between 3-8% for 2010-2017 (World Bank 2020). Kyrgyzstan ranks 75 out of 190 in 2017 on the ease of doing business index and the bank Z-score fell from 21.3% in 2010 to 17.6% in 2017 (World Bank 2020). These scores provide insight into the domestic market conditions that would influence a Chinese SOE's support of a BRI project in these two states. Kazakhstan is rated better than Kyrgyzstan in both scores but Kyrgyzstan's bank Z-score has improved slightly over the 2010 to 2017 timeframe.

#### *2.4.3 EEU and Trade Barriers*

The Eurasian Economic Union (EEU, sometimes EAEU) was founded in 2015 and has five member states: Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia. The EEU was established as a Russian-led alternative to the European Union. Its primary focus is on negotiating trade and tariffs as well as standardizing currency and weights and measures (Duarte 2018). Kazakhstan and Kyrgyzstan regard the EEU as a way to promote their economic interests while Russia regards the EEU as a political union to further its geopolitical interests (Duarte

2018). Many of the EEU's goals have not been implemented, such as an EEU parliament and singularly adopted currency, as other member states do not wish to risk relinquishing sovereignty to Russia (Duarte 2018). For the years reviewed, Kyrgyzstan happens to be a member of the WTO while Kazakhstan did not become a member until 2018 (Tian 2018; World Bank 2020). Before Kazakhstan joined the WTO, Kyrgyzstan and China did not have as many trade barriers as between Kazakhstan and China, allowing Kyrgyzstan to become a wholesale hub for selling Chinese goods to the rest of the Central Asian states (Tian 2018).

### *2.5 Public Opinion Towards China*

Public opinion of China in Central Asia presents a hurdle for Chinese influence in the region. Lack of transparency and negative stereotypes lead to an overall negative perception of China among the Central Asian population. There are also discrepancies between political and economic elites' opinions on China and the local population's opinions on China. Although few public opinion surveys on attitudes towards China have been conducted, Central Asian states that share a border with China tend to have a more favorable view of China due to grassroots level interactions yet at the same time carrying the greatest fears of Chinese immigration and border disputes (Laruelle 2018). To understand the influence of China's soft power via BRI, this thesis considers the responses to the Gallup World Poll question: "Do you approve or disapprove of the job performance of the leadership of China?"

### 2.5.1 Kazakhstan and Kyrgyzstan's Approval of China's Leadership

Figure 2.1: Approval of Chinese Leadership in Kazakhstan and Kyrgyzstan



Source: *The Gallup World Poll*. The Gallup Organization, 2021

From the Gallup World Poll responses, Kazakhstan has had the most fluctuation in approval of China's leadership while Kyrgyzstan's approval has remained relatively stable since 2012. In Kazakhstan, there was a small but sharp drop in approval from 48% in 2011 to 34% in 2012. This drop recovers by 2015, when the approval rate reaches 51%. Kyrgyzstan also experienced its highest approval rating of China's leadership in 2015 at 46%. Except for 2015, both Kazakhstan and Kyrgyzstan have approval ratings that remain just below 50%. Survey data from Gallup World Poll show the perception of positive relations between China and Kyrgyzstan increased from 54% in 2016 to 60% in 2017.



### *2.5.2 Potential Discrepancies in Polling*

It should be noted that survey data on Kazakhstani views towards China can appear to be mixed. Dave highlights surveys conducted by Russian backed institutions, such as Eurasian Development Bank, in the 1990s and 2000s found a high percentage of negative views towards China and ranking it as a “unfriendly country” (2018). These surveys were conducted using poor methodology and unreliable statistics leading to biased results (Dave 2018). However, there has been a gradual and more positive shift in perception as of 2017, even though Kazakhstan ranks low in terms of positive public opinion towards China (Vakulchuk and Overland 2019).

Additionally, public opinion on China in Kazakhstan varies between social strata. Political and economic elites as well as Kazakhstani media praise China as an economic partner whose investments will bring more trade and wealth into Kazakhstan and balance with the historical Russian hegemony in the region (Custer et al. 2019; Dave 2018; Zogg 2019). The general public, however, remains suspicious of Chinese intentions, due in part to lack of transparency in Chinese investments, projects, and other business dealings as well as exposure to Soviet Era propaganda that framed China as a threat (Dave 2018; Tian 2018; Vakulchuk and Overland 2019; Zogg 2019). Russia is viewed by Kazakhstanis as culturally and linguistically closer than China, which contributes to an overall animosity towards China (Custer et al. 2019; Zogg 2019).

### *2.5.3 Protests in Kazakhstan and Kyrgyzstan*

Protests in response to increasing Chinese involvement in Kazakhstan show how public opinion is a hurdle for BRI investment. In April and May 2016, protests erupted in response to legislation that changed land leasing laws in favor of foreign investors as well as loosening

environmental protections (Dave 2018; Zogg 2019). The change in law occurred around the same time as the increasing investment and discussion of the BRI in Kazakhstan caused Kazakhstanis to fear Chinese investors were going to take over large swaths of land and bring in a large amount of Chinese workers, which would displace Kazakhstani workers (Dave 2018). However, Kazakhstan has strict migration laws that prevent large influxes of foreign workers (Dave 2018). These protests may seem misguided, but it is unclear how these laws are enforced and if there are ways to skirt them. There were also protests in 2017 against Chinese men marrying local Kazakhstani women, which is tied to the same fears of a mass influx of Chinese workers into Kazakhstan (Vakulchuk and Overland 2019). Moving industrial capacity from China to Kazakhstan also sparked protests with the belief that as Chinese industries moved into Kazakhstan, it would force out Kazakhstani workers (Dave 2018; Vakulchuk and Overland 2019). Lack of details into the environmental protections of Chinese projects in Kazakhstan has stoked fears from opposition that China may be moving its highest polluting industries into Kazakhstan in order to clean up their own environment (Dave 2018). Lack of transparency has led to fears of Chinese expansionism and takeover (Dave 2018).

Like Kazakhstan, Kyrgyzstan remains wary of Chinese intentions, and many have fears of Chinese businesses buying up land and hold stereotypes of Chinese migrants as invaders (Custer et al. 2019; Laruelle 2018). Increasing debt and risk of losing territorial sovereignty to China is a concern for the Kyrgyz population (Vakulchuk and Overland 2019). Most of Kyrgyzstan views China's cultural expansionism and the potential influx of Chinese workers negatively (Vakulchuk and Overland 2019). Like Kazakhstan, the local Kyrgyzstan citizens have clashed with Chinese workers over the fears of cultural expansionism and influxes of Chinese workers (Vakulchuk and Overland 2019).

## *2.6 Image Building in Kazakhstan and Kyrgyzstan*

Next, China's image building efforts in Central Asia will be examined. Select aspects of cultural and people-to-people diplomacy will be used to analyze these efforts. Since there are many kinds of cultural diplomacy tools, a few specific tools will be focused on: educational exchanges, sister city agreements, and visits and exchanges between government and military officials.

### *2.6.1 Confucius Institutes and People-to-People Exchanges*

Confucius Institutes (CI) and Confucius Classrooms (CC) are educational institutes set up and funded by the Chinese government in partnership with a host school or university to teach Chinese language, culture, and history (Custer et al. 2019). CIs typically are attached to universities while CCs are attached to primary and secondary schools (Custer et al. 2019, Wang et al. 2021). Applications must be submitted by the host school or university to the Chinese government (Custer et al. 2019; Li et al. 2021). Beijing uses CIs and CCs worldwide and employs them throughout the Belt and Road corridors to spread soft power (Custer et al. 2019; Li et al. 2021). Beijing also uses other forms of diplomacy to expand its soft power, such as sister city agreements, and student exchanges, friendship years, and government visits (Custer et al. 2019). For sister city agreements, the two countries in Central Asia with the most sister city agreements are Kazakhstan and Kyrgyzstan (Custer et al. 2019). However, CIs and CCs have been studied and used as a variable in measuring success of Chinese soft power.

There are slightly more CIs and CCs in Central Asia than in South Asia, where more cultural events are used (Custer et al. 2019). Kyrgyzstan has the most CIs and CCs, with 25 in total compared to Kazakhstan's total of six (Custer et al. 2019). Custer et al. (2019) suggest that

Beijing has focused its CC and CI efforts in the region to compete linguistically with the dominant Russian language influence while Laruelle (2018) highlights the fears of a “Chinese invasion” in Kazakhstan and Kyrgyzstan that negatively influences public opinions, both of which share borders with China. CCs and CIs have demonstrated a positively correlated effect on improving public opinions on China and spreading soft power influence, especially in Central Asia (Li et al. 2021; Wang et al. 2021).

It is worth noting that Kyrgyzstan trades more with China than Kazakhstan, functioning as a re-export hub for Chinese goods inbound to Central Asia (Garibov 2018). Kyrgyzstan is also home to an ethnic group, the Dungan, that share ties with a central Chinese ethnic group, the Hui (Garibov 2018; Sadovskaya and Utyasheva 2018). This may possibly be an influence and explanation in the desire to learn the Chinese language and thus the disproportionately high ratio of CC and CI to population in Kyrgyzstan.

CIs and CCs influence more than just public opinion by often softening China’s image. Li et al. finds a statistically significant relationship between trade growth and establishment of CIs and CCs (2021). As a cultural institute, CIs and CCs in states that are culturally different from China have a greater positive influence on trade (Li et al. 2021).

### *2.6.2 Military Exercises*

The People’s Liberation Army (PLA) conducts most of its military exercises with Russia and member states of the SCO, with Kazakhstan and Kyrgyzstan being the highest in total percentage of military exercise interactions (Allen, Saunders, and Chen 2017). Conducting bilateral military exercises is a form of military diplomacy and the PLA happens to conduct its most complex and sensitive military exercises with select SCO member states, including

Kazakhstan and Kyrgyzstan (Allen, Saunders, and Chen 2017). In addition to joint military exercises, Kazakhstan and Kyrgyzstan also frequently receive senior-level military visits from China (Custer et al. 2018).

## *2.7 Belt and Road Initiative Infrastructure Projects Along the Belt*

After reviewing the aspects that may influence Beijing's interests and intentions along the "belt" of BRI, this next section will explore BRI projects being built in Kazakhstan and Kyrgyzstan. These projects will highlight how the BRI is being implemented.

### *2.7.1 Infrastructure Projects in Kazakhstan*

According to the Center for Strategic and International Studies (CSIS) Reconnecting Asia Project Database, there are a total of 139 BRI labeled projects in Kazakhstan: 6 intermodal shipping ports, 1 pipeline, 26 power plants, 13 railway projects, 91 road projects, and 2 seaports (Reconnecting Asia Project 2020). Although these projects are associated with BRI, all of these projects are funded by Kazakhstan's Sovereign Wealth Fund (Reconnecting Asia Project 2020). Some projects that receive funding from Chinese development banks also receive funding from Russian development banks (Reconnecting Asia Project 2020). The pipeline project and a few of the roadway and railway projects receive sole funding from Chinese development banks (Reconnecting Asia Project 2020). Kazakhstan was an early adopter of BRI and plays a large role in BRI, tying BRI officially into its own economic development policy, Nurly Zhol (Bizhanova 2018; Zogg 2019). Even though Kazakhstan's political elites are enthusiastic about the BRI and Chinese cooperation, Kazakhstan oversees and finances all BRI projects itself (Zogg 2019). The funding for projects is sourced from multilateral development banks and sovereign

wealth funds (Zogg 2019). Kazakhstan seeks new investors and markets to diversify its economy and trade away from Russian dependence and China sees Kazakhstan as a source of energy resources and new transportation routes (Lim 2020; Pala 2006). So while Kazakhstan funds the Chinese directed projects, there is a mutually beneficial investment partnership.

The Khorgos Dry Port is a notable BRI infrastructure project in Kazakhstan that has generated a lot of attention in the press. Kazakhstan uses a different train gauge than China, so the Khorgos Dry Port was built to transfer Chinese goods from Chinese trains to trains using the proper gauge to continue westward through Kazakhstan onto Europe (Higgins 2018). Since China exports more than it imports, these trains often run full of goods to European markets but return partially empty, carrying only a few perishable goods from Europe (Higgins 2018). Transporting goods via rail takes less than half the time than transporting goods via sea, but costs 10 times more (Higgins 2018). This is beneficial for goods that need to make it to market quickly (Higgins 2018). Currently, 70% of Chinese goods travelling via overland routes pass through the Khorgos Dry Port (Zogg 2019). However, since the trains returning from Europe are mostly empty, thus the amount of investment put into the Khorgos Dry Port does not match the profitability (Higgins 2018). Governments of western provinces have offered incentives to build factories and offer subsidies for train transportation for goods (Higgins 2018).

Most of the BRI projects in Kazakhstan are related to improving transportation and trade. The power plant projects are likely related to aging Soviet Era power grid issue. The former Soviet Bloc Central Asia states still rely on an interconnected power grid that was designed to share power equally among the oblasts. Now, it is difficult for each independent state to control and regulate the power on the grid.

### *2.7.2 Infrastructure Projects in Kyrgyzstan*

As for BRI projects in Kyrgyzstan, there are 2 intermodal shipping ports, 13 power plants, 2 railways, 39 roadways, and 1 power transmission line, according to the Reconnecting Asia Project Database (Reconnecting Asia Project 2020). The majority of the BRI loans to Kyrgyzstan are concessional loans, totaling 2.1 billion USD (Mogilevskii 2019). Concessional loans are loans granted with longer grace periods, lowered interest rates, and the expectation that it will not be paid back in full. A BRI concessional loan for a road rehabilitation project was granted in exchange for exclusive mining rights to a gold mine (Mogilevskii 2019). The BRI funded projects in Kyrgyzstan use exclusively Chinese labor and Chinese imported machinery, equipment, and materials (Mogilevskii 2019). This limits the passing of knowledge and technical skills from Chinese workers to Kyrgyzstani workers (Duarte 2018; Mogilevskii 2019).

A major BRI project for Kyrgyzstan is the Datka-Kemin transmission line. Funded by China's Export-Import Bank, it connects the northern and southern portions of Kyrgyzstan, which previously had been attached to Kazakhstan's and Uzbekistan's power grids (EurasiaNet 2015). The transmission line has been one of the most expensive projects for Kyrgyzstan but the state expects to save money by no longer paying transit fees for electricity and alleviates fears of having electricity supplies cut off (EurasiaNet 2015).

The numerous road rehabilitation projects in Kyrgyzstan have an overall goal of improving the transportation of Central Asia by improved interconnectedness within Kyrgyzstan to the rest of the region (Mogilevskii 2019). Improved transportation is expected to improve trade within the region and with China, especially with its westernmost province of Xinjiang.

## **Chapter Three: The Road of the Belt and Road Initiative**

### *3.1 Introduction*

The “Road” of the Belt and Road Initiative (BRI) stands for the 21<sup>st</sup> Century Maritime Silk Road, which is a sea route that runs through the South China Sea, the Indian Ocean, the Red Sea, and into the Mediterranean Sea. To understand Beijing’s strategic interests in connection to BRI, Sri Lanka and Vietnam have been selected as case studies. Sri Lanka attracted international criticism for BRI as being the first and most notable example of so-called “debt-trap diplomacy.” Historical relations between China and Vietnam have not always been positive, so exploring what BRI projects are being built will further the understanding of Beijing’s interests and intentions.

In this chapter, the five indicators of location, minerals and energy resources, economic volatility, public opinion, and image building between 2010 and 2017 will be examined to understand the intentions behind the BRI in the South and Southeast Asian regions along the 21<sup>st</sup> Century Maritime Silk Road.

### *3.2 Geostrategic Location of Sri Lanka and Vietnam*

Vietnam is part of the Indochina peninsula bordering China. Beijing views this peninsula as a physical extension of its territorial backyard and thus within its sphere of influence (Sun 2019). Vietnam is also one of the states along the South China Sea (SCS) that was part of the United Nations Convention on the Law of the Sea (UNCLOS) case disputing China’s territorial assertions in the region (*The South China Sea Arbitration* 2016). Vietnam’s location in China’s territorial backyard and its ongoing territorial disputes with China makes Vietnam an interesting case for understanding the goals of BRI.



Sri Lanka, located in the Indian Ocean and close to India's coast, is not considered in China's backyard. Sri Lanka is in close proximity to one of China's most significant regional competitors, India. India and China share a very interesting and often adversarial relationship, with strong trade agreements yet occasionally deadly border disputes (BBC 2021). Sri Lanka has different geopolitical considerations that separate it from Vietnam as a case study, possibly causing the BRI involvement play out differently.

### *3.2.1 Regional Security*

The security situation along the Road is different from the Belt, which is wedged between two major powers and primary security concerns are from terrorism and extremism. Conversely, the Road is more dynamic, involving a global shipping route that passes through the territories of several states. Multiple navies, commercial shipping, and piracy are the key security concerns in this region.

The major regional security concern for Hanoi is China's encroachment of Vietnamese sovereign territory in the South China Sea (SCS). Vietnam has increased its military spending in response to the increased military buildup in the SCS, spending \$3.3 billion in 2018 (Shambaugh 2021). The small but growing Vietnam People's Navy (VPN), which patrols Vietnam's territorial waters, has the largest submarine fleet of Southeast Asia (Vu and Phuong 2017). The VPN has been gradually moving away from a "sea-denial" strategy, focused on denying access to its territorial seas, to a more deterrence-driven "counter intervention" strategy, where the VPN may launch surprise attacks on adversarial assets (Vu and Phuong 2017). In addition to the VPN and other regional powers' navies, the United States (US) has conducted freedom of navigation

operations (FONOPS) in the SCS, sending warships to navigate the SCS to counter China's territorial claims (Pasandideh 2020).

Vietnam shares a physical border with China. Vietnam has had violent conflicts with China throughout the course of its history (Vu 2014, Yung and McNulty 2015). Although the Vietnamese Communist Party (VCP) tries to cover up this part of Vietnamese history, recent nationalist movements and anti-China protests have tried to uncover this history and hold the VCP accountable for responding to Chinese aggression (Vu 2014).

Sri Lanka's security concerns focus on balancing between two regional powers, India and China. Sri Lanka's closest neighbor is India, located just a few miles off its northern coast. The Sri Lankan Navy is not the only navy stationed in the Indian Ocean. To the southwest is Diego Garcia, a US Naval outpost in the Indian Ocean (Vickery 2018). India has its mainland naval facilities but also naval facilities on the Andaman Islands, located between the Bay of Bengal and the Andaman Sea off the coast of Myanmar (Vickery 2018). Sri Lanka sits along a major trade route that passes through the Indian Ocean and connects East Asia to European and African markets. Beijing is interested in securing this route for trade passage by fostering closer ties to Sri Lanka, especially as New Delhi develops its own Monroe Doctrine for the Indian Ocean (Lim 2020).

### *3.2.2 South China Sea*

Vietnam is located on the Indochina peninsula and its maritime borders lie within the SCS. The SCS is rich in resources, such as fishing and energy resources. It is also an important segment of many major trade routes and overflights (Pasandideh 2020). Under UNCLOS,

Vietnam has rights to an economic exclusion zone (EEZ), a 200 nautical mile claim from the coast to any economic activity that occurs (Chubb 2021; Kalimuddin and Anderson 2018).

Beijing has disputed Vietnam's claims to the islands and shoals in the SCS, claiming the territory falls within the Nine Dash Line. The Chinese claims overlap Vietnam's EEZ, creating conflict with Vietnam's rights and access to the resources of the SCS, specifically in fishing and energy resource exploration (Chubb 2021; Kalimuddin and Anderson 2018). Chinese companies have conducted energy exploration within Vietnam's EEZ, causing a major diplomatic rift between the two countries (Yu, Blanchard, and Fernandez 2016).

Vietnam is not the only Southeast Asian state sharing a coastal border with the SCS. The Philippines has been experiencing the same problem as Vietnam, with fishermen from the Philippines being threatened by the Chinese Coast Guard (CCG) and denied fishing access (PCA Case No. 2013-19). The Philippines disputed China's Nine Dash Line claims under the United Nations Convention on the Law of the Sea (UNCLOS) at the United Nation's Permanent Court of Arbitration (PCA). Vietnam did not participate but provided a statement of interest regarding Vietnam's territory within the Nine Dash Line (PCA Case No. 2013-19).

Despite the UNCLOS trial ruling in favor of the Philippines and Vietnam, Beijing has become more assertive over this territory and has been building up the shoals and small islands in this territory into bigger islands with some having landing strips and military installations (Chubb 2021). Beijing has ratified the UNCLOS but has dismissed the SCS Arbitration as being outside of the scope of the UNCLOS and continues to fish and island build in the SCS (Cronin and Neuhard 2020). The PLAN has continued to conduct military patrols in the SCS (Chubb 2021). The CCG has been training on these islands and adding military equipment to the outposts there (Chubb 2021; Sakamoto 2021). Further militarizing the SCS, the CCG was placed under the

command of the People's Armed Police Force in 2018, making the CCG subordinate to military leadership rather than civilian leadership (Sakamoto 2021). A new CCG law passed in 2021 grants the CCG law enforcement powers in the SCS within the Nine Dash Line (Sakamoto 2021).

### *3.2.3 String of Pearls*

A commonly BRI funded project in the South and Southeast Asian regions are seaports. BRI funded seaports can be found in the SCS through to the Indian Ocean and then continuing to Africa and the Gulf of Aden via Djibouti. Realist scholars have connected the dots between these points and see a string of potential naval ports that could resupply and refuel warships and aircraft carriers from China to Africa (Blanchard and Flint 2017; Brewster 2016). This strategic speculation has been dubbed the "string of pearls." In combination with "debt trap diplomacy," realist scholars theorize Beijing as using debt to compel states to relinquish these seaports as a method of acquiring overseas naval ports (Deng 2018; Rossi 2019).

Sri Lanka's location in the Indian Ocean is a strategic location due to its proximity to the regional power, India, as well as its proximity to a major global sea trade route. Sri Lanka shares a nautical border with India and the northern most point of Sri Lanka is less than 100 km from the southern-most point of India. Chinese involvement in the Hambantota Port stirred up a lot of geopolitical anxieties, as the port is large enough to potentially host naval warships along a global trade route. Any activity between Sri Lanka and China will be viewed with suspicion from India.

### *3.2.4 Malacca Dilemma*

As previously discussed, Beijing fears a blockade of the Malacca Strait, inhibiting critical trade of goods and energy resources (Lim 2020; Pala 2006). Roughly 80% of Chinese energy supplies pass through this strait (Clarke 2017; Lim 2020). Uninterrupted trade is a high priority for China to meet the energy needs of its domestic population. Sri Lanka and Vietnam lie on opposite sides of the Malacca Strait and do not offer an alternative route in case of a blockade.

### *3.3 Minerals and Energy Resources*

As with the Silk Road Economic Belt, minerals and energy resources are an indicator to consider in China's strategy along the 21<sup>st</sup> Century Maritime Silk Road. Stable and reliable access to minerals and energy resources supports China's manufacturing and energy sectors and keeps supply and demand steady. China is the world's biggest energy consumer and importer, becoming an energy importer in 1993, and bottlenecks in the supply of energy resources poses a threat to China's sustainable development and national security (Zhao and Zhang 2016; Zhao et al. 2019).

#### *3.3.1 Vietnam's Minerals and Energy Resources*

Vietnam used to export coal, natural gas, and oil to China, but Vietnam's energy consumption has grown exponentially and starting in 2015 must import those same energy resources to meet its domestic needs (Le 2019; Zhao et al. 2019). Vietnam is ranked seventh in the Asia-Pacific region for crude petroleum production, but its exports of crude petroleum have dropped while imports of crude petroleum have increased (Fong-Sam 2021). When Vietnam exported energy resources to China prior to 2015, Vietnam increased tariffs on coal and oil in

2008 and placed export limits on coal to China in 2009 (Zhao and Zhang 2016). Currently, Vietnam prohibits foreign direct investment (FDI) be used for energy resource exploration (Zhao and Zhang 2016). Vietnam is ranked second in the world for tungsten exports and eighth in the world for rare earth mineral exports (Fong-Sam 2021; Moon 2021). Other mineral exports include bauxite, alumina, gold, iron, steel, and cement (Fong-Sam 2021; Moon 2021).

### *3.3.2 Sri Lanka's Minerals and Energy Resources*

Sri Lanka's main mineral exports are industrial use minerals such as graphite, titanium, zirconium, and cement (Moon 2021; Renaud 2019). Sri Lanka also exports a variety of gemstones (Moon 2021). Energy resources is not exported item from Sri Lanka to China. Out of all of the BRI participant states, Sri Lanka is ranked as a “non-energy” provider, along with five other states (Zhao et al. 2019).

### *3.3.3 China's Mineral and Energy Efforts in Sri Lanka and Vietnam*

Neither Vietnam nor Sri Lanka export any critical mineral or energy sources to China. While both export industrial minerals, these minerals are not something critical to China or something China can't import from elsewhere. However, China and Vietnam have had diplomatic disputes in the SCS when Chinese energy exploration ships search for oil in Vietnam's EEZ (Yu, Blanchard, and Fernandez 2016). Vietnam's energy consumption has increased by 13% annually since 2006 and consumes almost the same amount of energy as China, due to having a high energy intensity economy (Le 2019). Both Vietnam and China require plentiful and reliable energy resources, which fuels the territory disputes in the SCS.

### *3.4 Economic Volatility*

Another indicator to consider for Chinese BRI investments is economic volatility. A highly volatile economy that is not conducive to business yet receives substantial amounts of BRI investments would show that the BRI is more than a soft power tool.

#### *3.4.1 GDP, Debt, and Trade*

Vietnam is a member of the Association of Southeast Asian Nations (ASEAN), which is a socio-economic union made of ten member states along the Indochina peninsula and SCS. Vietnam is also a growing manufacturing hub, as the US-China trade war pushed Chinese production centers to Southeast Asia (International Monetary Fund 2019; Sun 2019). Vietnam's economy reached an incredible 7.1% growth in 2018 (International Monetary Fund 2019). This economic growth is supported by urban middle-class growth, increased consumption, and an expanding manufacturing sector (International Monetary Fund 2019). Currently, Vietnam has the highest trade value of all BRI states, totaling nearly \$94 billion USD in 2017 (Li et al. 2020). While Vietnam has been praised for its macroeconomic policies that have fostered an environment of stable economic growth, the economy still faces risks from slow modernization and digitization policy implementation, geopolitical risks such as fallout from trade tension between the US and China, and potential mishandling of reforms as Hanoi transitions Vietnam from a planned to market economy (International Monetary Fund 2019).

Vietnam has only 3% of its external debt owed to China (Custer et al. 2019). Although Vietnam is a BRI participant, Vietnamese leaders are hesitant to accept money and loans from China (Vu, Soong, and Nguyen 2021). They see BRI as an economic opportunity and a chance

for peaceful cooperation, yet still hold deep suspicion around China's intentions as a regional hegemonic power (Vu, Soong, and Nguyen 2021).

Beijing has been investing in Sri Lankan infrastructure since the 1970's and between 2006 and 2019, the rate of investment has steadily increased during those years (Wignaraja et al. 2020). The announcement of BRI in 2013 is believed to not have had an impact on Chinese investment in Sri Lanka, as the rates of FDI remained steadily increasing at the same rate as prior to the announcement (Wignaraja et al. 2020). Only 6% of Sri Lanka's external debt is owed to China, which is low compared to other states participating in BRI (Wignaraja et al. 2020; World Bank 2020). However, debt sustainability is an issue for Sri Lanka because with principal and interest, the Chinese loans end up costing the same amount as other foreign loans (Wignaraja et al. 2020).

Sri Lanka's gross domestic product (GDP) has increased by about 5% each year since the end of a civil war, increasing from 56.7 billion USD in 2010 to 87.4 billion USD in 2017 (International Monetary Fund 2020). Sri Lanka central government debt as a percentage of its GDP has remained about the same during 2010-2017, fluctuating between 68.7% and 77.7% (International Monetary Fund 2020). Manufacturing and agriculture are the biggest sectors of Sri Lanka's economy, other sectors such as construction and services have been growing (International Monetary Fund 2020). This shows a positive trend in economic diversification as Sri Lanka's labor force moves from low productive sectors to high productive sectors, improving overall economic productivity as the government aims to be a middle-income county by 2025 (International Monetary Fund 2018). FDI makes up only 2% of Sri Lanka's GDP and the most recent FDI has been focused on infrastructure (International Monetary Fund 2018). Factors such as a complex tax system, regulatory favoritism, and poor business environments hinder



investments as well as Sri Lanka's growth in becoming a regional hub for trade and services (International Monetary Fund 2018).

### *3.4.2 Economic Volatility in Sri Lanka and Vietnam*

As discussed in the previous chapter, the ease of doing business index is researched and compiled by World Bank to encourage regulatory competition and offer reform benchmarks to improve business climates in each of the 190 ranked economies. Bank Z-scores are also compiled by the World Bank and are a calculation of the probability of state's banking system defaulting, comparing the capitalization and returns of a country's banking system against the volatility of those returns. Vietnam ranks 82 out of 190 and Sri Lanka ranks 110 out of 190 for the 2017 ease of doing business rankings (World Bank 2020). The Vietnam bank Z-score averaged between 12.3-15.5% for 2010-2017 and the Sri Lanka bank Z-score averaged between 11.9-14% for 2010-2017 (World Bank 2020). These scores provide insight into the domestic market conditions that would influence the support of a Chinese State-Owned Enterprise (SOE) towards a BRI project in these two states. Vietnam holds a better ease of doing business index score. Vietnam and Sri Lanka both have similar bank Z-scores, with Sri Lanka doing only 1% better than Vietnam during the 2010 to 2017 timeframe.

### *3.5 Public Opinion Towards China*

Public opinion on China among the Road countries of BRI makes for an interesting indicator to consider because of different historical and cultural influences. Vietnam has had a long history of confrontation and conflict with China yet shares a similar cultural heritage. Sri

Lanka has had friendly relations to China since the 1950's, but the handover of the Hambantota Port to Chinese SOE management stirred up negative perceptions.

### 3.5.1 Sri Lanka and Vietnam's Approval of China's Leadership

Figure 3.1: Approval of Chinese Leadership in Sri Lanka and Vietnam



Source: *The Gallup World Poll*. The Gallup Organization, 2021

According to the Gallup World Poll data charted above, Sri Lankan approval of Chinese leadership has ranged between 23% and 34%, which is around a third of the country (2021). For Vietnam, 2010 had the highest approval rate of China's leadership at 31% (Gallup Organization 2021). By 2013, this approval rating fell to 5% and has since remained in the single digits where polling data is available.

### *3.5.2 Historical Views of China*

Vietnam has had a long history of invasion and conflict with China. Focusing on more recent and prominent events, Beijing went to war with Vietnam in the 1970's but both the Chinese Communist Party (CCP) and the VCP have largely attempted to cover up this history (Gompert, Binnendijk, and Lin 2014; Vu 2014). Recent SCS disputes between Beijing and Hanoi have further hurt diplomatic relations and has influenced public approval for Beijing (Gallup Organization 2021; Huong 2020; Vu 2014; Zheng 2020). Beijing sees and treats Vietnam as a “likeminded country” due to similarities in their cultural heritage and shared Confucian values (Sun 2019). However, Beijing's growing influence is increasingly seen as a threat to Vietnam's sovereignty, as evidenced by anti-China protests and growing disapproval for Beijing (Gallup Organization 2021; Vu 2014). The VCP is hesitant to raise concerns to Beijing directly because of the close ties between the two respective communist parties (Vu 2014; Zheng 2020). China and Vietnam share a high trade volume and both the VCP and the citizens of Vietnam wish to maintain stable relations with China for both trade and regional stability, according to the Asian Barometer Survey in 2015 (Global Barometer Survey 2020; Zheng 2020).

Beijing established positive diplomatic and trade relations with Sri Lanka only a few years after its founding as the People's Republic of China (Lerski 1974). Beijing began trading its rice for Sri Lanka's rubber, even though the trading incurred financial losses for China (Lerski 1974). It was a way to provide aid to Sri Lanka and establish positive relations to counter the West (Gokhale 2015; Lerski 1974). China was also one of the few states willing to conduct trade and provide aid to Sri Lanka, including arms sales, during its civil war when many Western nations publicly condemned Sri Lanka for its human rights abuses (Manohran 2013). Many major infrastructure projects in Sri Lanka began in 2010 and were later labelled as BRI (Gokhale

2015). During the 2010's, most of Beijing's soft power used in Sri Lanka focused on appealing to government elites and maintaining strong ties to party officials (Custer et al. 2019). When former President of Sri Lanka Mahinda Rajapaksa lost reelection in 2019, Beijing changed its approach to soft power in Sri Lanka, by focusing less on government and party-to-party visits and more on events that promote culture (Custer et al. 2019; Ekman 2019). This is likely because former President then later Prime Minister Mahinda Rajapaksa cultivated close ties to China and Sri Lankan citizens began to perceive these Chinese built projects as political corruption and Rajapaksa selling out to Chinese influence (Gokhale 2015).

### *3.5.3 Public Opinion Towards China*

Vietnam maintains a hedging policy towards the US and China, taking a neutral position between both powers to gain practical benefits from both sides while avoiding conflict (Zheng 2020). While approval of Beijing in Vietnam may be incredibly low, Vietnamese public opinion holds a pragmatic view towards Beijing, valuing trade and stability between Hanoi and Beijing yet resenting Beijing's growing influence in the region (Gallup Organization 2021; Global Barometer Survey 2020; Zheng 2020,). As of 2015, Vietnamese public opinion ranked Beijing's influence in their country as low but positive (Global Barometer Survey 2020; Zheng 2020).

Sri Lanka is similar to Vietnam in that balancing between two regional powers may influence public opinion. Although there is no data available on Sri Lanka from the Asian Barometer Survey, Hazarika and Mishra highlight Sri Lanka's perceptions of India as a regional hegemony (2015). Development aid is a common soft power tool. Sri Lanka is one of India's top recipients for development aid, but most of the aid is directed towards the development of the Tamil dominated areas, an ethnic minority in Sri Lanka who share cultural, linguistic, and

historical ties to India (Hazarika and Mishra 2015). Sri Lanka complains of having a trust deficit with India and views India as a smothering “Big Brother” (Hazarika and Mishra 2015).

### *3.6 Image Building in Sri Lanka and Vietnam*

In this section, China’s image building efforts in South and Southeast Asia will be explored. A few specific tools are examined in this section, focusing on educational exchanges, sister city agreements, and visits and exchanges between government and military officials.

#### *3.6.1 Confucius Institutes*

An overview of Confucius Classrooms (CC) and Confucius Institutes (CI) as well as other forms of soft power were introduced in the previous chapter. CCs and CIs have the dual benefit of promoting Chinese culture but improving trade relations (Li et al. 2021). It should be noted that the effectiveness of CCs and CIs in their dual mission correlates inversely to cultural distance of the host country to China (Li et al. 2021; Wang et al. 2021). BRI countries with different cultural heritages from China show a positive benefit than BRI countries with similar cultural heritage to China (Li et al. 2021; Wang et al. 2021,). Sri Lanka does not share a cultural heritage with China but Vietnam does; thus, CCs and CIs as soft power in Vietnam are not effective but are effective in Sri Lanka (Li et al. 2021; Wang et al. 2021). As of 2017, there are two CIs and two CCs in Sri Lanka (Custer et al. 2019). A small but growing number of Sri Lankan students have studied abroad in China, with around 2,839 students in 2017 (Custer et al. 2019). Vietnam only has one CI, located at Hanoi University (Selezneva 2021). This CI has hosted 19 cultural events between 2014 and 2017 and these are the only China sponsored cultural events to have happened in Vietnam (Selezneva 2021).

### *3.6.2 People-to-People Exchanges*

Beijing also employs other soft power in South and Southeast Asia, such as sister city agreements, and student exchanges, friendship years, and government visits (Custer et al. 2019). Government and party-to-party visits are used more in Sri Lanka compared to Vietnam and even Kazakhstan and Kyrgyzstan (Custer et al. 2019). Sri Lanka holds elections and the CCP aims to maintain favor with the current ruling party, as elections can ouster previously friendly political parties and potentially disrupt ties with Beijing (Custer et al. 2019). Custer et al. theorizes this is because of the how foreign Chinese culture may seem to Sri Lanka, that the interest in learning Mandarin Chinese is still weak but events that share and highlight Chinese culture carry greater benefits (Custer et al. 2019).

### *3.6.3 Military Exchanges*

Military diplomacy is also used along the Road as well. The People's Liberation Army (PLA) focuses more on using port calls and senior level meetings, unlike with the Belt where military exercises are favored (Allen, Saunders, and Chen 2017). Sri Lanka was in the top five for PLA Navy port calls between 2003 and 2016, making up about 30% of all military diplomacy interactions (Allen, Saunders, and Chen 2017). Vietnam was the sixth highest partner for military diplomatic interactions and the overwhelming majority of these interactions were senior level meetings (Allen, Saunders, and Chen 2017). Vietnam has conducted two military exercises and four port calls with the PLA between 2003 and 2016 (Allen, Saunders, and Chen 2017).

## *3.7 Belt and Road Initiative Infrastructure Projects Along the Road*

In addition to the indicators reviewed, prominent BRI projects will be reviewed to understand Beijing's interests in the region. These projects will help to reveal the intentions of BRI.

### *3.7.1 Infrastructure Projects in Sri Lanka*

There are a total of 75 BRI projects in Sri Lanka: 3 intermodal shipping ports, 31 power plants, 5 railways, 30 roads, and 6 seaports (Reconnecting Asia Project 2020). In 2017, Sri Lanka was one of the top ten countries in number and monetary value of BRI projects (Malik et al. 2021). Roads and ports take up the most BRI funding, followed by power plants. Sri Lanka suffered from energy shortages in the 2000's and power plants built by China's BRI are helping to overcome this issue (Wignaraja et al. 2020).

The most prominent of Sri Lanka's BRI-related infrastructure projects is the Hambantota Port, a deep-water port leased to China for 99-years that stirred geopolitical anxieties. However, this deep-water port is mostly for mega container ships ferrying goods across the Indian Ocean and not warships (Wignaraja et al. 2020). Sri Lanka holds similar anxieties to India over the potential dual-use nature of the Hambantota Port and has stationed more naval units and conducted more patrols in response (Wignaraja et al. 2020). Delays in construction and the subsequent financial losses due to delays lead to an assessment that Chinese-built infrastructure was unsustainable, causing Sri Lanka to lose money, so China took the port over under a 99-year lease to prevent Sri Lanka from falling behind on debt repayments to its other creditors (Ploberger 2022; Wignaraja et al. 2020). Debt to China only makes up 10% of Sri Lanka's total external debt, but the problem is with Sri Lanka's ability to repay its debts (Ploberger 2022).

Sri Lanka is rated as having the best infrastructure of all of the South Asian states, thanks to the post-civil war reconstruction efforts (International Monetary Fund 2018). A large portion of BRI projects are related to roads and ports, which further improves upon Sri Lanka's infrastructure. Improvements to infrastructure helps prime Sri Lanka to become a regional trade hub, but does not help Sri Lanka's struggles in the middle-income trap (International Monetary Fund 2018).

Sri Lanka is facing an energy shortage. Electricity demand is increasing by about 5% every year, but rainfall is decreasing (International Trade Administration 2021). Insufficient rainfall led to energy shortages starting in 2018 as a significant source of energy comes from hydroelectric generation (International Trade Administration 2021). As of 2021, a Chinese built coal power plant provides about 45% of Sri Lanka's energy generation (International Trade Administration 2021). Sri Lanka's energy sector needs heavy investment and development but the lack of privatization makes securing investment from Western banking institutions difficult.

Roughly 70% of Chinese-funded infrastructure projects were built between 2005 and 2015, coinciding with the reign of former Sri Lankan President Mahinda Rajapaksa (Custer et al. 2019). The overtly friendly relations between former President Rajapaksa and Beijing led to accusations of corruption, especially since some of the infrastructure projects happened to be located in Rajapaksa's home province and were commercially unviable (Custer et al. 2019; Gokhale 2015). Since 2015 and the election of a new president in Sri Lanka, Beijing has switched from using infrastructure projects and loans as its main tool of soft power to cultural events and government visits (Custer et al. 2019). Of the 29 cultural events Beijing has sponsored and hosted in Sri Lanka, 22 took place between 2015 and 2017 (Custer et al. 2019).



### *3.7.2 Infrastructure Projects in Vietnam*

According to the Center for Strategic and International Studies (CSIS) Reconnecting Asia Project Database, Vietnam's BRI labeled projects include 7 intermodal shipping projects, 6 railway projects, 31 road projects, 10 seaport projects, 295 power plant projects, and 6 joint rail and road projects with Thailand, Laos and Cambodia (Reconnecting Asia Project 2020). Vietnam has the highest number of BRI labeled projects of the four case study states.

Power plant projects are the most numerous BRI projects in Vietnam. According to a report published by the US Department of Commerce International Trade Administration, Vietnam's power grid is nationalized, owned and operated by Electricity of Vietnam (EVN), and reports directly to the Prime Minister (International Trade Administration 2021). The electricity costs are subsidized for urban and rural residents, paid for by higher prices for industry, commercial, and foreign consumers, with rates being approved by the Prime Minister (International Trade Administration 2021). The electricity consumption is on the rise in Vietnam as more industrial and residential consumers use more power (International Trade Administration 2021; Le 2019). The Prime Minister and the Ministry of Industry and Trade, which has jurisdiction over EVN, are developing a roadmap for privatization and reducing government involvement and subsidies to increase private commercial investment in the power grid with the goal to improve electricity output as well as increase the overall security of the system to prevent power shortages (International Trade Administration 2021).

The Bretton Woods practices of connecting liberal market reforms to development investment aids and loans has limited the range and opportunities of US investors, allowing Export-Import Bank of China (EXIM) and Asian Infrastructure Investment Bank (AIIB) to fill in (Morris 2021). Non-interference is a key part of China's non-alignment diplomacy, thus BRI

loans and investments have a very few strings attached (Zhong and Yang 2020). As highlighted in the International Trade Administration's report on Vietnam's electricity generation, the increasing demand is growing steadily, and development and modernization is needed in the power grid to keep up (International Trade Administration 2021; Le 2019). Privatizing the power grid in Vietnam is likely going to take a while, putting China as the best way of getting investment in the power industry now.

## Chapter Four: Five Indicators and Belt and Road Initiative Project Spending

### 4.1 Introduction

In this chapter, each of the five selected indicators under study will be examined by comparing them across the case study regions during the timeframe of 2010 to 2017. This examination will provide insight into the possible correlations between these indicators and the Belt and Road Initiative (BRI) related investments and projects.

### 4.2 Geostrategic Location

The primary geopolitical interests found along both the Silk Road Economic Belt and the 21<sup>st</sup> Century Maritime Road are proximity to a regional power, alternative route to the Malacca Strait, shared borders, and regional security.

Table 4.2: Geostrategic Location

	<b>Proximity to Regional Power</b>	<b>Alternate Route to Malacca Strait</b>	<b>Shared Border</b>	<b>Shared Regional Security</b>
<b>Kazakhstan</b>	Yes	Yes	Yes	Yes
<b>Kyrgyzstan</b>	Yes	Yes	Yes	Yes
<b>Sri Lanka</b>	Yes	No	No	No
<b>Vietnam</b>	No	No	Yes	No

Proximity to regional power is one of the first elements noticed with this indicator. Three of the four case studies are within proximity to a regional power and historical and cultural ties

with that power. Kazakhstan and Kyrgyzstan are in proximity to Russia and Sri Lanka is in proximity to India. Vietnam is in proximity to China but is rated as “no” since Beijing is not competing against another power regional power for influence.

Kazakhstan and Kyrgyzstan are rated “yes” for being alternate routes to the Malacca Strait because of the railways and pipelines that cross both states into China. Despite the investment and development of these railways and pipelines, neither provide sufficient alternative to the sea-based trade of goods and energy resources. In case of a Malacca Strait blockade, these railways could provide a temporary alternative to sea-based trade, but the cost and capacity limits the long-term effectiveness. The pipelines also do not meet the capacity requirements to provide sufficient energy resources to China in case of an extended Malacca Strait blockade. Vietnam and Sri Lanka are rated as “no” because the sea-based shipping lanes that pass through the South China Sea (SCS) and the Indian Ocean would be impacted by a blockade, thus not providing an alternative.

Only Sri Lanka lacks a shared border with China. Kazakhstan, Kyrgyzstan, and Vietnam share physical borders with China. Border sharing is rated as “yes” in Table 4.1.

While all four case studies have some security concern within each region, only Kazakhstan and Kyrgyzstan share similar views on their security concern with China. Sri Lanka and Vietnam have security concerns, but do not depend on China to play a role in resolving these concerns. Kazakhstan and Kyrgyzstan share a separatism and terrorism issue with China and as members of the SCO, conduct joint anti-terrorism exercises with China. Kazakhstan and Kyrgyzstan are rated as “yes” in Table 4.1 for sharing a security concern with China. Sri Lanka balances China’s influence against India’s influence, but only seeks China as an economic partner and not a security partner. Although Sri Lanka is receptive to military diplomacy from

China, Sri Lanka maintains a non-alignment stance and has raised concerns over the Hambantota Port’s potential military use following the 99-year lease handover. Vietnam views China as the cause of its security concerns in the SCS and is greatly concerned about China’s expanding military presence in the SCS. For these reasons, Sri Lanka and Vietnam are rated as “no” in Table 4.1.

From Table 4.1, geostrategic location appears to be a strong aspect for Kazakhstan and Kyrgyzstan but a weak aspect for Sri Lanka and Vietnam. Both Kazakhstan and Kyrgyzstan have “yes” ratings for all four of the geostrategic considerations for this indicator. Sri Lanka and Vietnam both only had one “yes” rating for the considerations used.

#### 4.3 Minerals and Energy

Table 4.3: Minerals and Energy Resources

	<b>Exports Energy Resources to China</b>	<b>Exports Minerals to China</b>	<b>Potential for Energy Exploration</b>	<b>Pipelines that Connect to China</b>
<b>Kazakhstan</b>	Yes	Yes	Yes	Yes
<b>Kyrgyzstan</b>	No	Yes	No	Yes
<b>Sri Lanka</b>	No	Yes	No	No
<b>Vietnam</b>	No	Yes	Yes	No

Kazakhstan is the only one out of the four case studies that exports energy resources to China. Vietnam used to export energy resources to China but no longer does due to increased

domestic demand for energy as well as retaliatory tariffs on energy exports to China and barriers blocking Chinese investment in energy exploration. Kyrgyzstan does export small amounts of energy resources to China but also imports energy resources. The net export does not exceed the net import. Kazakhstan is the only case study rated as “yes” in the energy exports category of Table 4.2.

Each case study exports mineral resources to China, all with practical applications in manufacturing and construction industries. All four case studies are rated as “yes” for the mineral exports category of Table 4.2.

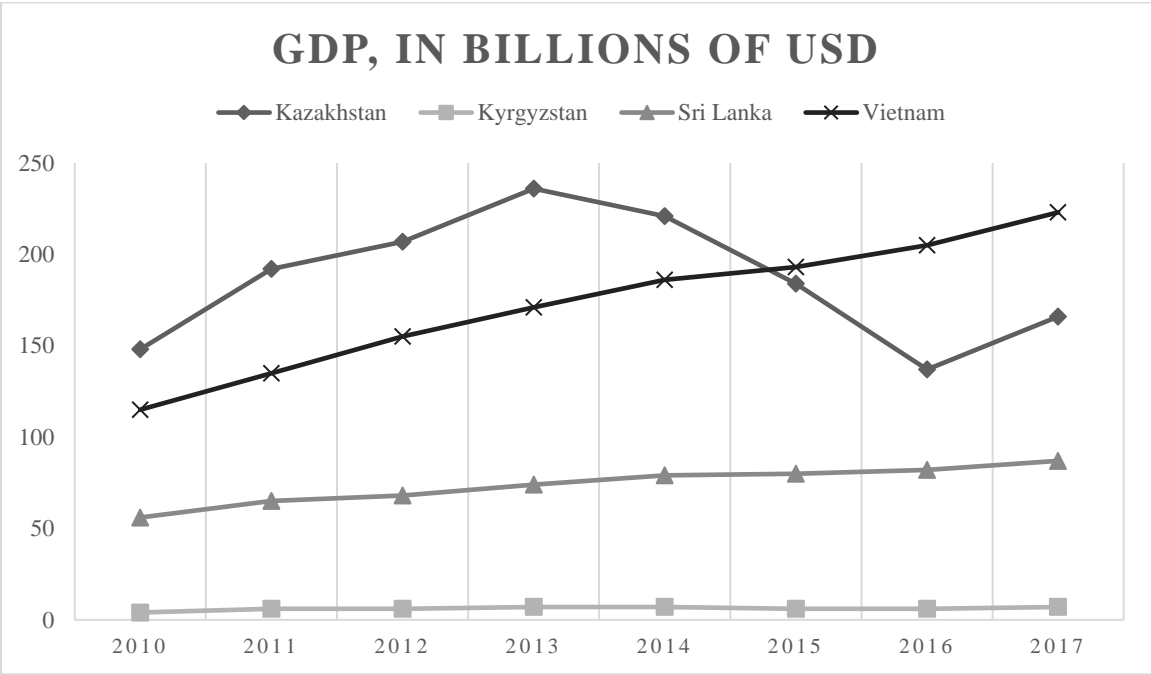
Kazakhstan and Vietnam both have potential for further energy resource exploration. Although the Kazakhstani government seeks to diversify its economy from energy resource and mineral extraction, further investment into the extraction industry by China is still welcomed because it would help diversify the industry away from Russian investment dominance. Vietnam differs from Kazakhstan because the Vietnamese government does not want Chinese investment in its energy exploration. Whenever Vietnam has made energy exploration efforts in the SCS over the past few years, Beijing has responded negatively. The potential energy resources that could be extracted lie within disputed SCS territory between Vietnam and China. Since there are energy resources extraction possibilities, Kazakhstan and Vietnam are rated as “yes” in Table 4.2.

Kazakhstan and Kyrgyzstan both have energy pipelines that cross their territory into China. Sri Lanka and Vietnam do not, as neither state exports energy resources to China. In Table 4.2, Kazakhstan and Kyrgyzstan are rated as “yes” and Sri Lanka and Vietnam are rated as “no”.

Kazakhstan is rated “yes” in all four considerations in Table 4.2. Both Vietnam and Kyrgyzstan have two “yes” ratings out of the four considerations. Energy and mineral resources are a strong indicator of interest in Kazakhstan and weak for Vietnam and Kyrgyzstan. It is not an indicator for Sri Lanka, considering the other three case studies export mineral resources to China as well.

4.4 Economic Volatility

Figure 4.4.1: GDP of the Case Studies



Source: World Bank 2020

Vietnam has the highest GDP growth of the four case studies, surpassing Kazakhstan’s GDP in 2015. Sri Lanka’s GDP has been on the rise, just like Vietnam but at lower rate. Kyrgyzstan has not experienced noticeable GDP growth between 2010 and 2017. Kazakhstan

has experienced fluctuations in its GDP. Kazakhstan’s highest value export is petroleum, and the price of petroleum on the global market fluctuates, causing Kazakhstan’s GDP to be susceptible to those fluctuations of the global petroleum market.

Table 4.4.2: Economic Volatility

<b>Country</b>	<b>Bank Z-Score (2010-2017)</b>	<b>Ease of Doing Business Index (as of 2017)</b>	<b>Debt to China (as % of GDP, 2017)</b>
<b>Kazakhstan</b>	3 - 8%	35	2%
<b>Kyrgyzstan</b>	17.6 - 21.3%	75	30%
<b>Sri Lanka</b>	11.9 - 14%	110	6%
<b>Vietnam</b>	12.3 - 15.5%	82	3%

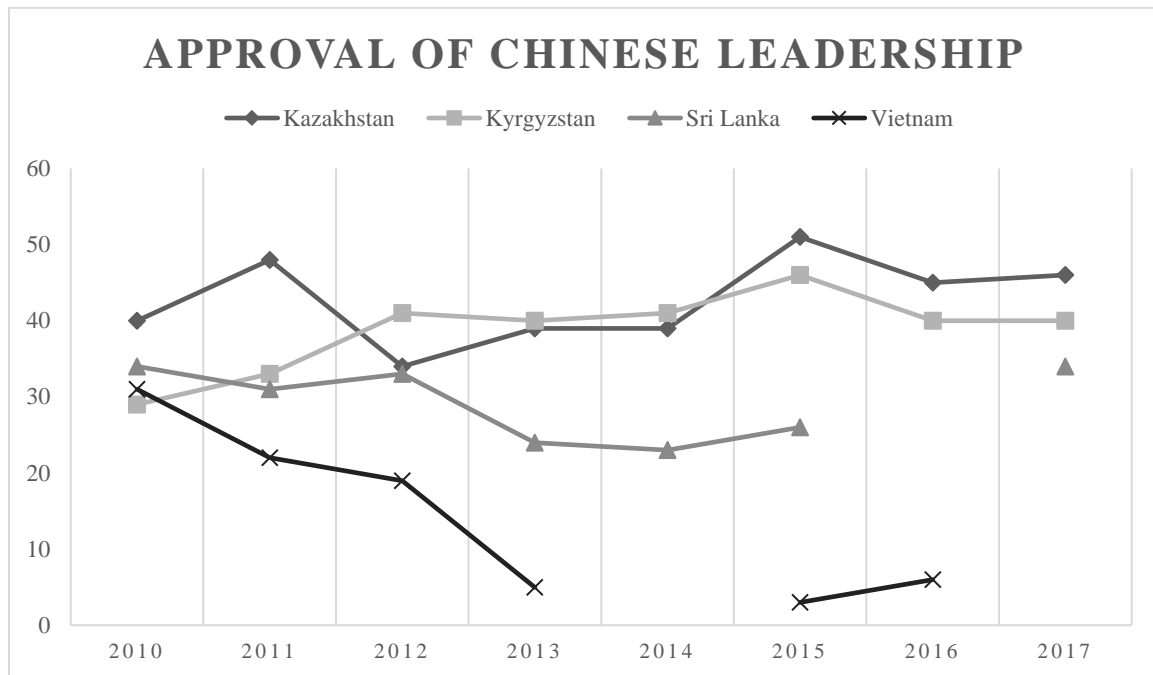
Source: *Custer et al. 2019, World Bank 2020*

Kazakhstan has the best bank Z-score and Ease of Doing Business Index rating of all four case studies. Sri Lanka and Vietnam have similar bank Z-Score ratings, but Vietnam does better than Sri Lanka in the Ease of Doing Business Index. Sri Lanka’s debt to China is 6% of its gross domestic product (GDP), but the high interest rate on these debts makes the repayments difficult, especially when combined with its other external debts. Kyrgyzstan ranks second best on the Ease of Doing Business Index, but it has the lowest GDP and Banking Z-Score of all four case studies as well as the highest debt.



#### 4.5 Public Opinion

Table 4.5: Approval of Chinese Leadership



Source: *Gallup World Poll 2021*

Both Kazakhstan and Kyrgyzstan experienced an uptick in approval of Chinese leadership in 2015. Kazakhstan officially joined BRI in 2015, which may partially explain the increase in approval for that year (Malik et al. 2021). However, Kyrgyzstan joined BRI in 2013 and did not experience any change in approval rating of Chinese leadership (Malik et al. 2021).

Vietnam has the lowest approval rating. The United Nations Convention on the Law of the Sea (UNCLOS) trial between the Philippines and China began in 2013, which corresponds to one of the years with the lowest approval rating. In 2014, Vietnam experienced a diplomatic breakdown with China over a dispute involving an oil rig in the SCS (Yu, Blanchard, and

Fernandez 2016). While polling data is missing for 2014, it can be assumed that the approval rating would be low based on the events surrounding that year and the year prior.

Sri Lanka has a slightly declining approval rating. Only around one third of respondents report a positive approval of Chinese leadership. Data is missing for 2016 and 2017, so it is difficult to determine if the very slightly increase in approval seen in 2015 would have continued.

Sri Lanka and Vietnam officially joined BRI in 2017, but the majority of BRI labelled projects began before 2017. For both Sri Lanka and Vietnam, approval ratings of Chinese leadership are missing for the year 2017 so it cannot be determined if officially joining BRI had an influence on approval ratings.

#### 4.6 Image Building

Table 4.6: Image Building Efforts

	<b>Sister Cities</b>	<b>Student Exchanges (year)</b>	<b>Confucius Institutes</b>	<b>Elite Visits</b>	<b>Military Visits</b>
<b>Kazakhstan</b>	18	14,224 (2017)	6	253 (2006-2018)	41 (2006-2018)
<b>Kyrgyzstan</b>	19	4,154 (2017)	25	123 (2006-2018)	29 (2006-2018)
<b>Sri Lanka</b>	9	2,839 (2017)	4	130 (2006-2018)	29 (2006-2018)
<b>Vietnam</b>	35	11,299(2018)	1	286 (2000-2015)	6 (2003-2016)

Source: *Custer et al. 2018, Custer et al. 2019*

Diplomatic tools Beijing to build its image abroad include sister city agreements, student exchanges, Confucius Institutes (CI) and Confucius Classrooms (CC), elite visits, and military visits. Sister city agreements promote cultural, commercial, and social ties between a Chinese city and host nation city (Custer et al. 2019). Student exchanges promote good will between two

countries through educational opportunities. CIs and CCs promote Chinese language and culture within a host country and are funded by the Chinese government (Li et al. 2021; Wang et al. 2021). CIs and CCs are considered to be an aspect of BRI's people-to-people connectivity (Li et al. 2021). Elite-to-elite visits involve senior level government officials meeting directly with Chinese government officials to foster familiarity and build connections (Custer et al. 2019). Military visits are similar but involve military officials rather than government officials (Allen, Saunders, and Chen 2017).

Sister city agreements and educational exchanges are used most in Central Asia. This is likely because part of Central Asia was part of the Soviet Bloc and shares a significant amount of history, culture, and language with Russia. Although Kazakhstan's and Kyrgyzstan's approval of Chinese leadership ratings are the highest of the four case studies, there are still occasional protests regarding China's spreading influence in Central Asia (Dave 2018). Government officials and political elites in Kazakhstan and Kyrgyzstan embrace China as a partner. Kazakhstan integrated BRI projects into its Nuryly Zhol economic policy plan. Additionally, Kazakhstan and Kyrgyzstan participate in antiterrorism exercises as members of the Shanghai Cooperation Organization (SCO). Kazakhstan and Kyrgyzstan have the same number of sister city agreements with China. Kazakhstan has the most student exchanges with China out of the four case studies. Kyrgyzstan has half of the number of elite visits and military visits Kazakhstan receives but has four times the number of CIs and CCs. Image building efforts focus on warming relations with the citizens to see China as an economic and security partner. For these reasons, Kazakhstan and Kyrgyzstan will be rated as "high" for image building efforts.

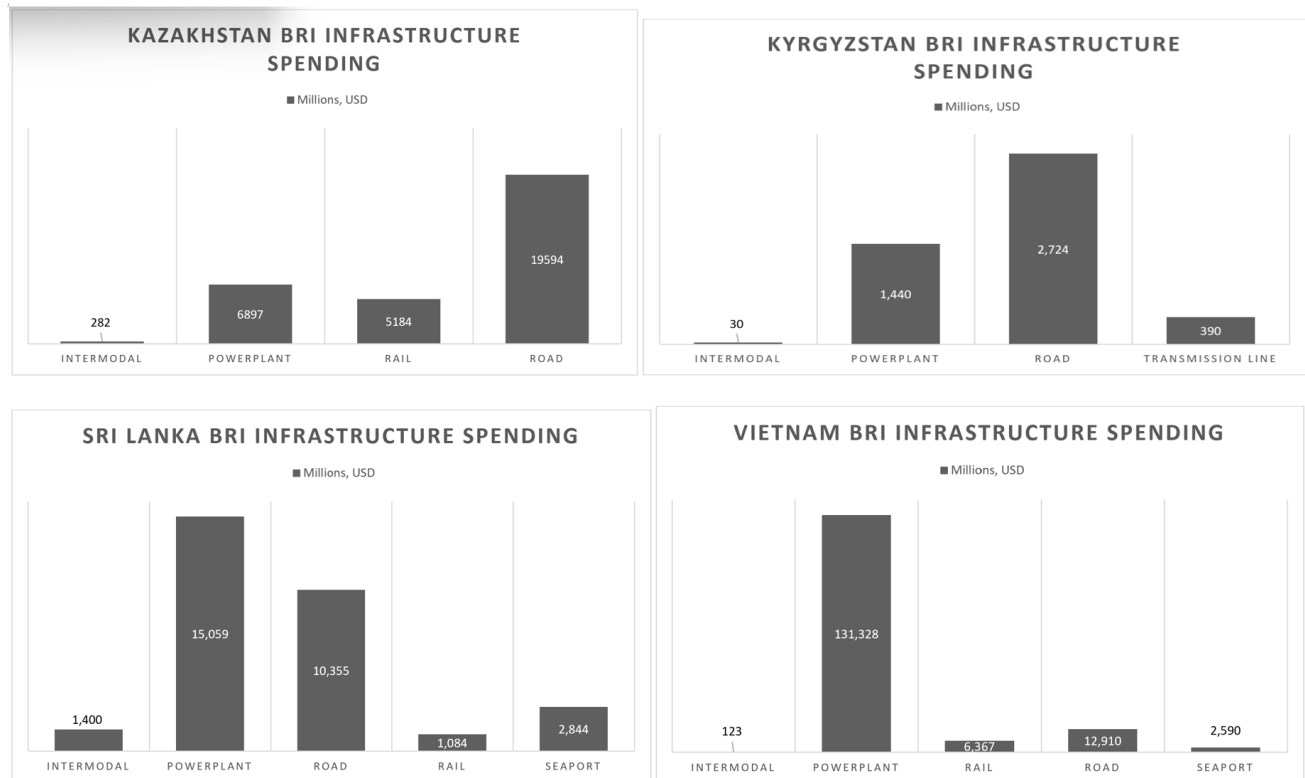
Exchange diplomacy and elite-to-elite diplomacy are used more in South and Southeast Asia than in Central Asia. For the years reviewed, China's primary image building tool in Sri

Lanka was government and party-to-party visits (Custer et al. 2019). Cultural aspects of image building were not really employed much in Sri Lanka, even though Sri Lanka is culturally different from China. The approval rating of Chinese leadership is also lower in Sri Lanka than the approval rating in Kazakhstan and Kyrgyzstan. Even with a focus on elite-to-elite diplomacy, Sri Lanka had a similar number of elite and military visits as Kyrgyzstan. Overall, Beijing's image building efforts centered on establishing rapport with government and party elites in Sri Lanka than with the citizens. Because the image building efforts focus more on establishing rapport with government and party elites while bypassing most of the citizens, Sri Lanka will be ranked as "low" for image building efforts.

Even though Vietnam is culturally closer to China, Beijing used a fair amount of cultural image building efforts, at least as conceptualized here. Vietnam has the highest number of sister city agreements out of the four case studies and had only a slight smaller number of exchange students than Kazakhstan. However, there is only one CI in all of Vietnam. Perhaps, the relations established using exchanges and sister city agreements are focused more on gaining closer trade relations than cultural and social relations. Although the data set for elite visits has different years for Vietnam than the rest of the four case studies, both the Chinese Communist Party (CCP) and the Vietnamese Communist Party (VCP) have spoken about the importance of elite-to-elite visits and party-to-party ties as both states have similar communist governments (Vu 2014). Military visits are lowest for Vietnam, which highlights the distrust between the two states. Since the image building tools used in Vietnam focus on intergovernmental relations like Sri Lanka, Vietnam will also be ranked as "low."

## 4.7 Belt and Road Initiative Projects

Figure 4.7: BRI Project Spending Distribution



Source: *Reconnecting Asia Project 2020*

Using available funding data from the Reconnecting Asia database, project spending will be compared among the four case studies. Some projects do not have funding data available; however, available funding data highlights the overall trend of BRI loans and investments.

### 4.7.1 Transportation Projects Under the Belt and Road Initiative

The largest amount of BRI related project spending for both Kazakhstan and Kyrgyzstan was on road projects, according to available funding data (Reconnecting Asia Project 2020).

Transportation is a major theme of BRI projects in Central Asia. Railway projects made up the third largest category of BRI spending in Kazakhstan. Kazakhstan has the Khorgos Dry Port on its shared border with China, swapping cargo containers from trains on Chinese railroad gauges to trains on former Soviet Bloc railroad gauges. Although intermodal shipping ports do not make up a large portion of the overall BRI related project spending, these rail and road projects help to facilitate greater domestic and international trade in Central Asia.

To a lesser extent, a portion of Sri Lanka's BRI projects are also transportation focused. Road and seaports make up the second and third largest portions of project spending. Although Sri Lanka's location may not have a strong geostrategic location like Kazakhstan and Kyrgyzstan, its proximity to India and global sea-based trade routes in the Indian Ocean sets Sri Lanka up to be a potential economic hub.

The expansion of roads, rails, seaports, and intermodal shipping ports under BRI expands the market access of Chinese goods into Central and South Asia. Increasing the volume and ease of Chinese trade not only benefits the case study country by diversifying its market but also ensures the continued economic growth of China. The expanded market access is also a great way of expanding China's power and influence.

#### *4.7.2 Power and Energy Projects Under the Belt and Road Initiative*

Another trend in BRI project spending is investment in power plants and power transmission. Kazakhstan and Kyrgyzstan both have roads as their largest portion of BRI projects, but power plants make up the second largest, according to available funding data (Reconnecting Asia 2020). Power and energy projects also help Kazakhstan and Kyrgyzstan to

diversify their energy partnerships and gain energy independence, such as the power transmission line project in Kyrgyzstan.

Power plant projects make up the largest portion of BRI projects in Vietnam and Sri Lanka. Both states have developing economies and rising economic growth, so their electricity consumption is on the rise along with their rising economic output.

#### 4.8 Indicators of Intentions

Table 4.8: Indicators and BRI Project Spending

	<b>Kazakhstan</b>	<b>Kyrgyzstan</b>	<b>Sri Lanka</b>	<b>Vietnam</b>
<b>Location</b>	Yes	Yes	No	No
<b>Energy</b>	Yes	No	No	Yes
<b>Economic Volatility</b>	Good	Poor	Poor	Medium
<b>Public Opinion</b>	Medium	Medium	Low	Low
<b>Image Building</b>	High	High	Low	Low
<b>Total Number of Projects</b>	138	57	75	335
<b>Overall BRI Funds</b>	\$34,732,930,260 USD	\$4,728,924,854 USD	\$30,667,721,576 USD	\$153,421,628,648 USD

Source: *Reconnecting Asia Project 2020*

Vietnam has the highest amount of BRI project spending and Kyrgyzstan has the lowest. Of the selected indicators, only energy and economic volatility apply to Vietnam. Kazakhstan

scores the best across all indicators, but Kazakhstan's overall project spending is only roughly 22% of Vietnam's overall project spending. Sri Lanka scores the worst across the five selected indicators but has overall project spending that is closer to Kazakhstan than Kyrgyzstan. Sri Lanka's BRI project spending is lower than Kazakhstan, but Kazakhstan had more projects. Public opinion and location are not significant indicators, as Vietnam ranked poorly in these indicators while Kazakhstan and Kyrgyzstan ranked well. Kazakhstan and Kyrgyzstan ranked high in the image building indicator.



## **Chapter Five: Intentions Behind the Belt and Road Initiative**

### *5.1 Introduction*

After reviewing Beijing's interests along different parts of the Belt and Road Initiative (BRI), next is to understand what the intentions of BRI are. Beijing has put further a lot of investment and loans to build infrastructure in Central, South, and Southeast Asia. Are these efforts for a strategic initiative, a public relations initiative, or an economic initiative?

### *5.2 Indicators of Intentions*

Vietnam has the highest amount of BRI project spending and Kyrgyzstan has the lowest. Reviewing the indicators, only energy and economic volatility apply to Vietnam. Kazakhstan scores the best across all of the indicators, but Kazakhstan's overall project spending is only roughly 22% of Vietnam's overall project spending. Image building seemed to focus primarily on Central Asia. Sri Lanka scores the worst across the indicators but has overall project spending that is closer to Kazakhstan than Kyrgyzstan. Sri Lanka's BRI project spending is lower than Kazakhstan, but Kazakhstan had more projects. Public opinion and location are not as influential, as Vietnam ranked poorly in these indicators while Kazakhstan and Kyrgyzstan ranked well.

Referring to table 4.8, economic volatility and energy resources are associated with the highest BRI project spending. There is an economic interest driving BRI project spending. China has a massive economy and maintaining continuous economic growth is important goal of the Chinese Communist Party (CCP). Realists would expect BRI funding and efforts to be directed towards states with high geostrategic value, such as a state with strategic location or could host a military base. Liberals would expect BRI funding to be directed towards strengthen economic ties and promote interdependence. BRI follows more closely to the liberalism theory.

If BRI had stronger strategic intentions, then BRI project spending would be higher in Kazakhstan and Sri Lanka. Geostrategic location does not correlate to BRI project spending either. Although securing energy resources is considered strategic, Vietnam does not have much to offer to China in terms of energy exports, only unexplored energy resources in the South China Sea (SCS). Although the 99-year lease of Sri Lanka's Hambantota Port to China is viewed as a potential future military base, the situation is a little bit more complicated than that. Sri Lanka turned over the port to China because Sri Lanka wasn't able to make payments on the project after it exceeded its initial cost estimates and estimated schedule (Wignaraja et al. 2020). Sri Lanka also seeks to balance power between India and China and maintains a non-alignment policy (Lerski 1974). Hosting a Chinese military presence at Hambantota Port would jeopardize Sri Lanka's relationship with India. While the possibility of Hambantota Port being used in a dual civilian-military fashion and hosting a foreign military presence cannot be ruled out entirely, it would be wise to avoid making a broad assumption without fully calculating the geopolitical risks involved.

An interesting aspect for the years reviewed is the uptick in image building efforts in Kazakhstan and Kyrgyzstan. The economic intentions can be seen in both Kazakhstan and Vietnam, BRI as a public relations building initiative can be seen in Kazakhstan and Kyrgyzstan. BRI may have slightly different intentions between the "belt" side and the "road" side. Although Kyrgyzstan received the least amount of BRI project spending, it received a lot of image building efforts, on par with the much larger Kazakhstan. Perhaps the image building efforts are more important along the "belt" because of Xinjiang and the Uyghur separatism issues.

Overall, BRI is an economic development initiative with a slight focus on image building in the "belt" section, which covers Central Asia. It is worth noting that Kazakhstan and

Kyrgyzstan did experience a slight improvement in public opinion towards Chinese leadership for the years reviewed. Sri Lanka and Vietnam had low approvals of Chinese leadership, yet did not receive nearly as much image building efforts. This further highlights BRI as an economic initiative over being fully a public relations building initiative. However, it is difficult to say whether or not BRI was “successful” as an economic initiative. BRI did increase infrastructure development, especially for Vietnam and its power sector development issues.

### *5.3 Future of the Belt and Road Initiative*

BRI was framed as the cornerstone of General Secretary Xi Jinping’s policies. Overall, negative press and accusations of corruption and debt traps have hindered the expansion of BRI (Deng 2018; Rossi 2019). Funding for BRI began to drop in 2019 but a larger drop came in early 2020 (McGurk 2020). However, BRI left behind a roadmap for how China can effectively invest in global development initiatives. Something that plagued BRI was the negative perceptions and accusations of China becoming a new colonial power that overtakes the Global South with its sheer economic might (Kleven 2019). Sri Lanka’s Hambantota Port became a debt trap fear for the Global South and once eager BRI signatories suddenly became afraid of falling victim to a new colonial power (Kleven 2019, Wignaraja et al. 2020). Public opinion on the approval of Chinese leadership did not change much in the three years following the establishment of BRI. China perceived these accusations to be harmful and the opposite of China’s desired effect (Blanchard and Goh 2019). China wants to be a friend and development partner of the Global South and provide an alternative to development assistance and investment from Western institutions. In 2022 at the World Economic Forum, China announced the Global Development Initiative (GDI). GDI plans to incorporate multilateral organizations (MLO) into this initiative

(Ivey 2022). Partnering with MLOs will add credibility to China's efforts as a global leader in sustainable development and possibly resolve the issues causing the negative perceptions.

As seen in the case studies for the years reviewed, BRI was good at fostering ties between the Chinese government officials and BRI participating state government officials. BRI is unlikely to completely go away but may end being repackaged into other initiatives. China used the connections BRI created to establish focused initiatives under the umbrella of BRI, such as the Polar Silk Road, the Digital Silk Road, the Ice Silk Road, the Green Silk Road, and the Health Silk Road. Power plants made up a significant portion of BRI spending and many of these power plants built before 2017 used coal as the energy resource (Suarez 2021). Criticism of and pushback against these coal power plants led to the creation of the Green Silk Road (Tower and Staats 2020, Suarez 2021). The Green Silk Road is an example of how BRI may continue as a focused infrastructure development initiative, while the GDI will focus on broader development issues that align with United Nations (UN) goals.

#### *5.4 Future Implications and Considerations*

Despite the differences between the Belt portion and Road portion of BRI, both portions had energy resources in common, as evidenced by the energy resources. Even though the Belt had a greater focus on road projects to build interconnectivity between Central Asia and Xinjiang, the oil pipelines and the power plant construction cannot be ignored. Sri Lanka and Vietnam had billions of dollars invested in their power plants through BRI. China has been dealing with power rationing and outages, first in December 2020 and then again in September 2021 (Meidan and Andrews-Speed 2021). The research conducted for this thesis reveals China's

motivation for secure access to energy resources and an overarching crisis in power generation and energy resources experienced by not only China but parts of the Global South.

Further research into broader BRI efforts by China will provide further clarity to the intentions behind BRI. This additional research in BRI would also help expand the body of knowledge on this Chinese policy. Key data points on BRI funding and projects are difficult to find and makes BRI appear to have hidden motivations. Insufficient time to in-depth research every single project as well as every instance of Chinese diplomacy was a major hurdle in the research of this thesis.

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