

**The Dragon Stretches its Wings: Assessing the Geopolitical and Economic Implications of
China's Belt and Road Initiative in Pakistan and Kenya**

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Abstract

In 2013 China launched what is now known as the Belt and Road Initiative. This multinational, trillion-dollar development project seeks to improve connections by land and sea between China and its economic partners in Asia, Africa, the Middle East, and Europe. Since its launch, many countries have warned that Belt and Road is a thinly-veiled plot for China to advance its geopolitical and military interests. This paper uses Pakistan and Kenya as case studies to assess claims that China is using “debt-trap diplomacy” to accomplish its foreign policy agenda. Using a qualitative and holistic approach, this paper finds that contrary to popular arguments among Western politicians and journalists, most recipient countries are eager to receive Belt and Road investment, and the Initiative has not shown itself to serve China’s military interests. Rather, this paper finds a growing global interest in following Beijing’s models for development and economic growth, despite warnings from the United States and other Western nations.

Introduction

Usually the crowds bustling through the tunnels within Hong Kong metro stations are so intense that one feels as if she is carried to the platform merely by the force of people around her. Yet by eleven o'clock at night, portions of the system begin to close for the night, and for the first time since the early morning hours, Hong Kong's fast-paced throngs are forced to stay above ground. In these moments before the trains stop running for the night, you can finally walk through the brightly-lit tunnels leisurely. Slowly enough to notice the advertisements lining the walls: shiny, digitally altered photos of trains running at lightning speed. Below a phrase in Cantonese, the ad says in English: "The Belt and Road Initiative: Connecting the Future." Soon enough, you will start noticing these posters everywhere; in the airport, on the TVs playing the news within the subway cars, and on billboards lining the highways in Beijing and Shanghai. The message is loud and clear, this Belt and Road Initiative is China's newest, shimmering export.

In 2013, China's President Xi Jinping, speaking at Nazarbayev University in Kazakhstan proposed an ambitious plan to rebuild the ancient silk trade routes that had once connected the entire Eurasian continent. The plan would be called One Belt One Road—and was later rebranded as the Belt and Road Initiative. Four years later President Xi gave a triumphant speech at the opening of the Belt and Road Forum for International Cooperation. He called Belt and Road the "project of the century" and promised that after a "first courageous step towards each other, we can embark on a path leading to friendship, shared development, peace, harmony and a better future."¹ He claimed that already the Belt and Road Initiative had begun to improve

¹ "Full text of President Xi's speech at opening of Belt and Road forum." *Xinhua*, May 14, 2017. http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm. Accessed: December 10, 2018.

financial, infrastructure, policy, trade, and people-to-people connectivity between the receiving countries. Questions over the validity of these claims is only a small part of why Belt and Road has commanded global scrutiny.

The Belt and Road Initiative is not only remarkable for its breadth and ambition, it also represents the next stage in China's political and economic opening-up to the world. Through Belt and Road, China is forcing the international community to recognize it as a major force in international development. According to Xi and the Chinese leadership, the Initiative promises to rewrite longstanding rules for international development and investment in countries that have been historically overlooked.

To its skeptics, Belt and Road is a thinly-veiled plot to exert influence and to challenge the United States as global hegemon. Yet any argument declaring its success or failure is necessarily based in large part on speculation. After all, the initiative is only five years old and many details are highly contested. Though China reports that over 70 countries have signed onto the project, it is more difficult to determine where work has actually commenced, or what the ultimate impact of the projects will be on their host countries. This paper seeks to challenge the conflicting views that have emerged in the international media between classifying the Belt and Road Initiative as either a generous and lucrative economic development project or a neocolonial strategy to gain geopolitical power. Using a qualitative and holistic approach, this paper will use the Belt and Road Initiative's projects in Kenya and Pakistan as cases to begin to understand the economic and geopolitical impact of BRI on both China and recipient countries. Going forward, the Belt and Road Initiative may be referred to as "Belt and Road, the "Initiative," and "BRI." Additionally, dollar amounts are in U.S. dollars, unless otherwise noted.

This paper will be interesting for a wide range of audiences beyond those interested in contemporary Chinese politics. Political theorists should recognize that analyzing Belt and Road provides an opportunity to contribute to broader questions concerning the future of economic statecraft. The BRI adds a new piece of evidence to debates concerning the existence of a “Beijing Consensus” and China’s ambitions for economic statecraft. Before the BRI’s inception, the principal questions in academic circles was why the China Model for economic development worked so well for China and whether it could be replicated in other developing countries with similar success. With the arrival of Belt and Road, however, new questions have emerged over whether China is perpetrating a policy of economic statecraft that undermines Western, neoliberal development models, namely the Washington Consensus. Though there has been ample study of the effect of China’s economic policies on its own domestic politics and economic success, there has been limited opportunity to understand how these policies would work—and whether China intends to promote them—on an international scale, until now.

The Belt and Road Initiative has a foothold on most continents, and promises to change the way goods are distributed to and from the world’s largest and most prolific manufacturer. The BRI is relevant to any person invested in the economic futures of many countries in Asia, Europe, and Africa. Those who are concerned with questions of international security should also take heed of the Belt and Road. As this paper will demonstrate, the Belt and Road Initiative has already exacerbated existing tensions between the United States and China. The United States and other nations are accusing China of using the Belt and Road Initiative as a cover to increase its political influence around the world. From a geopolitical analyst’s perspective, it is crucial to understand whether China is laying the foundation for sustainable alliances which China can leverage should questions surrounding, say, islands in the South China Sea or

Taiwan's independence come up in the future. At the highest level, Belt and Road should interest anyone who wants a glimpse into the future of international development and cooperation. Since the end of the Cold War the international community has been dominated by the United States. Belt and Road presents the most concerted effort on the part of another state to challenge that hegemony. Anyone who is interested in international politics should pay rapt attention.

Structure, Methodology and Sources

The paper begins with an overview of the key elements of the Belt and Road Initiative, as well as a brief literature review. This section will highlight how the Belt and Road Initiative is being financed and implemented as well as the response to Belt and Road from within China, the countries where it is already ongoing, and from the international community at large (particularly the United States). For all of these actors, it is crucial to distinguish between the stated views of political leaders and their citizens. This distinction is important because it will help lend nuance to the global response to the Initiative. As is laid out in the literature review below, media reports, especially American ones, tend to characterize the Initiative as dangerous. The Chinese, they argue, are pulling the wool over everyone's eyes in a transparent plot to eclipse the United States. For this reason, the introduction and first chapter will strive to be evenhanded in explaining the terms of Belt and Road.

The bulk of the paper will focus on the chosen case studies: Pakistan and Kenya. A full discussion of how these cases were picked is included in the following section. Each case will include analysis of how and why Belt and Road came to that country, the progress of the projects, the responses in the country from both its leaders and the citizens to Belt and Road, and

discussion of who have been the winners and losers. Finally, the cases will highlight the greatest challenges to BRI's success in the recipient countries. As previously stated, most of the projects are still under construction, which makes much of the discussion over future impact speculative. However, there are some projects that have been completed, and it will be interesting to analyze what their effect thus far has been on local communities. A large portion of the case studies will be devoted to understanding any geopolitical implications. The geopolitical impact is easier to investigate given that states have swiftly responded to the BRI. For both Pakistan and Kenya, it is possible to have a meaningful discussion of the geopolitical ramifications of Belt and Road.

Finding reliable, thorough sources is a challenge for any research on Belt and Road. The project is ongoing, which means much of the reporting is made up of snapshots of projects or temporarily valid observations. Moreover, China's government has a well-deserved reputation for reticence when it comes to its internal affairs. Because of this, as of yet, there is no authoritative source on Belt and Road projects. One sees instead, many conflicting accounts. Luckily, however, the salience of the project has led to a wealth of reporting from media outlets. This includes general news outlets like *The New York Times* and *BBC*, as well as more specialized publications such as *Foreign Policy*, *The Diplomat*, and *The Financial Times*. The BRI is of keen interest to policymakers around the globe, making it a popular topic for many journalists. While these articles are helpful for establishing a foundation of knowledge on the Initiative, they are usually not particularly profound. Additionally, they tend to pick a side in the "debt-trap diplomacy" argument (explained below). In the past two years, there has been an increase in academic research on the subject, both from international institutions and academic journals. For example, The World Bank has published several articles on the potential economic impact of Belt and Road. The International Monetary Fund has conducted less research

specifically on Belt and Road, but its quarterly reporting on regional economic outlooks is a helpful—though often tangential—source.

In terms of primary sources, the United States has a number of Pentagon and State Department reports speaking directly to its view on the Belt and Road Initiative. Unfortunately, the actual contracts for the projects are not publicly available. Yet reliable research has been conducted to determine, for example, whether the contracts favor Chinese firms.² Beyond finding sources, a substantial challenge in researching the Initiative is staying up-to-date on developments. News breaks frequently on the Initiative, which can cast doubt on previous findings. However, the fact that this is a nascent and dynamic area of research is what makes a senior thesis on the topic exciting and important.

The Case Studies

After giving an overview of the Belt and Road Initiative globally, the paper will focus on the case studies of Kenya and Pakistan. These countries were primarily chosen according to the following criteria: the significance and progress of Belt and Road projects within them, quantity and quality of existing literature, and their ability to complement each other as cases. Though China boasts of the long list of countries who have signed on as participants, in many of them, work has barely begun to ramp up. Pakistan, however, is one of the largest recipients of BRI investment. China has already invested over \$62 billion in one of the crown jewels of Belt and

² Ghossein, Tania, Hoekman, et al. “Public Procurement in the Belt and Road Initiative (English).” *MTI Discussion Paper*; no. 10. Washington, D.C.: World Bank Group, 2018.
<http://documents.worldbank.org/curated/en/143241544213097139/Public-Procurement-in-the-Belt-and-Road-Initiative>. Accessed December 14, 2018.

Road: the China-Pakistan Economic Corridor (CPEC).³ Kenya is by no means as integral to the Belt and Road as Pakistan. Yet in Kenya, a \$3.2 billion portion of railroad from Mombasa on the coast to the capital of Nairobi is already open for business.⁴ Additionally, their significance means that even though there is little research entirely devoted to Kenya and Pakistan, they are more likely to appear in general studies of the Initiative. Thus Pakistan and Kenya serve as illustrative examples that have potential to yield conclusions generally applicable to other recipient countries.

The BRI's heavy emphasis on Pakistan is not surprising given the historically congenial relationship between Pakistan and China. China and Pakistan have cultivated a strong working relationship in the past half-century. A Brookings report called China's ties to Pakistan "the closest thing that Beijing has had to an alliance." But there is another dimension to the Sino-Pakistan quasi-alliance, it serves as a counterweight to the US/India strategic cooperation, a thorn in the side of both China and Pakistan. The Belt and Road Initiative's has also unfolded during a time when the United States has cut off much of its foreign aid to Pakistan. This may be why Pakistan is pursuing closer economic and military ties with China. Thus the Belt and Road Initiative's presence in Pakistan provides an opportunity to determine any geopolitical or military motivations to the project, especially with regards to countering the United States.

Kenya, on the other hand, demonstrates China's desire to use Belt and Road to break into a region where it has had far less historical influence, especially as compared to the United States. But in 2000 China established the Beijing Summit of the Forum on China-Africa Co-

³ Zumbun, Josh and Saumya Vaishampayan. "For IMF Help, Pakistan Might Have to Disclose Its China Debts." *The Wall Street Journal*, October 11, 2018. <https://www.wsj.com/articles/for-imf-help-pakistan-might-have-to-disclose-its-china-debts-1539234162>. Accessed October 26, 2018.

⁴ Aglionby, John. "Kenyan Railway Highlights Sharper Focus on Affordability." *Financial Times*, September 25, 2018. <https://www.ft.com/content/4bd994d8-9c9b-11e8-88de-49c908b1f264>. Accessed December 14, 2018.

operation marking its desire to expand its footprint in Africa in the the 21st Century. Building a relationship with Kenya has been key to that endeavor. For many African nations, China represents a financial partner of a very different type than the United States and Western European nations. Unlike Western countries, China is promising “no-strings attached” lending, which will not be contingent on adhering to any human rights or governance standards.⁵ Consequently, China’s investment activities in Africa are already causing tension with other nations who worry that decades of work to improve political conditions in Africa is in jeopardy.⁶ As a case, Kenya is an opportunity to analyze how China maneuvers in a new area of influence where it has far fewer reliable friends. China is moving into a region where the United States has historically been the largest contributor of FDI.⁷ Recently, on December 13, U.S. National Security Advisor John Bolton gave a speech to the Heritage Foundation in which he laid out a plan to counter rising Chinese influence and investment in Africa. He called China a direct “threat” to the continent’s wellbeing and warned that China’s “predatory” lending would have “disturbing effects.”⁸ In response, Bolton said that the United States would roll out a \$60 billion program called “Prosper Africa” to direct greater American investment into the continent. Evidently, the Belt and Road’s investment in Africa is already prompting a change in policy from the United States.

⁵ Li, Xiaojun. “China is offering ‘no strings attached aid’ to Africa. Here’s what that means.” *The Washington Post*, September 27, 2018. https://www.washingtonpost.com/news/monkey-cage/wp/2018/09/27/china-is-offering-no-strings-attached-aid-to-africa-heres-what-that-means/?noredirect=on&utm_term=.668c6d981e6c. Accessed December 15, 2018.

⁶ Lynch, Collum. “China Enlists U.N. to Promote Its Belt and Road Project.” *Foreign Policy*, May 10, 2018. <https://foreignpolicy.com/2018/05/10/china-enlists-u-n-to-promote-its-belt-and-road-project/>. Accessed December 16, 2018.

⁷ Adegoke Yinka and Farai Shawn Matiashe. “US corporates made more investments in Africa in 2017 than businesses from any other country.” *Quartz*, November 6, 2018. <https://qz.com/africa/1451768/us-still-leads-china-in-fdi-investments-in-africa/>. Accessed December 16, 2018.

⁸ Calamur, Krishnadev. “Africa Is the New Front in the U.S.-China Influence War.” *The Atlantic*, December 14, 2018. <https://www.theatlantic.com/international/archive/2018/12/trump-national-security-adviser-unveils-new-africa-strategy/578140/>. Accessed December 15, 2018.

Taken together, Pakistan and Kenya can provide distinctive as well as predictive insights into Belt and Road. Both countries represent the bread and butter of the Initiative, while also demonstrating some key challenges to the project's implementation which are certain to repeat themselves in other areas. But unlike countries like Malaysia who have pared down their Belt and Road projects, Pakistan and Kenya are pushing forward. Even so, both Pakistan and Kenya have expressed worry over their ability to pay back their debts. In Pakistan's case, their debt may affect their ability to receive financing from the International Monetary Fund. In October 2018, the IMF demanded that Pakistan be more forthcoming with the nature of its debts to China, before receiving a bailout from the institution. The request from Pakistan to the IMF has exacerbated tensions with United States officials, who reportedly "have said they don't want taxpayer money, funneled through the IMF, to end up funding a bailout of China."⁹ In Kenya, there are similar concerns and Kenyan officials have signaled that they will be more selective in taking on additional debts from the Chinese.¹⁰ Furthermore, a recent *New York Times* article reported that some Kenyans believe that the influx of Chinese immigrants has led to racism and discrimination against the native population.¹¹ Not only do Pakistan and Kenya represent the enormous economic and geopolitical opportunity of Belt and Road, they also display some of the most significant barriers to success.

⁹ Zumbun and Vaishampayan.

¹⁰ Aglionby.

¹¹ Goldstein, Joseph. "Kenyans Say Chinese Investment Brings Racism and Discrimination." *The New York Times*, October 15, 2018. <https://www.nytimes.com/2018/10/15/world/africa/kenya-china-racism.html>. Accessed October 26, 2018.

Literature Review

Broadly speaking, the Belt and Road Initiative is a trillion dollar, multi-faceted investment and development project spanning over 60 countries all over the world. The wide array of projects is divided geographically into two categories: the land-based Silk Road Economic Belt and the 21st Century Maritime Silk Road. Infrastructure plans include railroads, airports, pipelines, and sea ports, among others. Participating countries make up over 30% of the world's GDP and over 60% of the world's population.¹² Other than these basic facts, there is little consensus among academics, journalists, politicians, and development organizations on what exactly the Belt and Road Initiative entails or what its impact will be. Yet there is a prevailing conflict in the literature between viewing the BRI as a “neocolonial white elephant project” or as a genuine opportunity to change the development landscape.

Scholarly debate over whether China is attempting to undermine Western international development standards predates the Belt and Road Initiative. The idea of a Beijing Consensus that would challenge the Washington Consensus was introduced by an American scholar in 2004 who wrote that it “replaces the widely-discredited Washington Consensus, an economic theory made famous in the 1990s for its prescriptive, Washington-knows-best approach to telling other nations how to run themselves.”¹³ In the 15 years since the term was coined, many Western academics have used “Beijing Consensus” to describe China's domestic economic policies even though no official “Beijing Consensus” was ever authored by the CCP. Now, some are pointing to the BRI as an example of how China plans to pursue an economic statecraft policy which

¹² Freund, Caroline and Michael Ruta. “Brief: Belt and Road Initiative.” *The World Bank*, March 29, 2018. <https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative.print>. Accessed December 11, 2018.

¹³ Ramo, Joshua Cooper. “The Beijing Consensus.” London: *The Foreign Policy Centre*. 2004.

would challenge Western development norms and provide a way for developing countries to implement a Chinese model for development. For example, some see the Asian Infrastructure Investment Bank as an organization that is a direct alternative to Bretton Woods institutions that promote free-market economics. Yet other scholars view the AIIB as a good-natured attempt by the Chinese to make its economic development projects multilateral and thus more palatable to its skeptics.¹⁴ Overall, however, there is a scarcity of literature connecting BRI to theoretical questions concerning international development. Up to now, the focus in academic circles when writing on BRI has been on taking stock of the tangible impacts of the projects.

Debate over economic statecraft is also not new. Political thinkers have written about its value for centuries though the term was given new importance following the seminal 1985 publication of David Allen Baldwin's book, *Economic Statecraft*. The concept is simple to understand. As opposed to, say, military statecraft, states can use economic policies to achieve foreign policy goals. In Baldwin's book, he focuses on economic sanctions as an example of an effective economic statecraft strategy. At a high level, debates over the intentions of Belt and Road are really a question of whether it is economic statecraft. As the rest of this literature review will demonstrate, many analysts, particularly in the United States, do view Belt and Road as economic statecraft. Some argue that this is particularly concerning because China's use of Belt and Road as economic statecraft is happening as the United States winds down this foreign policy tool.¹⁵ A *Brookings* report states that President Xi Jinping's foreign policy "suggests a greater emphasis on using economic means for the pursuit of security goals. [...] Under President Xi Jinping, these trends have accelerated in the form of more concrete initiatives and

¹⁴ Wong, Audrye. "China's Economic Statecraft under Xi Jinping." *Brookings*, January 22, 2019. <https://www.brookings.edu/articles/chinas-economic-statecraft-under-xi-jinping/>. Accessed February 25, 2019.

¹⁵ Blackwill, Robert D. and Jennifer M. Harris. "The Lost Art of Economic Statecraft." *Foreign Affairs*, March 2016. <https://www.foreignaffairs.com/articles/2016-02-16/lost-art-economic-statecraft>. Accessed March 25, 2019.

the development of a more aggressive form of economic statecraft.”¹⁶ Thus Belt and Road has given new life to debates over the role of economic statecraft in contemporary international relations.

In the United States, news articles on Belt and Road tend to include ominous predictions about China’s seemingly nefarious intentions and strategies. For example, there has been heavy news coverage in the United States on a Belt and Road project in Sri Lanka. *The New York Times* did an in-depth report on the Hambantota Port titled, “How China Got Sri Lanka to Cough Up a Port.”¹⁷ The Hambantota Port is cited as an example of how China plans to use the Belt and Road Initiative to suck countries into a “debt-trap.” After Sri Lanka was unable to pay off its debt, China accepted the port on a 99-year lease as restitution. *The New York Times* called it: “one of the most vivid examples of China’s ambitious use of loans and aid to gain influence around the world — and of its willingness to play hardball to collect.”¹⁸ The article further warns: “The debt deal also intensified some of the harshest accusations about President Xi Jinping’s signature Belt and Road Initiative; that the global investment and lending program amounts to a debt trap for vulnerable countries around the world, fueling corruption and autocratic behavior in struggling democracies.”¹⁹ Other American publications have written similarly dark predictions about Belt and Road. In *The Washington Post*, one journalist wrote that “China has never spared any effort to portray its Belt and Road Initiative, a grand, trillion-dollar-plus global investment plan, as a positive vision for the world.”²⁰ While the Editorial

¹⁶ Wong.

¹⁷ Abi-Habib, Maria. “How China Got Sri Lanka to Cough Up a Port.” *The New York Times*, June 25, 2018. <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>. Accessed October 20, 2018.

¹⁸ Abi-Habib.

¹⁹ Abi-Habib.

²⁰ Taylor, Adam. “Why countries might want out of China’s Belt and Road.” *The Washington Post*, August 22, 2018. https://www.washingtonpost.com/world/2018/08/22/why-countries-might-want-out-chinas-belt-road/?noredirect=on&utm_term=.fde02ef7a4f9. Accessed October 25, 2018.

Board of *The National Review* wrote that “sold as a magnanimous undertaking to bestow infrastructure on impoverished countries in Central, South, and Southeast Asia, the BRI in reality is a signifier of China’s ongoing strategy to consolidate its power in the region and strengthen its geopolitical hand.”²¹ This framing of BRI as a “debt-trap” is starting to receive pushback in the United States, however. One recent article published in Quartz, an online news source, stated that “The language of “debt-trap diplomacy” reflects Western anxieties, not African realities.”²² As the actual effects of BRI unfold, this position may continue to change.

Unsurprisingly given the Communist Party’s influence over journalism in China, reporting in Chinese newspapers has been overwhelmingly positive. Even so, dissenting opinions have recently emerged.²³ In China as in Western countries there is growing skepticism over funneling money into communities that are far from home.

There is even less consensus among academic scholars on whether the Belt and Road Initiative is a debt-trap diplomacy or neocolonial scheme. Even so, recent literature agrees that there are economic as well as geopolitical motivations driving BRI. In terms of financial motivating factors, many scholars point to China’s extra industrial and labor capacities. As domestic infrastructure projects slow down, utilizing its surplus overseas is a convenient option.²⁴ The official stated goal of the BRI also bears weight: that China launched the BRI to

²¹ Editorial Board, “China’s Debt-Trap Diplomacy.” *National Review*, July 3, 2018. <https://www.nationalreview.com/2018/07/china-belt-and-road-initiative-debt-trap-diplomacy/>. Accessed October 20, 2018.

²² Moore, W. Gyude. “The Language of ‘Debt-Trap Diplomacy’ Reflects Western Anxieties, Not African Realities.” *Quartz*, September 17, 2018. <https://qz.com/1391770/the-anxious-chorus-around-chinese-debt-trap-diplomacy-doesnt-reflect-african-realities/>. Accessed October 24, 2018.

²³ Bulloch, Douglas. “After a Brief Silence, Skeptics of China’s Belt and Road Initiative Are Speaking Up Again.” *Forbes*, April 18, 2018. <https://www.forbes.com/sites/douglasbulloch/2018/04/18/china-belt-road-initiative-obor-silk-road/#192d5cc854da>. Accessed October 24, 2018.

²⁴ Djankov, Simeon. “The Rationale behind China’s Belt and Road Initiative.” *China’s Belt and Road Initiative: Motives, Scope, and Challenges*, edited by Simeon Djankov and Sean Miner. Peterson Institute for International Economics, 2016, pp. 6-13; Fickling, David. “Soviet Collapse Echoes in China’s Belt and Road.” *Bloomberg*, August 12, 2018. <https://www.bloomberg.com/opinion/articles/2018-08-12/soviet-collapse-echoes-in-china-s-belt-and-road-investment>. Accessed October 25, 2018.

facilitate the flow of its goods throughout Asia and Europe. Scholars agree that this is an important economic objective for a country relying so heavily on exporting manufactured goods.²⁵ Moreover, the highways, railways, and pipelines will run two ways. Not only will it be easier for China to get things out, it will also be much easier to get crucial raw materials in.²⁶ While the economic motivations for BRI are clear, the full effects remain to be seen.

Scholarship is more divided on geopolitical aims of BRI. The official party line is that the BRI is providing investment in areas long ignored by Western lending institutions.²⁷ But while one journalist writes that “African states will continue to look toward Chinese lending as a significant component of the suite of tools available to deal with poverty and the gap in infrastructure financing,”²⁸ another calls the BRI “Sino-centric,” highlighting that “all [BRI land and sea] connections lead back to China.”²⁹

The debate surrounding a “debt-trap diplomacy” strategy is ongoing among academics. Many point to the Hambantota Port in Sri Lanka as an example of this geopolitical tactic in action while others say the BRI has the potential to reduce economic inequality, which will foster good will towards China.³⁰ If there is any consensus regarding China’s geopolitical motives with the BRI it is that China wants to become a major player in international development, but it will face strong headwinds both from home and abroad.

²⁵ Miner, Sean. “The Rationale behind China’s Belt and Road Initiative.” *China's Belt and Road Initiative: Motives, Scope, and Challenges*, edited by Simeon Djankov and Sean Miner. Peterson Institute for International Economics, 2016, pp. 14-20.

²⁶ Miner, Sean.

²⁷ Balding, Christopher. “Why Democracies Are Turning Against Belt and Road.” *Foreign Affairs*, October 24, 2018. <https://www.foreignaffairs.com/articles/china/2018-10-24/why-democracies-are-turning-against-belt-and-road>. Accessed October 25, 2018.

²⁸ Moore, W. Gyude.

²⁹ Kynge, James. “A Tale of Two Harbours Tells Best and Worst of China’s ‘Belt and Road.’” *Financial Times*, September 25, 2018. <https://www.ft.com/content/7699d13a-806a-11e8-af48-190d103e32a4>. Accessed October 24, 2018.

³⁰ Balding; Kynge.

There is widely held agreement on the biggest challenges to the Belt and Road Initiative's implementation and long-term success. One challenge is in direct response to the “debt-trap” theory. As one article put it: “defaults on investments cause problems for creditors as well as debtors.”³¹ The economics of the project remain vague, causing some analysts to question China's math.³² China's own citizens have noticed that the numbers may not add up. There is a growing body of literature on domestic backlash to the BRI. One report claims that this backlash has already led to a pulling back of BRI investment: “A sustained downturn in BRI lending at the same time that domestic criticism of the initiative emerges into China's tightly controlled public discourse may indicate the existence of a emerging—and potentially enduring—consensus that Beijing should keep its overseas lending ambitions modest.”³³

International pressures may also pose a roadblock to China accomplishing its goals. The United States, India, and Europe have been vocal about their distaste for the project, which may force China to scale back the program.³⁴ In the immediate, future, however, scholarship predicts that local backlash to the Belt and Road Initiative in countries receiving aid is the greatest threat.³⁵ There has been notable backlash in Malaysia and Pakistan, two key BRI countries, and leaders in both countries have promised to investigate the terms of Chinese lending. Not only has the “debt-trap” argument gained traction in these countries, but locals have begun to question whether BRI's benefits will trickle down to them. Literature on Belt and Road agrees that China's stipulations that infrastructure projects exclusively contract Chinese companies will

³¹ Fickling.

³² Fickling.

³³ Schrader, Matt. “Domestic Criticism May Signal Shrunk Belt and Road Ambitions.” *The Jamestown Foundation - China Brief*, Volume 18, Issue 14. August 10, 2018. <https://jamestown.org/program/domestic-criticism-may-signal-china-scaling-back-its-bri-ambitions/>. Accessed October 25, 2018.

³⁴ Stacey, Kiran. “India on Edge over Influx of Chinese Cash to Neighbours.” *Financial Times*, September 24, 2018. <https://www.ft.com/content/77be03e0-9647-11e8-95f8-8640db9060a7>. Accessed October 25, 2018.

³⁵ Balding.

perpetuate local and international backlash. However, research into the actual economic implications of BRI is ongoing. Some preliminary research concludes that Chinese foreign investment reduces economic inequality in the receiving region.³⁶ But these papers are not exclusively focused on BRI projects. Since most BRI projects have not been completed it is impossible to draw any definitive conclusions about the relative economic gains or losses just yet. But the fact that local communities are protesting BRI is indicative of future challenges

Literature on Kenya and Pakistan is similarly focused on the questions surrounding debt levels and tangible benefit to local populations. A lot of recent media reports have focused on the IMF's pressure on Pakistan to the terms of their debts to the Chinese public. The recent events concerning Pakistan have led many Western reporters to conclude that BRI is losing ground in the country. An article in *Bloomberg* wrote that Pakistan's request for an IMF bailout represented how "a program meant to draw countries into China's orbit may just end up pushing them back into Western arms."³⁷ Scholars agree that Pakistan's plea to the IMF spells trouble for both itself and the BRI. Though the exact sum of Pakistan's debts to China remain secret, estimates for the CPEC go up to \$62 billion and the World Bank estimates that Pakistan's total external debts are around \$72 billion.³⁸ Further research on Pakistan must be done to get past the discussion on debt to uncover other impacts of BRI.

³⁶ Balding; Bluhm, Richard, et al. "Connective Financing: Chinese Infrastructure Projects and the Diffusion of Economic Activity in Developing Countries," AidData Working Paper #64. Williamsburg, VA; AidData at William & Mary, September, 2018.

³⁷ Sharma, Mihir. "Pakistan Bailout Exposes Potholes in Belt and Road." *Bloomberg*, October 10, 2018. <https://www.bloomberg.com/opinion/articles/2018-10-11/pakistan-bailout-exposes-flaws-in-china-s-belt-and-road>. Accessed December 15, 2018.

³⁸ Anderlini, Jamil, et al. "Pakistan rethinks its role in Xi's Belt and Road plan." *Financial Times*, September 9, 2018. <https://www.ft.com/content/d4a3e7f8-b282-11e8-99ca-68cf89602132>. Accessed December 15, 2018; "International Debt Statistics 2018." *The World Bank Group*, 2018. <http://databank.worldbank.org/data/download/site-content/IDS-2018.pdf>. Accessed December 15, 2018.

Though media reports on BRI investment in Kenya are also mostly concerned with debt burden, there is an added dimension of interest to many scholars. As previously noted, China is not a long-time player in African development or politics. Thus many writers are more preoccupied with the possibility of tension arising between China and the United States as a direct consequence of BRI activities.³⁹ However, there is also a larger academic debate concerning whether or not the BRI is a net positive opportunity for Kenya, and Africa at large. One writer notes that the railroad China funded in Kenya is the largest infrastructure investment in the country since declaring independence in 1963.⁴⁰ While another warns that China is encouraging autocracy and corruption by ignoring governance standards in recipient countries and promoting its own “illiberal [and] repressive” agenda.⁴¹ This debate challenges the east vs. west paradigm that is so prevalent in the broader literature on BRI. There is some evidence that Western institutions are even embracing the BRI as a much-needed source of capital in underdeveloped African nations, like Kenya.⁴² Like Pakistan, there is a deficit in facts and figures as it pertains to the terms and conditions of BRI projects.

The Belt and Road Initiative has already greatly impacted international development and security. It represents China’s potential as a major player in the field of international development, the first legitimate challenge to the United States worldwide in decades. For the receiving countries, BRI is an opportunity to finally meet the developed world in the 21st century. Though the BRI has captured the world’s attention, there is a lack of balanced academic

³⁹ Calamur; Meservey, Joshua. “The U.S. Should Call China’s “Non-Interference” Policy in Africa What It Is—A Myth.” *The Heritage Foundation*, July 6, 2018. <https://www.heritage.org/global-politics/report/the-us-should-call-chinas-non-interference-policy-africa-what-it-myth>. Accessed December 16, 2018.

⁴⁰ Holmes, Frank. “China’s Belt And Road Initiative Opens Up Unprecedented Opportunities.” *Forbes*, September 4, 2018. <https://www.forbes.com/sites/greatspeculations/2018/09/04/chinas-belt-and-road-initiative-opens-up-unprecedented-opportunities/#41ad6a383e9a>. Accessed December 16, 2018.

⁴¹ Meservey.

⁴² Lynch.

literature. This thesis on the BRI is undertaken to seize an exciting opportunity to contribute a new voice to a quickly growing area of research.

Chapter I:

Overview of the Belt and Road Initiative

China is not an amateur lender. It has been the United States' largest creditor for several years and currently holds over \$1 TN in U.S. treasury bonds.⁴³ The Belt and Road Initiative, however, is a coordinated development project more akin to the post-World War II Marshall Plan than engaging in ad-hoc investments—though China rejects this comparison. There is no definitive list of how many countries are officially a part of the BRI. This paper will use the World Bank's 2018 estimates, which puts the number at 66 countries (including China).⁴⁴ It should be noted that this number fluctuates in academic and journalistic scholarship, though it generally falls between 60 and 70, depending on the time of writing.

Launch and Implementation

In the initial rollout, The Belt and Road Initiative was called “One Belt One Road,” referencing the fact that it was composed of two, geographically defined components: the land-based Silk Road Economic Belt (SREB) and the Maritime Silk Road (MSR). The former was announced in the previously mentioned speech in Kazakhstan, and the latter was announced shortly after at a speech in Indonesia. Under a framework established in an official report released by the PRC in March 2015, the Belt portion focused on three broad strategic priorities

⁴³ Borzykowski, Bryan. “China’s \$1.2 trillion weapon that could be used in a trade war with the US.” *CNBC*, April 5, 2018. <https://www.cnbc.com/2018/04/05/chinas-1-point-2-trillion-weapon-that-could-be-used-in-a-us-trade-war.html>. Accessed March 25, 2019.

⁴⁴ Freund, Caroline and Michael Ruta. “Brief: Belt and Road Initiative.” *The World Bank*, March 29, 2018. <https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative.print>. Accessed December 11, 2018.

which would link China to the Baltic Sea, the Mediterranean Sea, and the Persian Gulf.⁴⁵ The Road portion includes two routes intended to connect the East China Sea to the Mediterranean Sea and to the South Pacific Ocean.⁴⁶

Figure 1: Land and sea-based routes of BRI



Source: Financial Times⁴⁷

Many countries, particularly in South Asia, have projects that fall under both the land-based and sea-based initiatives. The project has evolved, however, into a much broader, and more global, investment program. BRI was always an “open project,” and President Xi invited countries to express interest in joining.⁴⁸ Now, the PRC leadership includes several Latin American countries as BRI participants, despite the fact that many infrastructure projects in these

⁴⁵ “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road.” The National Development and Reform Commission, March 28, 2015.

http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html. Accessed January 28, 2019.

⁴⁶ “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road.”

⁴⁷ Kynge.

⁴⁸ Chin, Helen and Winnie He. “The Belt and Road Initiative: 65 Countries and Beyond.” Fung Business Intelligence Center, May, 2016, pp. 4.

places, such as a railroad in Argentina, do not logically fit into either the Silk Road or Maritime Belt networks.⁴⁹

The PRC's key word with regards to the BRI is "connectivity." The primary stated purpose of the SREB and MSR is to physically improve connections between China and the rest of Asia and Europe. These infrastructure connections will principally impact trade flowing in and out of China. After all, the inspiration for the BRI is the ancient silk road, the longest trade route of the ancient world. In a 2017 speech to the Belt and Road Forum, President Xi emphasized that his priority was to revive the glory of the ancient silk road: "History is our best teacher. The glory of the ancient silk routes shows that geographical distance is not insurmountable. If we take the first courageous step towards each other, we can embark on a path leading to friendship, shared development, peace, harmony and a better future."⁵⁰ Evidently, the BRI has expanded to more than railroads and oil pipelines. In the same speech, President Xi outlined the "soft" connectivity goals for the Initiative. In addition to facilitating trade, the BRI now seeks to improve policy, people-to-people and financial connectivity. In addition to building physical infrastructure, President Xi wants the BRI to be an "open platform of cooperation and uphold and grow an open world economy."⁵¹ Thus the BRI represents a dramatic step forward for China into the realm of international development and economic cooperation.

Financing for the Initiative is to be accomplished through a web of funds, state-backed banks, and other financial institutions. The financial scale of BRI is massive and growing. There

⁴⁹ Myers, Margaret. "China's Belt and Road Initiative: What Role for Latin America?" *Journal of Latin America Geography*, vol. 17, no. 2. August 10, 2018. Accessed via <https://www.thedialogue.org/analysis/chinas-belt-and-road-initiative-what-role-for-latin-america/>.

⁵⁰ Xi Jinping. "Work Together to Build the Silk Road Economic Belt and The 21st Century Maritime Silk Road." May 14, 2017. http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm. Accessed January 28, 2019.

⁵¹ Xi Jinping. "Work Together to Build the Silk Road Economic Belt and The 21st Century Maritime Silk Road."

have been up to \$8 TN in announced BRI investments.⁵² These deals do not equate to foreign aid, however. Though many of the loans are issued with generous terms, China expects to get a return on investment, which is where many of the concerns over insurmountable debts arise. Currently, the Hambantota Port is the only example of a deal the Chinese would be willing to strike should a BRI country fail to repay their debts.⁵³ In December 2014, China established the Silk Road Fund, which, according to its mission statement “is dedicated to supporting infrastructure, resources and energy development, industrial capacity cooperation and financial cooperation in countries and regions involved in the Belt and Road Initiative to ensure medium and long-term financial sustainability and reasonable returns on investment.”⁵⁴ The Fund receives capital contributions from China’s other state-backed banks and investment funds. Confusingly, the Asian Infrastructure Investment Bank (AIIB) was also established in 2014 with the stated purpose to “improve social and economic outcomes in Asia.” Yet the BRI (and its Silk Road Fund) and the AIIB are separate entities. The AIIB functions as a multilateral development bank, more similar to a regional World Bank. Though the AIIB has invested in BRI projects, its mandate includes a much broader array of investment opportunities.

So far, the most progress has been made in BRI projects in Central and South Asia. The New Eurasian Land Bridge now includes a freight rail line that allows goods to get from Yiwu, on the eastern coast of China to Madrid in just 18 days.⁵⁵ According to Chinese state-backed media, the Yiwu-Xinjiang-Europe railway had completed 460 trans-Eurasia trips by July of

⁵² Hurley, John, et al. “Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective.” CGD Policy Paper. Washington, DC: Center for Global Development, 2018.

<https://www.cgdev.org/publication/examining-debt-implications-belt-and-roadinitiative-policy-perspective>.

⁵³ Though negotiations are currently ongoing with Pakistan, Malaysia, and possibly the Maldives and Zambia. See Balding, 2018.

⁵⁴ “Silk Road Fund Overview.” *Silk Road Fund*,

<http://www.silkroadfund.com.cn/enwap/27365/27367/26761/index.html>. Accessed January 28, 2019.

⁵⁵ Yilei, Feng. “Rail lines from Yiwu to Europe benefit from marketization.” *CGTN*, August 28, 2018.

https://news.cgtn.com/news/3d3d514f7945444f79457a6333566d54/share_p.html. Accessed January 30, 2019.

2018. A new gas pipeline now extends from Kunming to Myanmar and new ports are dotted throughout coasts of Southeast Asia, Europe, Australia, and Africa.⁵⁶ Construction has not been all smooth-sailing, however. China has run into roadblocks which has forced it to halt or delay projects in several locations. This point is discussed further in the following section.

International response to BRI

Overall, the reaction to BRI from underdeveloped countries has been overwhelmingly positive. In an age when the United States and many other Western developed economies had turned down the tap on development aid, China is committing to injecting countries with billions of dollars to build critical infrastructure. In a 2017 report, the Asian Development Bank estimated that it would take \$26 TN in spending between 2016 and 2030 to “maintain its growth momentum, eradicate poverty, and respond to climate change” in Asia.⁵⁷ This comes out to a required \$1.7 TN annually, while the region only currently invests \$881 BN annually. The ADB calculated that without the PRC, the gap between infrastructure needs and investments in Asia would double, reaching 5% of GDP between 2016 and 2020. Additionally, China is focusing its investments in countries that have never been priorities for the United States. Take Kyrgyzstan as an example. China provided over \$300 MN of FDI into Kyrgyzstan in 2016 compared to \$25 MN from the United States.⁵⁸ And this \$25 MN is over 100% more in FDI from the U.S. since

⁵⁶ Eder, Thomas. “Mapping the Belt and Road initiative: this is where we stand.” Mercator Institute for China Studies, July 6, 2018. <https://www.merics.org/en/bri-tracker/mapping-the-belt-and-road-initiative>. Accessed January 31, 2019.

⁵⁷ “Meeting Asia’s Infrastructure Needs: Highlights.” Manila: Asian Development Bank, 2017. <http://dx.doi.org/10.22617/FLS168389-2>. Accessed January 30, 2019.

⁵⁸ Laurelle, Marlene. “China’s Belt and Road Initiative and Its Impact on Central Asia.” Washington, D.C.: The George Washington University, Central Asia Program, 2018. Pp. viii; “Kyrgyzstan - International Trade and Investment Country Facts.” Washington, D.C.: Bureau of Economy Analysis, U.S. Department of Commerce, <https://apps.bea.gov/international/factsheet/factsheet.cfm?Area=339>. Accessed January 31, 2019.

2013 (when the BRI was launched), suggesting that the U.S. wants to compete with China for regional economic power. To underdeveloped countries China is an obviously desirable economic partner merely because they are willing to provide the cash. The United States' argument that China has insidious plans is not very compelling when it simultaneously refuses to close the investment gap.

The sheer quantity of funding via loans is not the only thing which makes BRI an attractive opportunity. Researchers have found that the project's emphasis on connective infrastructure can help diffuse wealth and development throughout a country, rather than concentrating it in urban centers.⁵⁹ Unlike colonial investments which were localized and in some cases exacerbated economic inequalities in developing countries, China is more willing to fund transportation projects which are by nature more diffuse in terms of their economic impact.⁶⁰ Moreover, the BRI intends to deliver finished infrastructure projects on a short timeline whereas Western development organizations have focused aid efforts on improving social programs like education and healthcare. While important, this type of development takes much longer to deliver results which are harder to quantify, and do not include flashy ribbon-cutting ceremonies.

From a geopolitical standpoint, it is less obvious what countries stand to gain by partnering with China. One potential advantage, primarily in Central Asian countries, would be combating the rise of extremism, a byproduct that China also hopes to accomplish through BRI. But as of now China has not committed any funds to specifically improving national security in the countries where it is financing projects, so any change would be derivative of the BRI rather than intentional. The Belt and Road Initiative may also allow Central Asian countries to wean

⁵⁹ Balding; Bluhm, et al.

⁶⁰ Balding; Bluhm, et al. Pp. 12-13.

themselves off of their dependence on Russia. These countries have struggled to achieve economic success since the fall of the Soviet Union. They have relied on Russia economically to little avail and a recent downturn in the health of the Russian economy has only aggravated financial difficulties in the region.⁶¹ Joining BRI not only provides massive quantities of FDI, but also an additional, wealthy economic partner.

To this date, the most intense rebukes of Belt and Road from countries that previously welcomed the investment have come from Malaysia and the Maldives. In the Maldives, a newly-elected Prime Minister criticized China for overinflating the cost of BRI projects and stated that he was pursuing closer ties with one of China's largest competitors, India, in response.⁶² A new Maldivian Finance Minister has stated that China should reduce the amount owed by the Maldives in the wake of revelations that Maldivian government officials were getting kickbacks from Chinese contractors, driving up the prices of BRI projects.⁶³ Yet even though Maldivian government has requested renegotiating the terms of the loans, it has not officially backed out of any projects, to this point.

In Malaysia, newly-elected Prime Minister Mahathir Mohamed ran on a campaign that sharply criticized his predecessor for driving the country into dangerous levels of debt for BRI projects. Following his election, Mohamed cancelled over \$20 BN of BRI projects including several gas pipelines and a railway.⁶⁴ Not only was debt in Malaysia becoming unsustainable—it

⁶¹ Chatzky, Andrew and James McBride. "China's Massive Belt and Road Initiative. *Council on Foreign Relations*, February 21, 2019. <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>. Accessed January 28, 2019.

⁶² Miglani, Sanjeev. "Maldives says China is building projects at inflated prices." *Reuters*, November 26, 2018. <https://www.reuters.com/article/us-maldives-politics-china/maldives-says-china-is-building-projects-at-inflated-prices-idUSKCN1NV1YJ>. Accessed January 29, 2019.

⁶³ Mundy, Simon and Kathrin Hille. "Maldives seeks to renegotiate with China over Belt and Road debt." *Financial Times*, January 31, 2019. <https://www.ft.com/content/fcab0410-2461-11e9-8ce6-5db4543da632>. Accessed March 25, 2019.

⁶⁴ Berger, Blake H. "Malaysia's Canceled Belt and Road Initiative Projects and the Implications for China." *The Diplomat*, August 27, 2018. <https://thediplomat.com/2018/08/malaysias-canceled-belt-and-road-initiative-projects-and-the-implications-for-china/>. Accessed February 28, 2019.

grew to 65% of GDP in 2018—but evidence emerged that Belt and Road projects were entangled in the larger 1MDB corruption scandal. *The Wall Street Journal* reported that Chinese officials offered help to Malaysian officials to cover up evidence of wrongdoing in exchange for Belt and Road deals.⁶⁵ The article claims that minutes from meetings between Chinese and Malaysians reveal that “although the projects’ purposes were “political in nature”—to shore up Mr. Najib’s government, settle the 1MDB debts and deepen Chinese influence in Malaysia—it was imperative the public see them as market-driven.”⁶⁶ Yet Prime Minister Mohamed still has not pulled Malaysia out of all its contracts with China. In August he had firmly placed the blame on his predecessor: “It is not about the Chinese, it is about the Malaysian government. They borrowed huge sums of money and now we have problems trying to repay the money that they have owed...That is Malaysians playing around with money, not even doing proper feasibility studies and due diligence before going into business.”⁶⁷ Mohamed has not publicly reneged on this statement even since *The Wall Street Journal* reported its findings. There is no evidence that BRI was involved in sovereign wealth corruption scandals in other countries. Though analysts are pointing to Malaysia as an example of “the dark side of China’s Belt and Road Initiative,” there is no reason to believe this activity extends beyond Malaysia. The fact that the new Malaysian Prime Minister is still moving forward with a number of BRI projects is also a sign that this scandal has not dealt a fatal blow to the Initiative, in Malaysia or elsewhere.

It is important to note that the Maldives and Malaysia are outliers. Most BRI countries are eager to continue working with the Chinese. A 2016 survey of 36 Africa countries found that

⁶⁵ Wright, Tom and Hope, Bradley. “China Offered to Bail Out Troubled Malaysian Fund in Return for Deals.” *The Wall Street Journal*, January 7, 2019. <https://www.wsj.com/articles/how-china-flexes-its-political-muscle-to-expand-power-overseas-11546890449>. Accessed February 28, 2019.

⁶⁶ Wright and Bradley.

⁶⁷ Berger.

63% of respondents thought China was a “somewhat or very positive” influence in their country.⁶⁸ Later chapters will highlight systemic challenges to the success of BRI. Yet there is no reason to believe that there is an impending defection from the project by host countries. For the time being, the vast majority are eager to forge ahead with Belt and Road.

The Belt and Road Initiative prompted negative responses from primarily the United States, Japan, India, and some Western European countries. The skeptical response from these countries is not surprising given their historic tensions with China. All of these countries have reason to be concerned about rising Chinese influence. While recent news cycles have focused on the growing trade war between the United States and China, the Belt and Road Initiative has also exacerbated tensions between the countries. But even this side-effect of the Initiative has so far served the interests of BRI participant countries. As of now, the response from China’s rivals has tended to be a planned increase in FDI to BRI participants from Western nations seeking to counter the BRI rather than any punitive measures. This has resulted in the beginnings of an intensifying competition to offer development aid in Africa and Asia. For example, in addition to the Prosper Africa initiative the United States has rolled out a similar program in the Asia-Pacific. In a November 2018 Asia Pacific Economic Council meeting, the United States, Japan, and Australia announced their trilateral partnership to increase development aid to the Asia-Pacific.⁶⁹ So far, there have been no official reports on the size of the program. Shortly after the BRI was launched Japan announced its own infrastructure investment initiative in Asia called the

⁶⁸ Lekorwe, Mogopodi et al. “China’s growing presence in Africa wins largely positive popular reviews.” *Afrobarometer*, Dispatch no. 122, October 14, 2016. Accessed via <http://afrobarometer.org/publications/ad122-chinas-growing-presence-africa-wins-largely-positive-popular-reviews>.

⁶⁹ Greer, Tanner. “One Belt, One Road, One Big Mistake.” *Foreign Policy*, December 6, 2018. <https://foreignpolicy.com/2018/12/06/bri-china-belt-road-initiative-blunder/>. Accessed January 30, 2019.

Partnership for Quality Infrastructure. It also has partnered with India on a port-building strategy that would compete directly with the Maritime Silk Road.⁷⁰

For the most part, however, American officials have focused efforts on warning states not to engage with China. In the speech in which John Bolton rolled out Prosper Africa he called the BRI “a plan to develop a series of trade routes leading to and from China with the ultimate goal of advancing Chinese global dominance.”⁷¹ In terms of more local resistance, India is one of the only countries on the Asian continent to refuse participating in the BRI and officials have issued similarly strong statements on what it sees as China’s aggressive moves into its own backyard. Additionally, India has begun to draft an official policy response and boycotted the Belt and Road Forum in 2017.⁷² Other countries such as Japan and the European Union are cautiously signing on to the BRI. While the European Union has partnered with China to build BRI railroads across the continent, it has also issued statements on the BRI declaring that it “runs counter to the EU agenda for liberalizing trade and pushes the balance of power in favor of subsidized Chinese companies.”⁷³ Japan also has denounced China’s actions while simultaneously exploring opportunities for collaboration. While partnering with the U.S. and India on rival infrastructure initiatives, Japan has warmed its diplomatic relations with China and expressed interest in partnering on projects, particularly in Southeast Asia.⁷⁴ Japan’s pivot to

⁷⁰ Brînză, Andreea. “Japan’s Belt and Road Balancing Act.” *The Diplomat*, November 8, 2018.

<https://thediplomat.com/2018/11/japans-belt-and-road-balancing-act/>. Accessed February 28, 2019.

⁷¹ “Remarks by National Security Advisor Ambassador John R. Bolton on the The Trump Administration’s New Africa Strategy.” Washington, D.C.: The Heritage Foundation. December 13, 2018.

<https://www.whitehouse.gov/briefings-statements/remarks-national-security-advisor-ambassador-john-r-bolton-trump-administrations-new-africa-strategy/>. Accessed January 31, 2019.

⁷² Baruah, Darsahana M. “India’s Answer to the Belt and Road: A Road Map for South Asia.” Carnegie India, August 21, 2018. <https://carnegieindia.org/2018/08/21/india-s-answer-to-belt-and-road-road-map-for-south-asia-pub-77071>. Accessed January 31, 2019.

⁷³ Brattberg, Erik and Etienne Soula. “Europe’s Emerging Approach to China’s Belt and Road Initiative.” Carnegie Endowment for International Peace, October 19, 2018. <https://carnegieendowment.org/2018/10/19/europe-s-emerging-approach-to-china-s-belt-and-road-initiative-pub-77536>. Accessed January 31, 2019.

⁷⁴ Brînză.

supporting the BRI comes amid a broader push to improve relations with China. Some hypothesize that with its lagging economy Japan could not pass up the opportunity to create business for its firms.⁷⁵ There is also speculation that the ongoing trade war between China and the United States has pushed China to foster closer economic ties with Japan.⁷⁶ For now, Japan is able to play both sides of the field. It is unclear how long that will be the case.

Though China is known for its censorship of domestic criticism, the PRC has repeatedly attempted to ease international concerns that the BRI is a geopolitical scheme. By inviting countries to join the BRI, China has sought to make its investing decisions more transparent and portray Belt and Road as a multilateral, rather than unilateral, effort. Furthermore, China has curried favor with United Nations officials, signing economic and policy partnerships with the institution. The United Nations has gone so far as to help promote the Belt and Road Initiative with officials going on the record saying that “the Belt and Road Initiative represents a powerful platform for economic growth and regional cooperation.”⁷⁷

Currently, it seems unlikely that the Belt and Road Initiative alone can change China’s reputation on the world stage. In the past year increased attention has been paid to China’s mistreatment of its Muslim minority population, and western nations have stepped up accusations of cyber espionage, particularly towards Chinese telecommunications company Huawei. Even so, most BRI participant countries are moving forward with contracts, apparently unperturbed by American warnings. Yet the future of the BRI is now dependent on whether

⁷⁵ Jennings, Ralph. “Japan Is Committing To China's Belt & Road Initiative, But What's In It For Them?” *Forbes*, April 17, 2018. <https://www.forbes.com/sites/ralphjennings/2018/04/17/why-japan-had-to-join-china-in-building-trade-routes-around-asia/#29b82c847175>. Accessed February 28, 2019.

⁷⁶ Brînză.

⁷⁷ Lynch.

China can deliver on its immense promises. The following section examines whether the BRI is living up to its reputation in its flagship country: Pakistan.

Chapter II

Pakistan Case Study

The centerpiece to the Belt and Road Initiative is Pakistan. The China-Pakistan Economic Corridor (CPEC) promises \$62 BN in Chinese investments into a complex web of highways, railways, pipelines, and sea ports ultimately connecting Xinjiang, in northwest China, to Pakistan's southern tip of Gwadar. CPEC is the bread and butter of Belt and Road. It represents all of the BRI's original economic intentions: to improve connectivity with a key, but underdeveloped, regional player, create opportunities for China's underutilized construction and manufacturing industries, and reduce transportation times between China and countries to its far west. Not only does CPEC seek to improve infrastructure within Pakistan and between the two countries, it is laying the foundation to eventually provide a direct pathway from China to its oil suppliers in the Middle East. Additionally, CPEC also demonstrates the potential geopolitical impacts of BRI: China is strengthening its alliance with a long-time, crucial partner, building strategically placed deep sea ports which could eventually serve China's growing naval power, and finally, working to contain Muslim extremists who support Uighur separatist movements in Xinjiang.

Yet while CPEC represents all the shiny promise of BRI, it also has run into the Initiative's most formidable roadblocks. Public and political sentiment towards China's investment has turned sour, especially as Pakistan was driven to asking the IMF for a bailout due to rising debts partly incurred because of CPEC. Moreover, the Gwadar port has raised alarms in the international community and motivated India to build a competing port across the water in Chabahar. And though CPEC was supposed to help China get a handle on Muslim activists, there

are signs it is exacerbating tensions in both China and Pakistan. This case study explores all these elements of the China-Pakistan Economic Corridor as it is unfolding in real-time. Pakistan offers the most complete picture of how BRI will impact host countries, both economically and geopolitically.

President Xi announced the China-Pakistan Economic Corridor in 2013 as a multifaceted development project which would be the crown jewel of Belt and Road. But CPEC did not inaugurate Chinese investment in Pakistan. Phase 1 construction of the Gwadar Port began in 2002, eleven years before One Belt One Road was born.⁷⁸ Rather, CPEC is a ramp-up of China's infrastructure financing and an intensified effort to cultivate their historically close relationship. Former Pakistani Prime Minister Nawaz Sharif welcomed China's extended hand, famously saying that the Sino-Pakistani friendship was "higher than the Himalayas and deeper than the deepest sea in the world, and sweeter than honey."⁷⁹ This sentiment has been reiterated by Chinese officials.⁸⁰ After Sharif was ousted from government due to a corruption scandal, his successor, Imran Khan came into office less amenable to China's loans. Even so, most CPEC projects have continued as planned.

CPEC can be divided into four project types: Road and Rail Infrastructure, Energy, Gwadar (the Port city is so significant it counts as its own), and Other (includes communications infrastructure, social programs, and development of special economic zones). The final completion date for all projects is 2030, though many are slated to open long before then. The

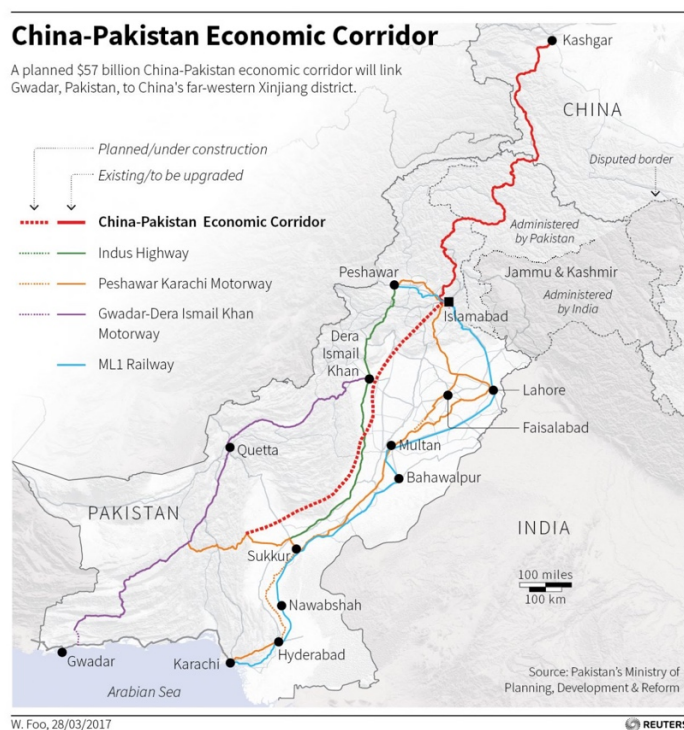
⁷⁸ Haider, Ziad. "Baluchis, Beijing, and Pakistan's Gwadar Port." *Georgetown Journal of International Affairs*, vol. 6, no. 1, 2005, pp. 95–103. *JSTOR*, www.jstor.org/stable/43134078.

⁷⁹ "China-Pakistan friendship 'sweeter than honey', says Nawaz Sharif." *The Telegraph*, July 5, 2013. <https://www.telegraph.co.uk/news/worldnews/asia/pakistan/10161516/China-Pakistan-friendship-sweeter-than-honey-says-Nawaz-Sharif.html>. Accessed February 14, 2019.

⁸⁰ Krishnan, Ananth. "China-Pakistan friendship is sweet as honey, hard as iron: CPC official at party Congress." *India Today*, October 21, 2017. <https://www.indiatoday.in/world/story/pakistan-is-our-iron-clad-friend-china-cpc-19th-national-congress-1068113-2017-10-21>. Accessed February 14, 2019.

highways and railways of the CPEC are typical of the Belt and Road Initiative. Two highway networks are intended to connect Xinjiang to Karachi and Gwadar, providing a direct route through the center of Pakistan to China.⁸¹ Similarly, China is building or refurbishing a series of railroads throughout Pakistan which will eventually extend up to Kashgar in Xinjiang Province, the site of a connection hub for BRI railways.⁸² Reports indicate that new stretches of highway and railway should begin to open for operation by mid-2019.⁸³

Figure 2: Map of the China-Pakistan Economic Corridor



Source: World Economic Forum⁸⁴

⁸¹ "Highways Network of CPEC." *China Pakistan Economic Corridor*, <http://cpec.gov.pk/map-single/1>. Accessed February 14, 2019.

⁸² "Railways Network of CPEC." *China Pakistan Economic Corridor*, <http://cpec.gov.pk/map-single/2>. Accessed February 14, 2019.

⁸³ "Large-scale CPEC projects to be completed in few months." *The Express Tribune*, February 9, 2019. <https://tribune.com.pk/story/1906618/2-large-scale-cpec-projects-completed-months/>. Accessed February 14, 2019.

⁸⁴ Bruce-Lockhart, Anna. "China's \$900 billion New Silk Road. What You Need to Know." *World Economic Forum*, June 26, 2017. <https://www.weforum.org/agenda/2017/06/china-new-silk-road-explainer/>. Accessed March 25, 2019.

Energy Projects of the CPEC

CPEC is particularly focused on energy, more so than BRI projects in other countries. China has promised over \$30 BN for energy projects, meaning that they will make up around 50% of the total invested capital of CPEC. These include wind, coal, and water power plants. At the time of writing, six plants—two coal and four wind—were listed as officially “operational.”⁸⁵ These completed plants stretch from Karachi on the southern coast to the northern region of Punjab. Fifteen additional energy projects are planned throughout the country, promising to deliver over 17,000 megawatts of power to the national grid.⁸⁶ The focus on energy serves multiple goals. While increased energy infrastructure will serve Pakistan’s broader push for modernization, many of the power plants are being built to serve other CPEC initiatives. To power the Karachi Port, China built two 660 MW coal-fired power plants, at an estimated cost of \$1.9 BN.⁸⁷

There are two main geopolitical implications to CPEC’s energy projects. The first is the effect on regional energy security. CPEC’s focus on domestically sourced wind and coal energy projects means that Pakistan will eventually become less dependent on the Middle East—particularly Saudi Arabia—for oil and gas. Currently, Pakistan imports 90% of its oil, which satisfies over 80% of domestic demand.⁸⁸ The second implication is that CPEC also has the

⁸⁵ “CPEC Projects Progress Update.” *China Pakistan Economic Corridor*, <http://cpec.gov.pk/progress-update>. Accessed February 14, 2019.

⁸⁶ Sikander, Sardar. “CPEC to add 17,000MW power to national grid, cabinet told.” *The Express Tribune*, April 4, 2018. <https://tribune.com.pk/story/1676839/1-cpec-add-17000-mw-power-national-grid-cabinet-told/>. Accessed February 14, 2019.

⁸⁷ “2×660MW Coal-Fired Power Plants At Port Qasim Karachi.” *China Pakistan Economic Corridor*, <http://cpec.gov.pk/project-details/1>. Accessed February 14, 2019.

⁸⁸ Kugelman, Michael. “The China-Pakistan Economic Corridor and Energy Geopolitics in Asia.” *Wilson Center*, January 8, 2018. <https://www.wilsoncenter.org/blog-post/the-china-pakistan-economic-corridor-and-energy-geopolitics-asia>. Accessed February 15, 2019.

potential to aggravate Sino-Indian and Pakistani-Indian tensions. China's increased role on the Indian Ocean may specifically threaten India's energy supply, since 75% of India's energy imports passes through the Indian Ocean.⁸⁹ India will also lose out on the CPEC pipelines bringing gas into Pakistan from Central Asia since Pakistan forbids Indian imports and exports from passing through its borders.⁹⁰ Circumventing Pakistan to gain access to Central Asia's gas reserves is part of the motivation for India's competing Chabahar Port, which is discussed in greater detail later in this chapter in relation to the Gwadar Port.⁹¹

Pakistan is not the only beneficiary from the CPEC when it comes to energy. China also stands to gain from the expedited routes to Central Asia and the Middle East. Once the Gwadar Port is completed, it will provide an alternate and much more direct route for oil from the Persian Gulf to reach China. A \$2 BN plan to build an oil refinery at Gwadar is evidence that China plans to reroute its oil imports through Pakistan.⁹² Gwadar not only provides a quicker path for oil and gas, but also a safer one, since it bypasses the Malacca Strait. Eighty percent of China's oil imports pass through the Malacca Strait.⁹³ Yet Chinese officials have long viewed their reliance on the Malacca Strait as a vulnerability to the country's energy security.⁹⁴ Though China and Pakistan are publicly optimistic about the energy projects of CPEC, doubts are beginning to emerge as to their viability. The geological realities of the region make constructing tunnels for

⁸⁹ Mullen, Rani D., and Cody Poplin. "The New Great Game: A Battle for Access and Influence in the Indo-Pacific." *Foreign Affairs*, September 29, 2015. <https://www.foreignaffairs.com/articles/china/2015-09-29/new-great-game>. Accessed February 15, 2019.

⁹⁰ Kugelman.

⁹¹ Mullen and Poplin.

⁹² Kanwal, Gurneet. "Pakistan's Gwadar Port: A New Naval Base in China's String of Pearl's in the Indo-Pacific." *Center for Strategic and International Studies*, March, 2018. Pp. 3.

⁹³ Len, Christopher. "China's Maritime Silk Road and Energy Geopolitics in the Indian Ocean: Motivations and Implications for the Region." Washington, D.C.: The National Bureau of Asian Research, vol. 68, November, 2017. Pp. 44.

⁹⁴ Len, 44.

pipelines exorbitantly difficult and expensive.⁹⁵ Also, the energy projects are face all the obstacles highlighted later in this chapter, particularly security from local resistance.

Gwadar Port

The Gwadar Port is such a large component of the China-Pakistan Economic Corridor that its associated projects are listed separately from the rest of the CPEC on the Corridor's official website. It includes not only the construction of a deep sea port and all the infrastructure necessary to complete it, but also an oil refinery, an airport, a hospital, and a university. The Gwadar Port is already operational but the ultimate goal is for Gwadar to be able to handle one million tons of cargo per year. The Gwadar Port's critics allege that it is part of what they call China's "String of Pearls Strategy" in the Indo-Pacific. There are concerns that China is using BRI as a cover to line the Indian Ocean with ports that can double as naval bases.⁹⁶ The Hambantota Port in Sri Lanka and the Kyaukpyu Port in Malaysia are other examples of ports built under the auspices of BRI that skeptics say are being set up to become naval bases.⁹⁷ Gwadar's strategic location on the Indian Ocean is why China is so enthusiastic about the project, but also why it has drawn international scrutiny as an example of how China is using the BRI for military and geopolitical aims.

Once completed, the Gwadar Port will be Pakistan's third commercial port after Karachi and Qasim. In addition to a serving as a commercial port, China is developing Gwadar as a free

⁹⁵ Garlick, Jeremy. "Deconstructing the China-Pakistan Economic Corridor: Pipe Dreams Versus Geopolitical Realities," *Journal of Contemporary China*, vol. 27, no. 112 (2018/07/04 2018), pp. 519-33.

⁹⁶ Klein, Natalie. "A String of Fake Pearls? The Question of Chinese Port Access in the Indian Ocean." *The Diplomat*, October 25, 2018. <https://thediplomat.com/2018/10/a-string-of-fake-pearls-the-question-of-chinese-port-access-in-the-indian-ocean/>. Accessed February 15, 2019.

⁹⁷ Gurneet, 4.

economic zone modeled after special economic zones like Shenzhen.⁹⁸ The Gwadar Port was leased to the state-owned China Overseas Port Holding Company (COPHC) for 40 years, during which the firm has complete jurisdiction over development.⁹⁹ China has already invested over \$1.5 BN for the Port, and the COPHC estimates that the free economic zone will cost around an additional \$5 BN.¹⁰⁰ In order to pay off the loans from China, Pakistan agreed to give 91% of the Gwadar Port's revenues and 85% of the free economic zone's revenues back to the COPHC.¹⁰¹ Already, the Gwadar Port Authority has reported that 30 companies have invested approximately \$474 MN in the emerging port city.¹⁰² Gwadar is thus expected to easily pay itself off to the COPHC, which should see enormous profit from the venture.

The imbalance in economic profits being paid out from Gwadar is a source of tension within Pakistan as well as a signal to BRI's skeptics that the project is about something other than infrastructure development. There are other signs that most of the economic advantages will ultimately go to China. In a press release, the China Pak Investment Corporation announced its ambitious plans to build an \$150 MN modern oasis as part of the Gwadar free economic zone. The report promised "an open-air shopping boulevard; indoor shopping mall; restaurants and eateries; an international school & nursery; six community parks; indoor and outdoor sports facilities including tennis courts and a resident's gymnasium; a water desalination plant and

⁹⁸ Shah, Saeed. "Chinese-Pakistani Project Tries to Overcome Jihadists, Droughts and Doubts." *The Wall Street Journal*, April 10, 2016. <https://www.wsj.com/articles/big-chinese-pakistani-project-tries-to-overcome-jihadists-droughts-and-doubts-1460274228>. Accessed February 15, 2019.

⁹⁹ "Pakistan's Gwadar port leased to Chinese company for 40 years." *Economic Times of India*, April 20, 2017. <https://economictimes.indiatimes.com/news/international/world-news/pakistans-gwadar-port-leased-to-chinese-company-for-40-years/articleshow/58284735.cms>. Accessed February 15, 2019; Gurneet.

¹⁰⁰ Mullen and Poplin.

¹⁰¹ Gurneet, 3.

¹⁰² "\$474m invested in Gwadar free economic zone." *The Express Tribune*, October 6, 2018. <https://tribune.com.pk/story/1819249/2-474m-invested-gwadar-free-economic-zone/>. Accessed February 15, 2019.

recycling centre.”¹⁰³ If it seems incongruous to build a luxury gated community in one of the world’s poorest countries, that’s because it is. China does not intend for Pakistanis to live in the Gwadar International Port City, but rather to relocate Chinese nationals there. In a story reported by India’s *The Economic Times* (and repeated in *The Diplomat*), the China Pak Investment Corporation is building the gated community for 500,000 Chinese immigrants who are slated to arrive by 2022.¹⁰⁴ These reports have not been confirmed by China, however.

What concerns BRI onlookers, particularly in the United States and India, is that China is laying the foundation in Gwadar to build its second overseas military base, after Djibouti. So far, any military designs China may have for Gwadar are pure speculation. News outlets and government entities in the United States are prone to conflating a growing military relationship between China and Pakistan with the CPEC. For example, *The New York Times* warned that the sale of eight submarines to Pakistan in 2015 meant that one day China “could use the equipment it sells to the South Asian country to refuel its own submarines, extending its navy’s global reach.”¹⁰⁵ Yet this claim is only backed by circumstantial evidence. Other rumors about China’s military ambitions in Pakistan have circulated in international media sources without substantial proof. In early 2018, unconfirmed reports surfaced that China was building a joint air and naval base in Jiwani, 60km west from Gwadar.¹⁰⁶ These reports gained international attention though

¹⁰³ “China Pak Investment Corporation Mega Project Gets Green Light From Gwadar Development Authority.” *PR Newswire*, February 8, 2018. <https://www.prnewswire.com/news-releases/china-pak-investment-corporation-mega-project-gets-green-light-from-gwadar-development-authority-673391313.html>. Accessed February 13, 2019.

¹⁰⁴ Chaudhury, Dipanjan Roy. “As part of CPEC, ‘Chinese only’ colony coming up in Pakistan.” *The Economic Times*, August 21, 2018. <https://economictimes.indiatimes.com/news/defence/as-part-of-cpec-chinese-only-colony-coming-up-in-pakistan/articleshow/65481132.cms>. Accessed February 13, 2019; Pauley, Logan and Hamza Shad. “Gwadar: Emerging Port City or Chinese Colony?” *The Diplomat*, October 5, 2018. <https://thediplomat.com/2018/10/gwadar-emerging-port-city-or-chinese-colony/>. Accessed February 15, 2019.

¹⁰⁵ Abi-Habib, Maria. “China’s ‘Belt and Road’ Plan in Pakistan Takes a Military Turn.” *The New York Times*, December 19, 2018. <https://www.nytimes.com/2018/12/19/world/asia/pakistan-china-belt-road-military.html>. Accessed February 15, 2019.

¹⁰⁶ Gertz, Bill. “China building military base in Pakistan.” *The Washington Times*, January 3, 2018. <https://www.washingtontimes.com/news/2018/jan/3/china-plans-pakistan-military-base-at-jiwani/>. Accessed February 14, 2019.

they were never verified. While the *South China Morning Post* reported an analyst as saying that China planned to use Jiwani “to dock and maintain naval vessels, as well as provide other logistical support services” for its military, the PRC has officially denied that it has military ambitions for Jiwani.¹⁰⁷ Either way, Jiwani has no official connection to the CPEC and there is no evidence that BRI funding is being redirected there.

Recent developments may help alleviate international suspicion of Gwadar. Reports in January and February of 2019 disclosed that Saudi Arabia plans to become another major investor in the Gwadar Port. Saudi is reportedly building an oil refinery in Gwadar, and consequently joining China as a partner in CPEC. Price estimates for the Saudi oil refinery range from \$6 BN to \$10 BN, putting the Middle Eastern country on par with China in the emerging port city.¹⁰⁸ And unlike China who is independently, and opaquely, accomplishing CPEC investment priorities, Saudi Arabia is working with the IMF. In addition to the Gwadar oil refinery, the Middle Eastern nation is providing \$6 BN in aid to help Pakistan restore its foreign reserves and pay off loans, partly incurred as a result of CPEC.¹⁰⁹ The United Arab Emirates is also in talks to provide loans to Pakistan. So far, the Chinese have not made any move to block Saudi Arabia’s venture in Gwadar. Though CPEC contracts were bilateral agreements between Pakistan and China, they allow for other countries to join.¹¹⁰ In fact China has reportedly directly

¹⁰⁷ Chan, Minnie. “First Djibouti ... now Pakistan port earmarked for a Chinese overseas naval base, sources say.” *South China Morning Post*, July 20, 2018. <https://www.scmp.com/news/china/diplomacy-defence/article/2127040/first-djibouti-now-pakistan-port-earmarked-chinese>. Accessed February 14, 2019; Rajagopalan, Rajeswari Pillai. “A New China Military Base in Pakistan?” *The Diplomat*, February 9, 2018. <https://thediplomat.com/2018/02/a-new-china-military-base-in-pakistan/>. Accessed February 14, 2019.

¹⁰⁸ Sender, Henny, et al. “Pakistan set to secure funding from Saudi Arabia and IMF.” *Financial Times*, February 12, 2019. <https://www.ft.com/content/b83f725a-2e68-11e9-ba00-0251022932c8>. Accessed February 12, 2019; Yousafzai, Gul. “Saudi Arabia to set up \$10 billion oil refinery in Pakistan.” *CNBC*, January 13, 2019. <https://www.cnn.com/2019/01/13/saudi-arabia-to-set-up-10-billion-oil-refinery-in-pakistan.html>. Accessed February 7, 2019.

¹⁰⁹ Sender, et al.

¹¹⁰ Siddiqui, Sabena. “Why Saudi Arabia Joining CPEC Matters.” *The Diplomat*, February 2, 2019. <https://thediplomat.com/2019/02/why-saudi-arabia-joining-cpec-matters/>. Accessed February 4, 2019.

invited Russia to join as a CPEC partner, hoping to brand CPEC as a true multinational effort—and potentially calm anxious onlookers in India.¹¹¹ Saudi Arabia’s desire to join the CPEC bandwagon underscores the strategic advantages Gwadar offers, both economically and geopolitically. Yet it also complicates arguments that China’s grand plan is to make Gwadar a military base. An article in *The Diplomat* notes that Saudi’s decision to invest could help garner a “positive image” for CPEC and help its “credibility [...] as a stable opportunity for foreign investment.”¹¹² However, it is too early to tell how Saudi Arabia’s involvement in CPEC will impact the success of the BRI.

The Gwadar Port is proving to be one of the most controversial Belt and Road projects. Unlike BRI’s public roads and railways, it is less clear how the Gwadar Port will serve Pakistan’s broader economic interests. The Port’s location at a key point along the Indian Ocean makes it attractive to investors while signaling to skeptics that the Port may be more than a trading outpost. Additionally, China’s desire to transform Gwadar into a pseudo-Shenzhen is compounding criticism that it is building a “colony” in Pakistan rather than an inclusive development program. The following sections expand on the largest threats to Gwadar and other CPEC projects.

Pakistan’s Debt Crisis

The accusation that the Belt and Road Initiative is “debt-trap diplomacy” was leveled at the CPEC long before Pakistan publicly admitted it was struggling to repay the Chinese in late

¹¹¹ Mourdoukoutas, Panos. “China Wants Russia To Calm India And Save CPEC.” *Forbes*, January 8, 2017. <https://www.forbes.com/sites/panosmourdoukoutas/2017/01/08/china-wants-russia-to-calm-india-and-save-cpec/#47f9635c5e08>. Accessed February 18, 2019.

¹¹² Siddiqui.

2018. Onlookers were quick to point out that a \$60 BN loan to a country that had asked for 12 IMF bailouts since 1982 was risky and unsustainable. In 2017 the IMF warned that any short-term gains in FDI from CPEC would be outweighed by the enormous costs of the project.¹¹³ Though Chinese officials repeatedly promised that CPEC would eventually pay for itself, economists in Pakistan calculated that even once fully operational Pakistan would lose almost \$4 BN annually.¹¹⁴ At this point, it does seem that Pakistan under Prime Minister Sharif was overeager to take on debt. From 2013 to 2018 the Pakistan current account deficit rose from \$2.5 BN to \$18.9 BN.¹¹⁵ So it came as little surprise when the new Prime Minister, Imran Khan, asked the IMF for a debt relief package in late 2018.

In October, 2018 Pakistan asked for \$12 BN from the IMF, its 13th IMF bailout. IMF Director Christine Lagarde told the country that in order to qualify for the loan, they would need to fully disclose the size and nature of their debts to other countries. Prime Minister Khan blamed the financial hardship on the previous administration's economic decisions, though he has not explicitly called out the Chinese.¹¹⁶ Though Pakistan's need for financial assistance demonstrates the economic burden that BRI can bring to its receiving countries, it does not wholly prove the "debt-trap diplomacy" argument. Though it is a less than ideal situation for Pakistan, it is not clear that China has gained anything from Pakistan's indebtedness.

In February 2019 Lagarde announced that the IMF had moved closer to finalizing the terms of a loan to Pakistan. She said that IMF financial assistance came with the expectation that Pakistan would "restore the resilience of its economy and lay the foundations for stronger and

¹¹³ Venkatachalam, K.S. "Can Pakistan Afford CPEC?" *The Diplomat*, June 16, 2017, <https://thediplomat.com/2017/06/can-pakistan-afford-cpec/>. Accessed February 7, 2019.

¹¹⁴ Venkatachalam.

¹¹⁵ Nakhoda, Aadil. "Pakistan ranked 8th in size of trade deficit." *The Express Tribune*, October 29, 2018. <https://tribune.com.pk/story/1836177/2-pakistan-ranked-8th-size-trade-deficit/>. Accessed February 15, 2019.

¹¹⁶ Zumbun and Vaishampayan.

more inclusive growth.”¹¹⁷ The IMF has not explicitly referenced CPEC in any of its public statements on Pakistan’s debt crisis.

Pakistan has made no moves to completely back out of the BRI. Yet Khan has pushed back on certain CPEC projects, signifying he is more distrustful of China’s promises than his predecessor. For example, the Pakistani government officially cancelled plans for a \$2 BN coal plant that was intended to be built in Punjab Province. But while an official from Khan’s administration called certain projects “expensive and not necessary” he also emphasized that this would allow Pakistan to “focus on our priorities, including the development of Gwadar port and the western route of CPEC, which connects the hinterlands of Baluchistan and Khyber-Pakhtunkhwa provinces.”¹¹⁸ Ultimately, a \$2 BN coal plant is a drop in the bucket of the broader CPEC. Though Khan has pledged to review the terms and financial validity of all CPEC projects, for the time being the vast majority are going to continue as planned. In November, Khan made an official visit to China after which the two countries issued a joint-statement. An excerpt from the statement reads: “Both [China and Pakistan] reaffirmed their commitment to CPEC and agreed that it was a win-win enterprise for entire region and would bring regional prosperity and development through enhanced connectivity. [...] Both sides dismissed the growing negative propaganda against CPEC and expressed determination to safeguard the CPEC projects from all threats.”¹¹⁹ Whatever criticism Khan directed at China during his campaign seems to have been mollified. And with the IMF and Saudi Arabia’s help, Pakistan should be able to pay back its

¹¹⁷ “Statement by the IMF Managing Director Christine Lagarde on the Meeting with Pakistan’s Prime Minister Imran Khan.” Washington, D.C.: The International Monetary Fund. <https://www.imf.org/en/News/Articles/2019/02/10/pr1935-md-meeting-with-pakistan-pm-imran-khan>. Accessed February 17, 2019.

¹¹⁸ Janjua, Haroon. “Cash-strapped Pakistan asks China to shelve US\$2 billion coal plant.” *South China Morning Post*, January 16, 2019. <https://www.scmp.com/week-asia/geopolitics/article/2182326/cash-strapped-pakistan-asks-china-shelve-us2-billion-coal>. Accessed February 15, 2019.

¹¹⁹ “Full text of China-Pakistan joint statement.” *Xinhua*, November 4, 2018. http://www.xinhuanet.com/english/2018-11/04/c_137581441.htm.

creditors. But CPEC still must prove itself to the Pakistani public. In addition to rising debts, there are concerns in Pakistan that CPEC will line the pockets of Pakistan and China's elite while delivering minimal benefits to the rest of the nation. The recent disclosure that Khan awarded a CPEC contract to a company owned by one of his closest advisors set off alarm bells in Pakistan that the project was a familiar story of state-backed corruption.¹²⁰

Threat of Violent Resistance

The China-Pakistan Economic Corridor has not just faced economic hurdles. It has raised tensions in China's Xinjiang Autonomous Region and Pakistan's Balochistan Province, both of which have histories of unrest. Yet the CCP's treatment of Xinjiang has drawn increased international attention in recent months. Troubling reports have emerged of a security crackdown including detention camps for Uighurs, an ethnic minority group of Turkish Muslims. Reasons for the campaign to persecute the Uighurs are two-fold. First, the CCP is seeking to prevent another domestic insurgency. Uighurs have agitated for independence in the past, sometimes violently. In line with its One China policy, Beijing is firmly against allowing Xinjiang to secede from the Mainland. The second reason to clamp down so aggressively on any disturbance is to protect the success of BRI. As China's western-most province, Xinjiang Autonomous Region is a cornerstone for several of the land-based routes. CPEC is particularly at risk since it begins in the Xinjiang city of Kashgar.

¹²⁰ Aamir, Adnan. "Pakistan dam in spotlight as contract goes to former China critic." *Nikkei Asian Review*, January 11, 2019. <https://asia.nikkei.com/Spotlight/Belt-and-Road/Pakistan-dam-in-spotlight-as-contract-goes-to-former-China-critic>. Accessed February 14, 2019.

China's security crackdown in Xinjiang is causing more issues than just bad press for CPEC. The detention centers and surveillance apparatus are costing the CCP. According to *The Financial Times*, China spent close to \$200 BN on domestic security in 2017, up from \$100 BN in 2011.¹²¹ Additionally, sending hundreds of thousands (if not millions) of Uighurs to detention camps is causing a labor shortage in the region.¹²² The CCP has responded by stepping up its state-backed migration of Han Chinese to Xinjiang, but this is a short-term solution that may worsen ethnic relations in the future. Finally, the oppression of Muslims has made Islamist terror groups elsewhere turn their attention to China. Both the Islamic State and al-Qaeda affiliated groups have called out China's treatment of its Muslim minority as a cause for jihad.¹²³ Moreover, before China placed a travel ban on Uighurs, several thousand emigrated to Syria to join terrorist groups.¹²⁴ CPEC and other BRI projects in Xinjiang are at great security risk should radicalized Uighurs return.

There is a similar concern about domestic violence against CPEC in Pakistan's Balochistan Province. The Pakistani government has faced resistance from Baloch nationalist rebels for decades. The Balochistan Liberation Army (BLA) is the largest of several groups in Balochistan that has intensified its demands for Baloch independence in response to CPEC.¹²⁵ The former commander of the BLA, Aslam Baloch, was quoted in Pakistani media reports as

¹²¹ Feng, Emily. "Crackdown in Xinjiang: Where have all the people gone?" *Financial Times*, August 5, 2018. <https://www.ft.com/content/ac0ffb2e-8b36-11e8-b18d-0181731a0340>. Accessed March 20, 2019.

¹²² Feng; Cumming-Bruce, Nick. "U.S. Steps Up Criticism of China for Detentions in Xinjiang." *The New York Times*, March 13, 2019. <https://www.nytimes.com/2019/03/13/world/asia/china-muslim-xinjiang.html>. Accessed March 24, 2019.

¹²³ Aslam, Sabah. "Countering Terrorism and the dawn of CPEC." *Modern Diplomacy*, March 18, 2019. <https://modern diplomacy.eu/2019/03/18/countering-terrorism-and-the-dawn-of-cpec/>. Accessed March 24, 2019.

¹²⁴ Hope, Joseph. "Returning Uighur Fighters and China's National Security Dilemma." *The Jamestown Foundation*, Vol. 18, No. 13. July 25, 2018. Accessed via <https://jamestown.org/program/returning-uighur-fighters-and-chinas-national-security-dilemma/>. Accessed March 20, 2019.

¹²⁵ Chaudhury, Dipanjan Roy. "Balochistan: China's achilles hill." *The Economic Times*, February 26, 2019. <https://economictimes.indiatimes.com/news/defence/balochistan-chinas-achilles-hill/articleshow/68163847.cms>. Accessed March 12, 2019.

saying that “China is looting resources in Balochistan in the name of mega projects by calling it the CPEC.”¹²⁶ He also accused China of making Balochistan more “volatile” and joining Pakistan as a “partner-in-crime.”¹²⁷ This attitude has resulted in serious security consequences for CPEC, jeopardizing its key project, the Gwadar Port.

As with other local communities living among BRI projects, some Balochi peoples are concerned that they will not reap any rewards. One specific source of unease stems from the demographic realities of the CPEC, and particularly the development of the Gwadar Port. One report predicts that by 2048, Chinese immigrants will outnumber Pakistanis in Balochistan.¹²⁸ There is also a concern that an influx of Pakistanis from other regions will further dilute the ethnic Baloch population.¹²⁹ Furthermore, economic inequality and exploitation of natural resources have caused tensions between Balochistan and the Pakistani government for decades. So CPEC is adding fuel to the fire, so to speak. A 2017 United Nations report echoed concerns from Baloch nationalists that CPEC could represent a threat to their existence. The report states: “The resulting resettlements [from CPEC] would reduce local population into an ‘economically subservient minority’. Marginalisation [*sic*] of local population groups could re-ignite separatist movements and toughen military response from the Government.”¹³⁰ In March, 2019 demonstrations were held in Balochistan calling on the United Nations to investigate Pakistan for human rights abuses against activists in the region. One of the leaders of the protests was

¹²⁶ “We Will Fight Against Pakistan and China’s Occupation, Say Baloch Commanders.” *ANI*, November 27, 2018. <https://www.aninews.in/videos/world/we-will-fight-against-pakistan-and-chinas-occupation-say-baloch-commanders/>. Accessed March 23, 2019.

¹²⁷ “We Will Fight Against Pakistan and China’s Occupation, Say Baloch Commanders.”

¹²⁸ Sahai, Dhananjay. “China’s Terror Dilemma in CPEC: A Xinjiang Strategy?” New Delhi: Observer Research Foundation, issue no. 225. January, 2018. Accessed via https://www.orfonline.org/research/china-terror-dilemma-cpec-xinjiang-strategy/#_edn5.

¹²⁹ Notezai.

¹³⁰ Laskar, Rezaul H. “CPEC route through Kashmir could create tension with India: UN report.” *Hindustan Times*, May 25, 2017. <https://www.hindustantimes.com/world-news/cpec-route-through-kashmir-could-create-tension-with-india-un-report/story-05fDgJtdFmATT6K13ZJffN.html>. Accessed March 20, 2019.

recorded as calling on the UN to “stop CPEC - because it is a death sentence for Baloch people.”¹³¹ Finally, there is a growing concern that Pakistan will imitate China’s brutal tactics in Xinjiang to quash the Balochi separatist movement.¹³²

For the most part, violent resistance against Chinese nationals has only manifested in rare, isolated incidents. In 2017, a Chinese couple were kidnapped from Quetta, the capital of Balochistan, where they were teachers. They were later found murdered, and the terrorist group the Islamic State claimed responsibility. Though this incident was not directly related to CPEC—later reports suggested that the couple were Christian missionaries, which may explain why they were targeted by the Islamic militant group—it did represent the growing danger that Chinese nationals were facing as their numbers increased in the unstable region.¹³³ In August 2018, a suicide bomber from the BLA targeted a bus transporting Chinese engineers, though there were no fatalities. The situation intensified in November 2018, however, when the BLA attacked the Chinese consulate in Karachi. Four people were killed though none were consulate workers. This attack was notable not only because it was leveled against government officials, but also because it happened outside of Balochistan, in Sindh province. It demonstrated that Balochi rebels were ready to display their opposition to CPEC throughout Pakistan and not just in Balochistan.

Up until the time of writing, China had not made any major changes to how it handles security for projects in Balochistan or Pakistan at large. The PRC has issued travel warnings for Balochistan and beefed up private security details but has not done much else.¹³⁴ Part of the

¹³¹ “Baloch Protestors Demand UN to Act against Pakistan for Human Rights Violations.” *Business Standard*, March 13, 2019. https://www.business-standard.com/article/news-ani/baloch-protesters-demand-un-to-act-against-pakistan-for-human-rights-violations-119031300991_1.html. Accessed March 20, 2019.

¹³² Aamir.

¹³³ Ponniah, Kevin; Khan Ilyas M.; Zhao, Yashan and Muhammed Kazim. “Risky road: China's missionaries follow Beijing west.” *BBC*, September 4, 2017. <https://www.bbc.com/news/world-asia-41116480>. Accessed March 20, 2019.

¹³⁴ Aamir.

reason for this muted response is because China is limited in what it can do within Pakistan's borders. In a demonstration of the Pakistani government's own interest in CPEC's success in the wake of the attack in Karachi, it has set up a new military division with over 15,000 employees to protect CPEC projects.¹³⁵ But there is growing concern—which extends beyond Balochistan and CPEC—that Pakistan is unable (or unwilling) to contain extremism within its borders. After all, this is one of the primary reasons the United States decreased foreign aid to Pakistan in 2018.¹³⁶ Yet there is some evidence that Baloch resistance has brought China to the negotiating table. Unconfirmed reports have surfaced that Chinese officials have unsuccessfully met with Baloch rebels to appease their concerns.¹³⁷

There are additional international dimensions to the unrest in Balochistan which may hinder the CPEC. The rise in Balochi violence has aggravated tensions among Pakistan, India, Afghanistan, and the United States. The Pakistani government blames India for covertly agitating the situation in Balochistan, in order to sabotage CPEC and undermine Pakistani sovereignty.¹³⁸ The recent upswing in Balochi attacks has caused the recurrence of arguments that India is funding extremist training camps in Afghanistan.¹³⁹ As the following section will expand on, the CPEC is already a source of conflict and competition between Pakistan and India. Any additional anxieties could induce greater hostilities between the nuclear powers. Finally, the United States

¹³⁵ Basit, Abdul. "Attacks on Chinese nationals and interests in Pakistan are likely to continue. Here's why." *South China Morning Post*, November 27, 2018. <https://www.scmp.com/week-asia/opinion/article/2175238/attacks-chinese-nationals-and-interests-pakistan-are-likely>. Accessed March 24, 2019.

¹³⁶ Stewart, Phil and Idrees Ali. "Exclusive: Pentagon cancels aid to Pakistan over record on militants." *Reuters*, September 1, 2018. <https://www.reuters.com/article/us-usa-pakistan-military-exclusive/exclusive-pentagon-cancels-aid-to-pakistan-over-record-on-militants-idUSKCN1LH3TA>. Accessed March 25, 2019.

¹³⁷ Notezai, Muhammed Akbar. "Why Balochs are Targeting China." *The Diplomat*, November 26, 2018, <https://thediplomat.com/2018/11/why-balochs-are-targeting-china/>. Accessed March 16, 2019.

¹³⁸ Shahid, Usnan. "Balochistan: The Troubled Heart of CPEC." *The Diplomat*, August 23, 2016. <https://thediplomat.com/2016/08/balochistan-the-troubled-heart-of-the-cpec/>. Accessed March 17, 2019.

¹³⁹ Shahid.

has expressed displeasure with the human rights situation in Balochistan, adding ammunition to American arguments that partnering with China imperils the wellbeing of BRI host countries.¹⁴⁰

India's Response

CPEC has already increased stress in the relationship between Pakistan and India, a situation which is sure to hamper China's ambitions. CPEC works against several of India's objectives. The Belt and Road Initiative signifies China's rising economic and geopolitical influence in the region, and its emphasis on Pakistan and the CPEC undoes decades of India's work to isolate Pakistan. Thus because of CPEC, India must contend with two of its regional competitors gaining strength and potentially partnering against it. India has joined the United States and other BRI detractors warning recipient countries that the project is a debt trap. This attitude is not for want of China's trying to coax India into joining Belt and Road. Though India rejected China's 2017 invitation to the first Belt and Road Forum, President Xi Jinping has made clear he has not given up on convincing India to attend the second, scheduled for April, 2019.¹⁴¹

From the beginning, India was one of the staunchest critics of Belt and Road. To counter China's ballooning economic influence in the region, India has launched a series of projects. In the Himalayas, India is building a series of railroads linking India with Nepal and Bhutan. This comes as China is building its own Trans-Himalayan Economic Corridor, the Himalayan counterpart to the CPEC.¹⁴² To counter the 21st Century Maritime Silk Road, India has stepped

¹⁴⁰ Shahid.

¹⁴¹ Nagai, Oki and Yuji Kuronuma. "Xi plans India visit, as diplomatic chess with US intensifies." *Nikkei Asian Review*, January 22, 2019. <https://asia.nikkei.com/Politics/International-relations/Xi-plans-India-visit-as-diplomatic-chess-with-US-intensifies>. Accessed March 17, 2019.

¹⁴² Baruah.

up its support of small island nations in the Indian Ocean. In February 2019, India announced it would give \$361 MN in aid to the Maldives, a 400% increase from 2018.¹⁴³ Finally, India has pursued partnerships with Japan. The two countries revealed plans for the Asia-Africa Growth Corridor in 2016, a clear response to BRI's extension into Africa. So far, none of India's initiatives presents a real challenge to the success of BRI. The Asia-Africa Growth Corridor has yet to break ground, and India has struggled to complete its work in the Himalayas due to the region's challenging terrain.¹⁴⁴

In a direct response to CPEC, India gained control of a port in the Iranian city of Chabahar, merely 50 miles from Gwadar.¹⁴⁵ The port is intended to facilitate trade among India, Afghanistan, and Iran, particularly for oil. In addition to the port itself, India and Iran are planning on building a network of highways to connect Chabahar to Afghanistan.¹⁴⁶ Chabahar also allows for India to bypass Pakistan, which has blocked Indian goods from traveling through its borders, thereby denying access to Iran and Afghanistan in the past. The Chabahar Port faces many of the same challenges as Gwadar: threat of extremist resistance, geopolitical tensions, and financial concerns. The project was almost halted when the United States ratcheted up sanctions against Iran, though they eventually granted an exception for continued development of Chabahar. Though many see Chabahar in direct competition with Gwadar, it is important to note that Beijing and Tehran have close economic and military ties. There are reports that Iran has

¹⁴³ Burkett, Nicholas. "New Delhi's Foreign Policy in the Indian Ocean." *Foreign Brief*, March 1, 2019. <https://www.foreignbrief.com/asia-pacific/new-delhis-foreign-policy-in-the-indian-ocean/>. Accessed March 17, 2019.

¹⁴⁴ Baruah.

¹⁴⁵ "In a First, India to Operate Port Outside its Territory, Takes Over Part of Chabahar Port in Iran." *News 18*, January 7, 2019. <https://www.news18.com/news/business/in-a-first-india-to-operate-port-outside-its-territory-takes-over-part-of-chabahar-port-in-iran-1994621.html>. Accessed March 18, 2019.

¹⁴⁶ "Why developing the Chabahar port in Iran is important for India: 10 points." *The Times of India*, February 16, 2018. <https://timesofindia.indiatimes.com/india/why-developing-the-chabahar-port-in-iran-is-important-for-india-10-points/articleshow/62944859.cms>. Accessed March 18, 2019.

invited China and Pakistan to join the Chabahar project, to India's chagrin.¹⁴⁷ For the time being, Chabahar has not caused any known change in strategy for CPEC or the BRI more broadly. It will take years for the Chabahar to become fully operational and China has to contend with a viable threat to the success of Gwadar.

One of the key sticking points for India with regards to the CPEC is its route through the disputed Kashmir Province. Kashmir is a disputed province between India, and Pakistan. India considers Kashmir illegally occupied by Pakistan, and views CPEC in Kashmir as a further violation of its sovereignty.¹⁴⁸ There is historic precedent for India's distaste for China's presence in Kashmir; the disagreement extends back to 1962, when China and India went to war over a border dispute. Yet China maintains that CPEC is a wholly economic project with no intentions to meddle in the territorial debate. Chinese Foreign Minister Wang was reported as saying, "as for the dispute of Kashmir, China's position remained unchanged. Also, CPEC has no relationship with the dispute in certain regions...if India wants to take part in the OBOR, there are many channels and ways."¹⁴⁹ Yet there are conflicting reports that China is planning to send 30,000 military personnel to secure its projects in Kashmir, which are exacerbating India's worry that CPEC represents a direct threat to its national security.¹⁵⁰ The same 2017 UN report which warned about rising tensions due to CPEC in Balochistan also cautioned that CPEC could further destabilize the situation in Kashmir.¹⁵¹

¹⁴⁷ Ramachandran, Sudha. "India Doubles Down on Chabahar Gambit." *The Diplomat*, January 14, 2019. <https://thediplomat.com/2019/01/india-doubles-down-on-chabahar-gambit/>. Accessed March 18, 2019.

¹⁴⁸ Baruah.

¹⁴⁹ "China says CPEC has 'no direct link' with Kashmir issue." *The Economic Times*, July 12, 2018. <https://economictimes.indiatimes.com/news/defence/china-says-cpec-has-no-direct-link-with-kashmir-issue/articleshow/58238193.cms>. Accessed March 17, 2019.

¹⁵⁰ Baruah.

¹⁵¹ Laskar.

The first months of 2019 witnessed just how easily tensions between India and Pakistan over Kashmir could flare up and become armed conflict. In February, Pakistani terror group Jaish-E-Mohammed (JeM) conducted a suicide bombing in Kashmir in which over 40 Indian officers were killed. The situation quickly escalated as both Pakistan and India conducted air strikes against each other. After a couple tense weeks, hostilities cooled when Pakistan returned a captured Indian pilot. Chinese Foreign Minister Wang Yi made a statement urging “both Pakistan and India to exercise restraint and peacefully resolve their differences through dialogue.”¹⁵² Yet China still staunchly defended Pakistan by vetoing a Security Council Resolution presented by the United States, France, and the United Kingdom condemning JeM as a terrorist group. This vote did not represent a change in China’s policy towards Pakistan—China had blocked three identical resolutions condemning JeM in the past—but it did signal that icy relations between China and India are unlikely to resolve anytime soon. In response to the vote on social media, many Indians called for a boycott of Chinese goods.¹⁵³ At the time of writing, there is no evidence to suggest that the bombing in Kashmir was related to the CPEC, or that CPEC played any role in the subsequent brawl. Rather, the recent events demonstrate how precarious China’s investments may be, given the instability of Kashmir and relations between India and Pakistan. India’s willingness (and ability) to conduct airstrikes on Pakistani soil puts Chinese projects there in direct line of fire. It seems unlikely that China will be able to insure against this risk in the future. Furthermore, China’s continued support of Pakistan throughout the ordeal may make India even more concerned about China’s increasing presence in South Asia.

¹⁵² “Indo-Pak tensions dominates first strategic dialogue between China, Pak.” *Economic Times*, March 19, 2019. <https://economictimes.indiatimes.com/news/defence/indo-pak-tensions-dominates-first-strategic-dialogue-between-china-pak/articleshow/68486010.cms>. Accessed March 22, 2019.

¹⁵³ Nicholls, Michael and Krishna N. Das. “China Foils Bid to Blacklist Kashmir Attacker; U.S., India Vow to Keep Pushing.” *U.S. News and World Report*, March 13, 2019. <https://www.usnews.com/news/world/articles/2019-03-13/china-prevents-un-blacklisting-of-leader-behind-kashmir-attack>. Accessed March 22, 2019.

Finally, the recent events in Kashmir have further hindered China's efforts to bring India on as a collaborator in CPEC and BRI. As recently as January, 2019 President Xi was planning a visit to New Delhi to improve relations between the countries.¹⁵⁴ Given renewed pressure on Prime Minister Modi to stand up to Pakistan, it seems more unlikely than ever that he will pursue an economic stake in CPEC or Belt and Road.

Pakistan Case Study - Conclusion

The China-Pakistan Economic Corridor is Belt and Road's most ambitious project. With highways, energy pipelines, sea ports, cultural exchange initiatives, and more, it includes an example of just about every piece of Belt and Road that China hopes to accomplish elsewhere. CPEC's success is crucial to the success of the broader project, and its progress serves as a forecast for the rest of the Initiative. For other nations considering joining BRI, CPEC has many attractive features. Pakistan is getting billions of dollars invested in critical connective infrastructure and many projects are already up and running. The swift nature of CPEC cannot be overemphasized. Even so, there are legitimate concerns that CPEC will ultimately serve China to a far greater extent than it will serve Pakistan. The fact that Imran Khan seems to have changed his position on the value of CPEC is not necessarily reassuring to BRI skeptics who believe China is facilitating corruption so that its projects will survive.

In attempting to assess whether CPEC—and the rest of BRI—is likely to succeed, it seems that the greatest threats to its completion are from geopolitical factors somewhat out of China's control. The flare up in tensions between Pakistan and India in early 2019 brought the

¹⁵⁴ Nagai and Kuronuma.

future of CPEC to the brink of disaster. The fate of the CPEC relies on stability in Xinjiang, Kashmir, and Balochistan, regions which are geopolitical tinderboxes. Unrest or violence from local communities in these regions seem like a larger threat to CPEC's success than actions on the part of India, the United States, or Japan. While these three countries have made some attempts to provide alternative investment opportunities for other countries in the region, no viable competitor to CPEC has arisen. Even the Chabahar Port in Iran will take years to catch up to Gwadar's progress.

So far, there is no evidence that CPEC has directly contributed to a broader economic statecraft agenda on the part of the CCP. If anything, China's overtures to CPEC's critics, including Balochi nationalists and India, demonstrate that the CCP is willing to modify its policies to guarantee CPEC's success. This is not to say that there are no geopolitically strategic elements to CPEC. Gwadar's position on the Indian Ocean, the increased connectivity to the Middle East, and a tighter foothold in Kashmir all serve Chinese (and Pakistani) national security interests. Still, China is exposing itself to great national security risks as already described in Xinjiang, Balochistan, and Kashmir. Though there has been much fanfare in the American and Indian medias over the Gwadar Port's naval advantages, there is no evidence yet that China has any military intentions there. Given China and Pakistan's history of friendly relations, CPEC is not an ideal example to those who want to paint BRI as an entirely geopolitical power play. The following chapter, however, examines China's rapidly growing influence in a country much farther from its borders: Kenya.

Chapter III

Kenya Case Study

In Kenya, China finds itself much farther from its shores and in direct competition with the United States and other Western powers for the role of regional leader of economic development. While Pakistan is an obviously logical choice for Belt and Road investment, it is less immediately apparent why China is directing the BRI into Africa. Though China has had diplomatic relations with many African nations since they gained independence from colonial powers, in the 21st Century the CCP has focused its foreign policy in Africa on building economic ties.¹⁵⁵ Some view the BRI in Africa as counter intuitive since it does not directly connect to the SREB or the MSR. Yet the BRI in Kenya is not so different from its equivalent in Pakistan. The focus is on building connective infrastructure such as railroads and highways, which China claims will benefit both countries equally. Many of the challenges that were seen in Pakistan are also getting reported in Kenya. Namely, concerns over mounting Kenyan debts to Chinese creditors, questions over the real value-add these projects are bringing to Kenya, and geopolitical concerns that loans will make Kenya politically indebted to China. A shallower historical relationship between Kenya and China and the vast cultural differences between the countries have added another dimension challenging the BRI's success in the country. Given China's newly increased presence in Kenya, discontent over the influx of Chinese workers into the country is much more pronounced than in Pakistan. There seems to be much more widely-held skepticism among Kenyans about the BRI more broadly than there is in Pakistan.

¹⁵⁵ Albert, Eleanor. "Backgrounder: China in Africa." *Council on Foreign Relations*, July 12, 2017. <https://www.cfr.org/backgrounder/china-africa/>. Accessed March 25, 2019.

Finally, BRI's push into Africa has given new life to the debates surrounding the best models for development on the continent. Countries such as Kenya have struggled for decades to recover from their colonial pasts and achieve sustainable, long-term economic growth. For decades the United States was the largest player both in terms of FDI and foreign aid in Africa. While many in Kenya see China as a welcome change in the status quo, equally many worry whether Chinese investment will undo decades of work to establish good governance in the country and region.¹⁵⁶ In 2016, pan-African research organization Afrobarometer conducted a continent-wide survey of 36 African countries, attempting to gauge public opinion on Chinese involvement. Thirty percent of all respondents said that the United States offered the best model for international development, while 24% picked China.¹⁵⁷ In Kenya, however, almost 50% preferred the United States and less than a quarter selected China. In terms of general influence, the United States and China were basically tied both in the larger dataset and in Kenya. But when asked about specific economic influence, 75% of Kenyans noted that China exerted "a lot" of economic influence. These results have to be considered in a vacuum, since there are no previous or later studies to demonstrate whether there has been a change of attitude since BRI launched on the continent. Even so, they demonstrate that China is catching up to the United States in the court of public opinion.

Belt and Road projects in Kenya are of a far smaller scale than the China-Pakistan Economic Corridor. Even so, according to researchers at Johns Hopkins, in the years since the BRI was announced FDI from China to Kenya increased over 250% (from \$79 MN to over \$280

¹⁵⁶ Albert.

¹⁵⁷ Lekorwe.

MN).¹⁵⁸ In the same period, United States' FDI to Kenya *decreased* by over 50%.¹⁵⁹ Thus while Kenya is of relatively low importance to the broader BRI project, the BRI has the potential to make a large impact on Kenya. The landmark BRI project in Kenya is the Standard Gauge Railway. Though there are other projects, including a \$170 MN network of highways surrounding Mombasa, the SGR is the most ambitious and potentially impactful venture.¹⁶⁰ As the following section will demonstrate, the Standard Gauge Railway is a source of contention in Kenya, despite promises from the Chinese that it signals a new age of opportunity for the country.

The Standard Gauge Railway

In 2008 then President of Kenya Mwai Kibaki launched the Vision 2030 Campaign. According to its website, the campaign “aims to transform Kenya into a newly industrializing, middle-income country providing a high quality of life to all its citizens by 2030.”¹⁶¹ Welcoming BRI investment was a natural outgrowth of this broader strategy, especially given a trend of declining FDI from the U.S. in the early 21st century.¹⁶² China broke ground on phase one of the Standard Gauge Railway before BRI's inception, but it is now considered a BRI project. The symbolic nature of this project cannot be ignored. The Chinese-built SGR will replace a railway

¹⁵⁸ “Data: Chinese Investment in Africa.” *China Africa Research Initiative*. <http://www.sais-cari.org/chinese-investment-in-africa>. Accessed February 26, 2019.

¹⁵⁹ “Kenya Foreign Direct Investment.” *CEIC*, <https://www.ceicdata.com/en/indicator/kenya/foreign-direct-investment>. Accessed February 26, 2019.

¹⁶⁰ Mwangi, Virginia. “China Embarks on Construction of Kenya’s Sh.17 Billion Western Bypass.” *Soko Directory*, February 26, 2019. <https://sokodirectory.com/2019/02/china-constructs-western-bypass/>. Accessed February 28, 2019.

¹⁶¹ “About Vision 2030” *Kenya Vision 2030*, <https://vision2030.go.ke/about-vision-2030/>. Accessed February 27, 2019.

¹⁶² Holmes.

built by British colonialists, which was known in Kenya as a “monumental folly.”¹⁶³ The symbolism is not lost on Kenyans. As one article explained, President Uhuru Kenyatta “christened the new line the ‘Madaraka Express’, named after the June 1 holiday that marks the day in 1964 Kenya won self-governance from Britain ahead of full independence.”¹⁶⁴ Yet while President Kenyatta celebrates the new and improved SGR, many voices within Kenya fear that they are welcoming a new colonial power: China.

Construction of the Railway is divided into three phases. The first stretches over 300 miles from the port city of Mombasa to Nairobi, Kenya’s capital. Phase I opened for business in May, 2017. Phase II is underway and intends to connect Nairobi to the town of Naivasha. The 75 miles of new track are expected to be completed three months ahead of schedule, in September, 2019.¹⁶⁵ The final phase will extend to Kisumu, a port city on Lake Victoria and then to Malaba, on the border with Uganda. China is concurrently funding an SGR line in Uganda, originating in Kampala, which will eventually connect with the Kenyan SGR. The final product will include over 800 miles of track, allowing goods and passengers to travel between Mombasa and Kampala in a single day.

Kenya and China have broader ambitions with the SGR that resemble other BRI projects such as the Gwadar Port. China hopes that Mombasa will serve as a “trade gateway” to East Africa, with SGR lines eventually extending into Rwanda, the Democratic Republic of the Congo, Ethiopia, Burundi, and South Sudan.¹⁶⁶ The criticism surrounding China’s plans for

¹⁶³ Miriri, Duncan. “Kenya Inaugurates Chinese-Built Railway Linking Port to Capital.” *Reuters*, May 31, 2017. <https://www.reuters.com/article/us-kenya-railways-idUSKBN18R2TR>. Accessed February 27, 2019.

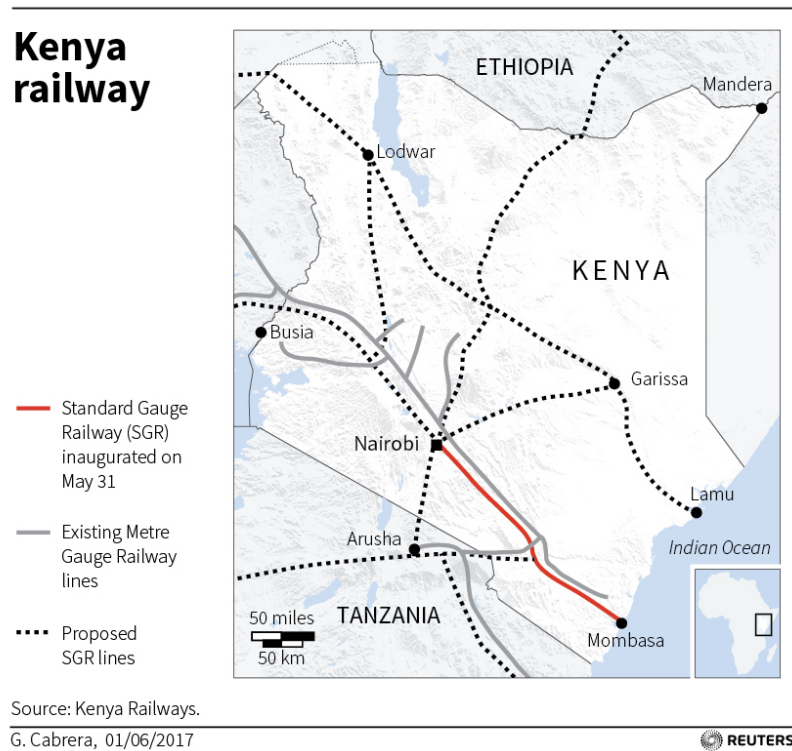
¹⁶⁴ Miriri.

¹⁶⁵ Atieno, Winnie. “Second Phase of SGR to be Completed Next Year.” *Daily Nation*, February 4, 2018. <https://www.nation.co.ke/news/Second-phase-of-SGR-to-be-completed-next-year/1056-4291532-115tenrz/index.html>. Accessed February 27, 2019.

¹⁶⁶ Miriri.

Mombasa also echo that of Gwadar. Many warn that China is laying the foundation for a second military base on the Indian Ocean to follow the existing base in Djibouti.

Figure 3: The Standard Gauge Railway



Source: Reuters¹⁶⁷

Domestic Resistance in Kenya to BRI

Financing for the SGR is standard for BRI projects. The first phase cost \$3.2 BN, 90% of which was loaned by the Export-Import Bank of China. The value of Phase I is in question, however, given that reports have arisen that Phase I ended up costing four times the original estimate, making the final price on par with a railway in Ethiopia that was 150 miles longer and

¹⁶⁷ Miriri.

electrified.¹⁶⁸ The high costs were originally justified by officials claiming that the new SGR would increase GDP by 1.5%.¹⁶⁹ But the railway was underused in 2018, generating less than half of the revenues that feasibility studies had predicted.¹⁷⁰ The railway is getting paid for by high taxes and an agreement that a Chinese company operate the railway for the next ten years. The rest of the railway is supposed to cost \$3.8 BN. At the Forum for Africa-China Cooperation in September 2018, President Kenyatta requested that China grant half the cost and loan the rest.¹⁷¹ This bid stemmed from growing domestic discomfort in Kenya at the level of indebtedness to China. President Xi did not immediately approve the grant, instead mandating that further negotiations would have to be held to ensure that Chinese firms reaped enough benefits to cover the costs.

It seems that in Kenya, to a greater extent than in Pakistan, there is a growing divide between political elites and the Kenyan population on the Belt and Road Initiative. China's increased role in Kenya has stirred intense debates among economists within and outside Kenya about whether the BRI will bring sustainable economic development. As elsewhere, the largest red flag is the level of debt. As previously mentioned, Kenya requested more Chinese loans at the most recent FOCAC meeting, even though Moody's had downgraded Kenya's credit rating to a B2 in early 2018. With public debt surpassing \$50 BN, Kenya has become the 5th most

¹⁶⁸ Kacungira, Nancy. "Will Kenya get value for money from its new railway?" *BBC*, June 8, 2017. <https://www.bbc.com/news/world-africa-40171095>. Accessed February 27, 2019.

¹⁶⁹ Kacungira.

¹⁷⁰ Omondi, George. "Mombasa Port at risk as audit finds it was used to secure SGR loan." *The East African*, December 20, 2018. <https://www.theeastafrican.co.ke/business/Mombasa-port-SGR-loan-default-Chinsa/2560-4903360-clh5nn/index.html>. Accessed February 27, 2019.

¹⁷¹ Mutambo, Aggrey. "Kenya wants China to pay half the cost of SGR extension to Kisumu." *Daily Nation*, September 5, 2018. <https://www.nation.co.ke/news/Kenya-wants-China-to-pay-half-cost-of-SGR-extension-to-Kisumu/1056-4743968-7ydviz/index.html>. Accessed February 27, 2019.

indebted country in Africa.¹⁷² Total debt now equals around 60% of the country's GDP.¹⁷³ China is the nation's largest bilateral creditor. As of 2018, Kenya owes 72% of its bilateral debt and 21% of its overall debt to China.¹⁷⁴

The level of indebtedness has also set off alarms about potential risks to Kenyan sovereignty. In January, revelations about BRI contracts were made that seemed to suggest that the port in Mombasa was being held as collateral for SGR loans. In December 2018 a Kenyan newspaper leaked a damning report which seemed to say that when contracts were drawn up in 2014, the Mombasa Port was listed as collateral for the loans. The Kenyan Auditor-General flatly denied these accusations in December stating that "any reports that from my office are taken to Parliament. A report picked from the social media is not official."¹⁷⁵ The new revelations set off alarm bells throughout Kenya and the rest of East Africa as it seemed to confirm the worst suspicions about BRI. President Kenyatta has called accusations that he imperiled Kenyan sovereignty "propaganda," emphasizing that "we [Kenyans] are ahead of our payment schedule for the SGR loan and there is no cause for alarm."¹⁷⁶ Chinese officials also denied the reports, staunchly maintaining that "the allegation that Kenyan side used the Mombasa Port as a collateral in its payment agreement with the Chinese financial institution for the Mombasa-

¹⁷² Muchira, Njiraini. "Kenya's Growing Debt Pain to Be Felt from 2019." *The East African*, December 18, 2018. <https://www.theeastafrican.co.ke/business/Kenya-growing-debt-pain-to-be-felt-from-2019/2560-4900778-xn5mfb/index.html>. Accessed February 27, 2019. Mbogo, Angeline. "Kenya's Public Debt Surpasses Sh5 Trillion Mark; 58% of GDP." *The Kenyan Wall Street*, August 30, 2018. <https://kenyanwallstreet.com/kenyas-public-debt-surpasses-sh5-trillion-mark-58-of-gdp/>. Accessed February 27, 2019.

¹⁷³ Mbogo.

¹⁷⁴ Dahir, Abdi Latif. "China now owns more than 70% of Kenya's bilateral debt." *Quartz*, July 10, 2018. <https://qz.com/africa/1324618/china-is-kenyas-largest-creditor-with-72-of-total-bilateral-debt/>. Accessed February 27, 2019.

¹⁷⁵ Omondi.

¹⁷⁶ Huang, Kristin. "Will China seize prized port if Kenya can't pay back its belt and road loans?" *South China Morning Post*, December 31, 2018. <https://www.scmp.com/economy/china-economy/article/2180026/will-china-seize-prized-port-if-kenya-cant-pay-back-its-belt>. Accessed February 27, 2019.

Nairobi railway is not true.”¹⁷⁷ But in January, another journalist got ahold of what he claimed were the contracts and printed the language verbatim in Kenyan newspaper, *The Daily Nation*. The report quoted leaked BRI contracts as saying “Neither the borrower (Kenya) nor any of its assets is entitled to any right of immunity on the grounds of sovereignty or otherwise from arbitration, suit, execution or any other legal process with respect to its obligations under this Agreement.”¹⁷⁸ The contracts as reported in *The Daily Nation* also required that any disagreement arising from the loan be arbitrated in Beijing through the China International Economic and Trade Arbitration Commission, rather than through an independent mediator.¹⁷⁹ Though Kenyan and Chinese officials continue to deny that there was anything unusual or nefarious in the contracts, members of Kenya’s parliament are opening an investigation into the proceedings. It is reported that the investigating committee “will not allow the country’s assets to be owned by the Chinese as in the case of Zambia and Sri Lanka.”¹⁸⁰ Surely this investigation will be closely watched in Kenya and China, as the results could have large implications for the future of BRI on the continent.

Long before the salient reports on Mombasa were released many Kenyans were skeptical of a project which they saw as disproportionately beneficial to the Chinese. Displeasure with China is widespread in Kenya, particularly over concerns that Chinese construction firms will not

¹⁷⁷ Okoth, Edwin. “Mombasa port is safe from SGR loan, China now says.” *The Daily Nation*, December 28, 2018. <https://www.nation.co.ke/business/Port-is-safe-from-SGR-loan--China-now-says/996-4912882-e8vbkpz/index.html>. Accessed February 27, 2019.

¹⁷⁸ Okoth, Edwin. “SGR pact with China a risk to Kenyan sovereignty, assets.” *The Daily Nation*, January 13, 2019. <https://www.nation.co.ke/news/Hidden-traps-in-SGR-deal-with-China/1056-4932764-ebw46r/index.html>. Accessed February 27, 2019.

¹⁷⁹ Okoth, Edwin. “SGR pact with China a risk to Kenyan sovereignty, assets.”

¹⁸⁰ Owino, Samwel. “MPs to start probe into ominous SGR deal with China.” *The Daily Nation*, February 15, 2019. <https://www.nation.co.ke/news/MPs-to-start-probe-into-SGR-deal/1056-4982718-y0wffnz/index.html>. Accessed February 28, 2019; Though Zambia has indicated its debts to China are reaching unsustainable levels, there has been no known takeover of Zambian assets by the Chinese; Chutel, Lynsey. “No, China is not taking over Zambia’s national electricity supplier. Not yet, anyway.” *Quartz*, September 18, 2018. <https://qz.com/africa/1391111/zambia-china-debt-crisis-tests-china-in-africa-relationship/>. Accessed March 26, 2019.

hire Kenyan labor. The Kenyan parliament claims that there are 2,679 Kenyans working on the SGR compared to 841 Chinese and that by 2027 100% of the staff will be Kenyan.¹⁸¹ But Kenyans have responded to these defenses with complaints that Chinese workers hold a majority of upper-level positions. The focus on employment is hardly surprising given that the BRI is unfolding during a youth unemployment crisis in Kenya. Current youth unemployment stands at 22%, and many Kenyans place the blame on the influx of Chinese investment.¹⁸²

Part of the unemployment challenge is that there is mutual distrust between Kenyan and Chinese workers. Both sides have accused the other of racism and intolerance. In the case of Kenyan workers, there is growing concern that Chinese project managers are inhibiting the transfer of skills that would eventually allow Kenyans to take the reins. Sun Baohong, the Chinese Ambassador to Kenya, attributed the delay in redistributing jobs to Kenyans to a language barrier.¹⁸³ This explanation however, is competing with accounts of abuse at the hands of Chinese managers. In a widely-read *New York Times* piece published in October 2018, Kenyans described Chinese supervisors who directed racial slurs towards their Kenyan employees.¹⁸⁴ Furthermore, Kenyan workers interviewed in the article accused their bosses of barring them from operating trains, unless a journalist is there to capture the moment.

Racial tensions reached a fever pitch when China staged a skit on its state-run television network to celebrate the opening of the Standard-Gauge Railway as part of a Lunar New Year

¹⁸¹ Lang'at, Patrick. "Chinese to work at Kenya's Standard Gauge Railway till 2027." *The Daily Nation*, July 18, 2018. <https://www.nation.co.ke/news/Chinese-to-work-at-SGR-till-2027/1056-4668756-xrjdlw/index.html>. Accessed February 28, 2019.

¹⁸² Sunday, Frankline. "How State is killing hopes of jobless youth." *Standard Media*, February 3, 2019. <https://www.standardmedia.co.ke/article/2001311756/how-state-is-killing-hopes-of-jobless-youth>. Accessed February 28, 2019.

¹⁸³ Mbogo, Angeline. "Communication Barriers Blamed for Low Skills Transfer From Chinese to Kenyans Working on SGR." *The Kenyan Wall Street*, August 1, 2018. <https://kenyanwallstreet.com/communication-barriers-blamed-for-low-skills-transfer-from-chinese-to-kenyans-working-on-sgr/>. Accessed February 28, 2019.

¹⁸⁴ Goldstein.

gala.¹⁸⁵ In the skit set in Kenya, Chinese actors acted as Africans wearing blackface, exaggerated body parts, and carrying baskets of fruit on their heads. Particularly offensive was the inclusion of actors in monkey-suits; some believe these actors were actually African, though these reports are unconfirmed. The content of the sketch was similarly off-color to the presentation. The sketch followed an 18-year old “African” girl as she escapes an arranged marriage to study in Beijing. The girl’s mother eventually exclaims “I love Chinese people. I love China.” The skit was aired to 800 million viewers.

Africans in and outside of China were incensed. Naturally, Chinese officials vehemently denied any wrongdoing and blamed the scandal on misinterpretation. China was quick to censor any criticism voiced on popular social media networks WeChat and Weibo. A Kenyan student was quoted in *The Daily Nation* saying “The scenes in the skit depicting Kenya in racist derogatory impressions add to the obscurity of whether Kenya is truly a valuable trade partner to China or is just another cow they are milking. [...] I am convinced that China holds Kenya and Kenyans in very low regard to the extent of consciously using universally accepted racist impressions to depict Kenya.”¹⁸⁶ Clearly, the skit exacerbated concerns that BRI projects were neocolonial in nature. There was (and remains) a feeling that racism among the Chinese was to be expected and that the real offender is the Kenyan government who welcomed Chinese money without taking into account the impact on Kenyan welfare. A Kenyan human rights lawyer was quoted in *The New York Times* sharply rebuking his government: “What is disgusting is that we

¹⁸⁵ The skit is available to view on YouTube: <https://www.youtube.com/watch?v=siEPxHafx-4>.

¹⁸⁶ Ondieki, Elvis. “Chinese embassy denies racism in 'blackface' skit.” *The Daily Nation*, February 18, 2018. <https://www.nation.co.ke/news/Chinese-embassy-denies-racism-in-skit-Lunar-New-Year/1056-4310180-y1uiew/index.html>. Accessed February 28, 2019.

won't hear any official complaint from African governments who are complicit in the recolonization of Africa by China.”¹⁸⁷

Another source of tension dividing Kenyans is the concern over potential negative environmental impacts of China's projects. Plans for the SGR require it to pass through national parks and wildlife sanctuaries in Kenya. Environmental activists were unsuccessful in stopping Phase I of the SGR from cutting through Tsavo National Park, and it seems unlikely they will succeed in preventing Phase II from traversing Nairobi National Park.¹⁸⁸ In 2017, Kenya's National Environmental Tribunal ordered companies to cease construction of the SGR until a full environmental impact report was completed but Kenyan and Chinese firms ignored the directive.¹⁸⁹ The effects of rapid construction are already being felt. The Senior Warden for Nairobi National Park reported in February, 2019 that the park had shrunk by 580 acres due to the SGR.¹⁹⁰ Critiquing Chinese companies for lax environmental standards is nothing new. But Kenya similarly has a history of environmental destruction in the name of economic development. The seeming disregard for Kenya's rich and diverse natural landscape is reinforcing concerns that China is no different from the colonial powers of Kenya's past.

Responding to these challenges, China has focused efforts on cultural exchanges among China and African countries hosting the BRI. One controversial example, is the spread of Confucius Institutes. These predate the BRI, but they have proliferated in recent years. Confucius

¹⁸⁷ Perlez, Jane. “With Blackface and Monkey Suit, Chinese Gala on Africa Causes Uproar.” *The New York Times*, February 16, 2018. <https://www.nytimes.com/2018/02/16/world/asia/china-africa-blackface-lunar-new-year.html>. Accessed February 28, 2019.

¹⁸⁸ Ombuor, Rael. “Environmentalists in Kenya Protest China-Backed Railway Construction.” *VOA News*, March 1, 2018. <https://www.voanews.com/a/environmentalists-in-kenya-protest-china-backed-railway-construction/4275964.html>. Accessed February 28, 2019.

¹⁸⁹ Ombuor.

¹⁹⁰ Kairu, Pauline. “Disaster looms as humans, industries choke life out of park.” *The Daily Nation*, February 16, 2019. <https://www.nation.co.ke/news/Humans-industries-choke-life-out-park/1056-4984422-p0iqik/index.html>. Accessed February 28, 2019.

Institutes are government-sponsored educational centers meant to spread understanding of Chinese language and culture. Many countries, particularly the United States, warn that Confucius Institutes are a propaganda arm for the CPC. Though the current number of Confucius Institutes in Africa is 48, far lower than France's 130 cultural institutes.¹⁹¹ China has also helped develop Mandarin programs across the continent. In Kenya, Mandarin will be offered to elementary school students beginning in 2020. Additionally, China has ramped up its scholarships to Kenyan students to attend university in China. Between 2003 and 2015 the number of African students attending university in China increased from 2,000 to 50,000 making China a more popular destination for these international students than the United States.¹⁹² Other cultural exchange initiatives include a "Chinese Spring Festival Gala" held at the University of Nairobi in March, 2018. The Gala was presented as an opportunity to introduce Kenyans to traditional Chinese culture. It is difficult to gauge the impact these programs will have on BRI's success in Kenya. They do demonstrate, however, China's concerted effort to brand themselves as a benign power.

American Response

As previously noted, the United States has been vocal and ardent in its warnings against the Belt and Road Initiative. Its ability to respond is constrained by an electorate less inclined to interfere abroad, a widening economic deficit, and a President who has focused his policy

¹⁹¹ Lijadu, Kemi. "China's language and cultural centers are growing faster across Africa than we thought." *Quartz*, August 11, 2018. <https://qz.com/africa/1351749/chinas-confucius-institutes-in-africa-spread-mandarin-culture/>. Accessed March 23, 2019.

¹⁹² Breeze, Victoria and Nathan Moore. "China has overtaken the US and UK as the top destination for anglophone African students." *Quartz*, June 30, 2017. <https://qz.com/africa/1017926/china-has-overtaken-the-us-and-uk-as-the-top-destination-for-anglophone-african-students/>. Accessed March 23, 2019.

towards China on generating a trade war and going after Huawei. Even so, the foundation for a coordinated response to the BRI in Africa has taken shape. While the United States is certainly on notice regarding the CPEC and the BRI in other regions, it seems that special attention is getting paid to developments in Africa. One reason may be that the United States has traditionally had a large economic influence in sub-Saharan Africa, especially compared to China. Yet with BRI as part of a broader push by China to strengthen ties to African nations, the tides are beginning to turn in China's favor, to the great displeasure of U.S. policymakers. Moreover, some American foreign policy analysts see African nations as particularly susceptible to Chinese influence. An analyst at The Heritage Foundation succinctly captured this view when he wrote: "Chinese interference in African countries' domestic affairs frequently advances illiberal goals opposed to U.S. interests that are also detrimental to most Africans, and its meddling is likely to continue and be effective."¹⁹³ With this being the attitude adopted by many in the U.S. government, a series of initiatives have recently launched to counter China's growing role in Africa.

In March, 2018 the U.S. Congress' Foreign Affairs Committee hosted a hearing before the subcommittee on Africa, Global Health, Global Human Rights, and International Organizations entitled "China in Africa: The New Colonialism?"¹⁹⁴ Though the reports prepared for the hearing are clearly intending to cast China in a nefarious light, they do offer helpful insights into how American policymakers view Africa's budding relationship with China as well as some of the initial impacts. In the opening statements, Committee Chairman Christopher Smith, a congressman from New Jersey, called BRI "designed to benefit China and, ultimately,

¹⁹³ Meservey.

¹⁹⁴ A full copy of the statements issued during the hearing can be accessed through the Government Publishing Office at <https://www.govinfo.gov/content/pkg/CHRG-115hhrg28876/pdf/CHRG-115hhrg28876.pdf>.

help it project power.”¹⁹⁵ Using the Confucius Institutes as evidence he further stated that “whereas the U.S. emphasizes good governance, it suits China’s interest to train its partners in old-style Leninism.”¹⁹⁶ Representative Smith argued that Kenya had already demonstrated the harm of being indebted to China when they raised import taxes to pay for the Standard Gauge Railway. These raised taxes also affected the price and availability of HIV/AIDs medication among other “lifesaving commodities.”¹⁹⁷ There is a clear consensus from the nearly 100 pages of testimony: China has imperial ambitions in Africa which are a direct threat to the economic, security, and ideological interests of the United States.

In a testament to the unease that Belt and Road has caused to American legislators, the U.S. House and Senate recently passed legislation to boost economic development ventures abroad. The bipartisan Better Utilization of Investment Leading to Development (BUILD) Act was passed in October, 2018 to “facilitate the participation of private sector capital and skills in the economic development of countries with low- or lower-middle-income economies.”¹⁹⁸ The Act creates a new development finance institution (called the USIDFC) which will complement and expand on OPIC, the existing American international development financing institution. The new USIDFC has more than double OPIC’s budget for investments, does not require borrowers to use U.S. investors, and will be able to make equity investments.¹⁹⁹ In short, the BUILD Act is the United States’ free-market response to Belt and Road. The legislation also represents a

¹⁹⁵ Statement by Representative Charles Smith in “China in Africa: The New Colonialism?” Washington, D.C: *House of Representatives, Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations, Committee on Foreign Affairs*, March 7, 2018. Pp. 1.

¹⁹⁶ Smith, 2.

¹⁹⁷ Smith, 3-5.

¹⁹⁸ “S.2463 - BUILD Act of 2018.” *United States Congress*, 2018.

<https://www.congress.gov/bill/115th-congress/senate-bill/2463>. Accessed March 23, 2019.

¹⁹⁹ Runde, Daniel F. and Romina Bandura. “The BUILD Act Has Passed: What’s Next?” *Center for Strategic and International Studies*, October 12, 2018. <https://www.csis.org/analysis/build-act-has-passed-whats-next>. Accessed March 23, 2019.

dramatic change from the foreign policy President Trump campaigned on. As part of his dual promise to cut foreign aid and be less interventionist, reports surfaced early in his tenure that Trump was considering cutting OPIC altogether.²⁰⁰ Less than two years later, the United States had formed a companion to OPIC, increasing the amount of money it would invest abroad. The USIDFC will have a global portfolio, not specific to Africa or Kenya. But shortly after BUILD was signed, National Security Advisor John Bolton launched the “Prosper Africa Initiative,” demonstrating that the United States is uniquely focused on countering China’s influence there.

Few details have emerged about the Prosper Africa Initiative in the months since it was announced. No specific goals have been outlined other than promising to increase unilateral investment in the continent by an unspecified amount. Response to the Initiative has been mixed both in the U.S. and in African nations. Many policy analysts applauded the Trump Administration for providing an alternative to BRI on the continent and focusing American attention (and dollars) on Africa, a region that is not typically a U.S. priority.²⁰¹ A Brookings Fellow specializing in Africa called it “one of the most business-friendly US-Africa policies in recent times.”²⁰² Yet Prosper Africa’s messaging was muddled by Bolton’s threat to cease funding for United Nations peacekeeping missions on the continent.²⁰³ Additionally, in the most recent budget proposal the Trump Administration indicated they would cut aid to many African countries. Aid for Kenya is slated to get slashed by over 60%, including cuts to programs

²⁰⁰ Saldinger, Adva. “Inside the fight for OPIC reauthorization.” *Devex*, February 21, 2017.

https://www.devex.com/news/inside-the-fight-for-opic-reauthorization-89612?utm_source=article&utm_medium=88888&utm_campaign=line. Accessed March 24, 2019.

²⁰¹ “Prosper Africa: United States launches new policy, criticises China and Russia.” *Africa News*, December 14, 2018. <https://www.africanews.com/2018/12/14/prosper-africa-united-states-launches-new-policy-criticises-china-and-russia/>. Accessed March 24, 2019; Landler, Mark and Edward Wong. “Bolton Outlines a Strategy for Africa That’s Really About Countering China.” *The New York Times*, December 13, 2018. <https://www.nytimes.com/2018/12/13/us/politics/john-bolton-africa-china.html>. Accessed March 24, 2019.

²⁰² Adegoke, Yinga. “Trump’s focus on Africa might be about China but that could be a good thing.” *Quartz*, December 17, 2018. <https://qz.com/africa/1497073/trumps-china-focus-will-help-his-africa-policy/>. Accessed March 24, 2019.

²⁰³ Landler and Wong.

intended to stop the spread of HIV/AIDs.²⁰⁴ This is only a preliminary budget proposal, and many American lawmakers signaled they would not support a bill with such drastic cuts to foreign aid. Even so, the mixed messages do not help make the United States seem like it is waging a legitimate challenge to Belt and Road in Africa. As a former foreign policy advisor to President Obama put it, ““Washington needs to understand that China is investing in relationships, not just infrastructure.”²⁰⁵

Kenya Case Study - Conclusion

Kenya makes is a much smaller part of Belt and Road than Pakistan. Yet in some ways, the Initiative’s success (or failure) there has larger implications. Critics see the BRI in Kenya as a neocolonial venture. They warn that through partnering with China, Kenya is descending on a slippery slope that will end in corruption, reduced governance standards, and a population indoctrinated to support the CCP. At the same time, others view the BRI as an opportunity to fund critical infrastructure in Kenya during a time when the United States and other Western lenders have pulled back on their international development programs. Moreover, the BRI seems to have motivated the United States to refocus its attention on development in Africa.

BRI’s first project in Kenya, the Standard Gauge Railway, debuted with mixed results. There are well-founded concerns over the economic value of the project. Though a definitive answer to whether the railroad is worth the cost will not be available until it is completed. Though Chinese projects are not at any direct threat of violence as in Pakistan, it is clear that

²⁰⁴ Kelley, Kevin J. “Trump’s proposed budget slashes funding to Kenya.” *The Citizen*, March 13, 2019. <https://www.thecitizen.co.tz/News/Trump-s-proposed-budget-slashes-funding-to-Kenya/1840386-5023112-ufnrxr4z/index.html>. Accessed March 24, 2019.

²⁰⁵ Landler and Wong.

China will have to work to gain the trust of Kenyans. The reports of racist incidents on construction sites in Kenya in addition to the faux pas during the 2018 Lunar New Year TV Gala do not help to paint China as a benign economic partner. Yet it should be noted that the United States has had its own racist blunders with regards to Africa. President Trump famously referred to African nations using a profane epithet. And during a tour of Kenya, Melania Trump came under fire for her tone-deaf fashion choices, which echoed popular dress of European colonialists.²⁰⁶

The academic and political conversations surrounding Belt and Road in Kenya tend to wrongfully portray the Chinese as tricking Kenya into these contracts. When in reality Kenya has sought out the Chinese investment and eagerly welcomed the aid. This counterview was expressed in one of the statements presented to the U.S. Foreign Relations Committee: “It may be convenient to argue that China's presence is neocolonial, but that fails to consider African agency in determining the scope and scale of their relations with China. China's strategy is rooted in its imperative to access resources and markets and to appear to be a responsible global power. Conversely, African leaders want to use China's presence in their nations to boost their political legitimacy both domestically and internationally.”²⁰⁷ Thus developing stronger ties with China remains mutually beneficial to China and many African nations. Until the United States, or any other country, can prove that China is causing lasting damage with the BRI, it is highly unlikely that recipient countries in need of FDI, such as Kenya, will back out of contracts.

²⁰⁶ Rogers, Katie. “Melania Trump Raises Eyebrows in Africa With Another White Hat.” *The New York Times*, October 5, 2018. <https://www.nytimes.com/2018/10/05/world/africa/melania-trump-pith-helmet.html>. Accessed March 24, 2019.

²⁰⁷ Statement by Anita Plummer in “China in Africa: The New Colonialism?” Washington, D.C: *House of Representatives, Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations, Committee on Foreign Affairs*, March 7, 2018. Pp. 45.

Conclusion

The Belt and Road Initiative's progress—in Pakistan, Kenya, and beyond—will continue to be closely watched by policymakers and analysts around the world. Though news breaks about BRI every day, the case studies in this paper provide higher level insights into BRI. The first, is that for the time being China is committed to this project regardless of the obstacles. Whether it is separatist violence against Chinese workers and the projects, or cold feet from recipient countries, or challenges from other superpowers, China has remained committed to seeing the projects through to completion. This may simply be unbridled optimism, but more likely it suggests that China sees the continued value in BRI, despite setbacks.

Yet both Pakistan and Kenya demonstrate that there are systemic issues undermining the success of BRI. The problem of debt sustainability looms over every BRI project, and Pakistan and Kenya are not exceptions. Pakistan came to the brink of default when it ran to the IMF for support. Yet in the intervening months, both the IMF and Saudi Arabia have committed to supplying aid, signaling that CPEC will be able to continue as planned. In both Pakistan and Kenya, work remains to be done to convince local populations that the Initiative will distribute benefits widely. Otherwise, China runs the risk of falling out of favor with recipient countries. Though Pakistan demonstrates that a skeptical new Prime Minister can be convinced of BRI's merits. Finally, there are factors working against BRI that are larger than the project itself. One is the overall deceleration of the Chinese economy.²⁰⁸ Another, is the existential risk CPEC faces should a war break out between India and Pakistan. Through BRI China is exposing itself to

²⁰⁸ Shane, Daniel. "China's slowdown is 'self-inflicted,' not caused by Trump's tariffs: Yale's Stephen Roach." *CNN*, February 11, 2019. <https://www.cnn.com/2019/02/11/business/china-economy-growth-data/index.html>. Accessed March 26, 2019.

great geopolitical risk. Only time will tell whether there is a threshold of security and economic risk China is unwilling to cross in pursuit of BRI.

Neither Pakistan nor Kenya give clean answers to the question concerning economic statecraft. There are definite signs pointing towards a broader geopolitical strategy that China is hoping to accomplish with BRI. In Pakistan, China's actions in Kashmir could be seen as a fortification of the region; the Gwadar Port is strategically placed on the Indian Ocean and could someday be used for China's growing naval power. Neither of these has goals has manifested itself, however. The concerns about BRI's impact in Kenya and Africa at large are of much subtler methods of economic statecraft. Through the Confucius Institutes, and trapping leaders in monumental debts, China will indoctrinate states into tacitly supporting controversial activities such as the One China policy and the crackdown in Xinjiang. As the argument goes, if nations move to prefer a Beijing model for development, democratic ideals and free-market policies will be abandoned in the name of easy capital flow from Beijing. Yet the Pakistan and Kenya case studies do not entirely support these slippery slope conclusions regarding the Belt and Road Initiative. Neither country has ever recognized Taiwan as independent, so Belt and Road is unlikely to produce a change in their positions on the One China policy that is more in favor of Beijing.²⁰⁹ No evidence has surfaced to suggest that China has leveraged Pakistan's or Kenya's BRI debts for geopolitical purposes.

Despite some countries considering renegotiating their contracts with the Chinese, overall the BRI is poised to proceed as planned. Recent news broke that showed the BRI is even

²⁰⁹ Not only does Kenya not recognize Taiwan, but the country has come under criticism in the past for forcefully deporting Taiwanese dissidents to Mainland China; Kuo, Lily. "Kenya is the latest battleground for China's supremacy over Taiwan." *Quartz*, April 12, 2016. <https://qz.com/africa/659986/kenyan-police-used-tear-gas-and-assault-rifles-to-force-37-taiwanese-on-a-plane-to-china/>.

beginning to make headway in Western nations. On March 23, 2019, Italy became the first G7 country to join the Initiative, signing several contracts worth billions of dollars. While Italian leaders proudly announced the plan, their counterparts in Europe and the United States warned they were letting a “Trojan Horse” into the continent.²¹⁰ Italy’s decision to join in the face of criticism from its allies demonstrates the extent to which the BRI remains an attractive economic prospect. Only time will tell whether or not the BRI is eventually revealed to be a nefarious geopolitical plot. For now, countries around the globe are welcoming the Belt and Road Initiative, defying Washington D.C. in favor of Beijing.

²¹⁰ Horowitz, Jason. “Defying Allies, Italy Signs On to New Silk Road With China.” *The New York Times*, March 23, 2019. <https://www.nytimes.com/2019/03/23/world/europe/italy-china-xi-silk-road.html>. Accessed March 26, 2019.

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http://www.xinhuanet.com/english/2018-11/04/c_137581441.htm.
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